EAST AFRICAN COMMUNITY

EAC AFRICAN GROWTH OPPORTUNITY ACT (AGOA) STRATEGY 2015 –2025

"Harnessing the power of EA unity to transform doing business with U.S.A"

EAC SECRETARIAT
ARUSHA, TANZANIA
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ABBREVIATIONS AND ACRONYMS

AGOA	African Growth and Opportunity Act
ASEAN	Association of South East Asian Nations
AWEP	Africa Women Entrepreneurs Program
BOT	Balance of Trade
COMESA	Common Market for Eastern and Southern Africa
EBA	Everything But Arms
EABC	East Africa Business Council
EAC	East African Community
EACJ	East Africa Court of Justice
EATIH	East Africa Trade and Investment Hub
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
EPS	Export Promotion Strategy
EPZ	Export Processing Zone
EU	European Union
EXIM	Export-Import
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
NAFTA	North America Free Trade Area
NEPAD	New Economic Partnership for African Development
NTB	Non Tariff Barriers
PPP	Public Private Partnership
PSs	Partner States
R&D	Research and Development
REC	Regional Economic Communities
SADC	Southern Africa Development Community
SG	Secretary General
SMEs	Small and Micro Enterprises
STM	Synchronous Transport Module
TIFA	Trade and Investment Framework Agreement
TIP	Trade and Investment Partnership
TPO	Trade Promotion Organization
TRQ	Tariff Rate Quota
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development

USTR	United States Trade Representative
WTO	World Trade Organization

FOREWORD

Promotion of external trade and attracting investment is one of the key priorities of theEast African Community (EAC). EAC Partner States have been trading with other nations in all corners of the world from time immemorial. The regional countries have indeed been trading with the United States of America (U.S.) for centuries. The commercial and investment relationship between the U.S. and Sub-Saharan Africa (SSA) countries was, however, redefined in a fundamental way in the year 2000 when the then President Clinton signed into law the African Growth and Opportunity Act (AGOA). This Act opened duty and quota free access into the U.S. market for approximately 6,400 tariff items from SSA countries. AGOA is non-reciprocal arrangements aimed at spurring the development of beneficiary countries as well as improve their democratic governance and observance of human rights. After receiving successive extensions, AGOA was reauthorized by the U.S. Congress for a further ten years in June 2015. This has been the longest reauthorization that the Program has received so far. All the five EAC Partner States are AGOA eligible.

The EAC Partner States have demonstrated varying capacities in the utilizations of the AGOA Program. However, there is a huge gap between the trade and investment opportunities offered by the vast U.S. market and utilization by any of the Partner States. Alive to this reality, all the Partner States have embarked on developing country-specific AGOA strategies. From the EAC perspective, it would be more beneficial for the Partner States to build synergies and trade as a bloc in order to tap into the AGOA opportunities. Besides, the reauthorized AGOA is strong on advocacy for regional integration. The EAC has, therefore, taken the lead in the development of an EAC-AGOA Strategy under the theme***"harnessing the power of EA unity to transform doing business with U.S.A."***The Strategy builds on the EAC Development Plan (2011/12 to 2105/16), the EAC Export Promotion Strategy (2013 – 2016) and the EAC Industrialization Policy (2012 to 2032) among other policy blueprints.

The implementation of this Strategy therefore, takes cognizance of the practical realities in the Partner States and the region with respect to constraints and challenges in doing business with the U.S. At the same time, theStrategy identifies existing potentials and capacities that would lead to more, diversified and value-added goods being exported into the U.S. while escalating the inflow of direct investments from the U.S. and other parts of the world. The Strategy is intended to enhance the synergy among the Partner States in a bid to develop EAC as a single destination for investments and single source for exportable goods,taking into account the ongoing initiatives under the EAC Common Market Protocol and the numerous projects and programs that have been undertaken, or are underway under the EAC Customs Union Protocol.

An implementation matrix has been developed utilizing the logical framework approach and is attached herein as *Annex 1*. The implementation framework takes a multidimensional approach and deeply seeks to involve all the major players in trade relationships i.e. the Governments (Partner States and the U.S.), the Private Sector (in the region and the U.S.), the EAC Secretariat and trade facilitators.

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Arusha, May, 2016

EXECUTIVE SUMMARY

0.1 The EAC-AGOA Strategy is geared toward greater utilization of the trade and investment advantages that are available in the African Growth and Opportunity Act (AGOA) by the region and Partner States. Though trade and investment relationships between EAC and the U.S. have existed for several decades, they received a boost when in the year 2000, the U.S. Congress authorized the AGOA. AGOA is a duty and quota free preferential trade arrangement that currently opensthe U.S. market to approximately 6,400 product tariff lines from Sub Saharan Africa Countries. AGOA was to lapse in September 2015. However, in June 2015, the U.S. Congress reauthorized the Program for a further ten years, paving way for a seamless continuity. The reauthorized Program has added features that make AGOA even more attractive.

0.2 The first fifteen years of AGOA were a mixed basket of fortunes for the EAC Partner States. While Kenya made reasonable utilization of the Program, the other States were quite below par in actual performance. Indeed none of Partner States utilized the Program to the optimum. Thereexists a huge gap between potential for exporting to the U.S. market and attracting investment and actual performance. For this reason, the Partner States have embarked on formulating country-specific AGOA strategies.

0.3 In line with the philosophy and spirit of regional integration and informed by the increased emphasis by the reauthorized AGOA on engagement through regional economic communities, the EAC Secretariat embarked on the formulation of an EAC-AGOA Strategy in June 2015. The strategy formulation process involved detailed review of relevant secondary material and participatory stakeholder engagements across the Partner States. The Draft Strategy was taken through several iterating reviews and validation before it was approved by the EAC Sectoral Council on Trade, Industry, Finance and Investment on 27th May 2016.

0.4 The EAC-AGOA Strategy seeks to develop synergies between Partner States and the U.S. Governments, EAC Secretariat, EAC and the U.S. private sector players and support organizations to implement strategic interventions that would lead to increased trade volumes, diversity of goods, value addition and investments. In this Strategy, public sector institutions will play a facilitative role while the centerpiece of utilization will be the responsibility of the private sector.

0.5 The **vision** of the EAC-AGOA Strategy is "*to become a region that is a globally competitive and dynamic exporter to the U.S. market and the world"* while the **mission** is *"To position EAC as the leading competitive exporter of diversified and value added goods to the U.S.A and globally".* Four main objectives with concomitant strategies and actions have been formulated as the means of realizing the essence of this strategic plan. The objectives are:

1) To increase production and export of tradable products
2) To diversify products exported to the U.S.A from the region
3) To intensify value addition

4) To promote investment

0.6 The Strategy envisages capacity building; environmental conservation; women and youth; equity of sharing resources by partners and communication as the main cross-cutting issues.

0.7 A robust monitoring and evaluation (M&E) system has also been designed into the EAC-AGOA Strategy. Due consideration has been made to ensure that the mechanism:is participatory; simple and efficient; supplies information which can immediately guide adjustment of planning and implementation of the Strategy and improve the effectiveness and efficiency of delivery of the proposed interventions; and it is economically and institutionally sustainable. Progress monitoring will entail quarterly progress monitoring, bi-annual progress reporting and annual reviews. Evaluations will entail a baseline survey, ex-ante and ex-post evaluations.

0.8 A two-tier implementation structure has been proposed for effective delivery of this Strategy. The upper tier will embrace the organs of the EAC while the lower tier will revolve around the Partner States' ministries responsible for trade and EAC affairs. At both levels, the involvement of the private sector is crucial.

0.9 Implementation of the proposed Strategy will involve a number of stakeholders: Partner States and the U.S. Governments, EAC Secretariat, EAC and the U.S. private sector players and their associations, and trade and investment facilitators.

10. The Strategy offers suggestion on how to raise finances for its implementation. It's estimated that successful implementation will require approximately **U.S.$ 57,841,000.** An exit strategy is also proposed.

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND ON EAST AFRICAN COMMUNITY (EAC)

In the last twenty-five years, the East Africa (EA) sub-regional states of Kenya, Tanzania and Uganda have been making concerted efforts aimed at achieving full economic, social and political integration under the aegis of the East African Community. Rwanda and Burundi have joined the trio and the wheel of integration has been gaining momentum with time. The East African Community (EAC) is thus the regional intergovernmental organization of the Republic of Burundi, Republic of Kenya, Republic of Rwanda, Republic of Uganda, and the United Republic of Tanzania. The Vision of EAC is *"a prosperous, competitive, secure, stable and politically united East Africa"*; and the Mission is "to widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments." EAC Partner States cover an area of 1.82 million square kilometers with a combined population of 150 million people and Gross Domestic Product of U.S.$49,515.2 million (EAC Facts and Figures 2013). In 2010, the EAC launched its own common market for goods, services, labor and capital within the region. This development essentially rendered the EAC to trade amongst itself and with the rest of the world as a bloc. Currently, the major stage in the East African integration process is the Monetary Union aimed at making it possible for a single monetary currency in EA by 2024. Ultimately a political federation is anticipated.

1.2 KEY EAC INTEGRATION PILLARS

The broad goals of the EAC are to: consolidate and complete the EAC Customs Union; establish the Common Market; lay the foundation for Monetary Union and an EA Political Federation; enhance the productive capacities and infrastructure development; build capacity and develop institutions; and widen stakeholder involvement and empowerment.

Steady progress has been recorded towards the achievement of the EAC Customs Union. This has resulted in diversification of product range, improved market access, and business activities for the region's SMEs; increased awareness of EAC integration agenda; negotiating common external trade policy as a bloc; accessibility to cross-border resources and Foreign Direct Investments (FDIs); wider stakeholder involvement and enhanced government revenues among others.

The Common Market Protocol has been successfully concluded and ratified. With the Protocol in place, it means that the EAC Partner States maintain a liberal stance towards the four Freedoms of movement for all the factors of production and two Rights between themselves. These include: Free Movement of Goods; Free Movement of Persons; Free Movement of Labour/Workers; Right of Establishment; Right of Residence; Free Movement of Services; and Free Movement of Capital. The Protocol has resulted in increased cross border student exchange, alternative methods of mobilizing additional development resources from the stock markets, joint sporting activities, and free movement of natural persons and labor.

The East African Monetary Union (EAMU) Protocol was adopted in accordance with the EAC Treaty and signed on 30th November 2013. It lays groundwork for a monetary union within 10 years and allows the EAC Partner States to progressively converge their currencies into a single currency in the Community. In the run-up to achieving a single currency, the EAC Partner States aim to harmonize monetary and fiscal policies; harmonize financial, payment and settlement systems; harmonize financial accounting and reporting practices; harmonize policies and standards on statistical information; and, establish an East African Central Bank.

The Political Federation is the ultimate goal of the EAC Regional Integration. It is provided for under Article 5(2) of the Treaty for the Establishment of the East African Community and founded on three pillars: common foreign and security policies, good governance and effective implementation of the prior stages of Regional Integration. Following a decision by the EAC Heads of State in August 2004 a Committee to fast-track the EAC Political Federation was established. As a result of the work of the Committee, the office of Deputy Secretary-General responsible for Political Federation was established in 2006 to coordinate this process. The process of attaining a Political Federation continues.

Some of the key achievements in the EAC integration process include the establishment of the core regional institutions including the EA Parliament and the EA Court of Justice that are linked to national frameworks.

The process of EAC integration has faced a number of challenges including: (1) budgetary constraints; (2) mismatch between regional and Partner States'development planning and aspirations; (3) inadequate national level capacities to domesticate regional policies; (4) supply side constraints; (5) weak legal, regulatory, dispute settlement and enforcement mechanisms; (6) weak institutional infrastructure; and (6) lengthy decision making systems and processes.

1.3 AGOA IN A NUTSHELL

The African Growth and Opportunity Act (AGOA) is part of the Trade and Development Act 2000, passed by the American Congress in 2000. AGOA currently extends non-reciprocal duty and quota free access to approximately 7,000 tariff line items for products from the Sub Saharan Africa (SSA) into the United States of America (U.S. Market). It also promotes development and economic cooperation between the U.S. and SSA. The purpose of AGOA is to foster economic and political development in Sub–Saharan Africa countries by expanding access to U.S. trade and investment markets, thereby leading to long-run prosperity based on free markets and more democratic governments. The specific objectives of AGOA are to: (1) promote increased trade and investment between the United States and Sub–Saharan Africa countries; (2) promote economic development and reforms in Sub–Saharan Africa; and (3) promote increased access and opportunities for U.S. investors and businesses in Sub–Saharan Africa. AGOA has become the centerpiece of the U.S. trade and investment policy for Sub-Saharan Africa as well as an important plank in the American foreign policy on Africa. The Act offers opportunities with a wide variety of economic and welfare effects. It is, however, the onus of eligible countries to create an enabling environment to strengthen and expand trade and investment prospects. All the EAC member countries are AGOA-eligible[1].

Since its enactment, AGOA, and its supporting provisions, has undergone several amendments, extensions and expansions. The recent AGOA legislation expired on September 30th, 2015. On 29th June 2015, the U.S. President assented to the "Trade Preferences Extension Act of 2015," which includes reauthorization of the African Growth and Opportunity Act (AGOA). With this action, the U.S. Government sought to reaffirm the "centerpiece," as well as enduring bipartisan consensus for stronger commercial ties with the SSA region. The action ensures a seamless continuation as well as deepening of the AGOA Program.

According to an Article by the Brookings Institution[2], the AGOA Act 2015 has important implications especially for the East African Community Partner States' beneficiaries and their counterparts in the U.S. Among the salient features are the following:

1. AGOA reauthorization extends the program to September 30th, 2025—a 10-year time horizon, which crucially also includes reauthorization of the third-country fabric program for the same period. Together, these provisions stand as the longest extension

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[1]On 30 October 2015, the President of the United States issued a notification to Congress of his intent to terminate the designation of the Republic of Burundi (Burundi) as a beneficiary sub-Saharan African country under AGOA with effect from 1 January 2016.

[2]AGOA Moves Forward: Reviewing Last Week's Reauthorization in The U.S. Senate; Schneidman, W and Westbury, A;*Africa in Focus;* African Growth Initiative, Brookings Institution; May 20, 2015

the Act has ever received. The long term extension removes uncertainties and provides needed stability and predictability required for beneficiary countries to utilize AGOA more effectively. Businesses and countries can now strategize for long-term investment decisions.

2. The Act provides increased flexibility with and advance warning for a country whose eligibility is in question. In addition to an annual review and request for public comment on whether beneficiary countries conform to the eligibility criteria, the President (of the United States) now must also provide the country in question a 60-day warning if its preferences are to be withdrawn. The U.S. President has the flexibility of preserving the benefits accruing to the people (e.g. jobs), while pursuing more focused actions against the interests of those perpetrating political instability and human rights abuses.
3. The Act has a focus on agriculture and women:This AGOA renewal recognizes the critical role of the agricultural sector and specifically mandates support to "businesses and sectors that engage women farmers and entrepreneurs."
4. The future AGOA is a movement toward reciprocal trade agreements. This ultimately removes unilateralism and fosters a more mutually beneficial trade relationship.
5. The AGOA reauthorization seeks to address the issue of poor utilization by requiring participating countries to develop and publish "utilization strategies," which designate the sectors in which each country believes it can be competitive and how it plans to take advantage of this potential.

The above issues reinforce the importance of developing country-specific and regional strategies that would yield maximum benefits from the program. There are, however, some issues that are important that are yet to be determined. These include:

1. The AGOA Act pledges to support regional integration but it does not articulate or commit what the United States would do to support this process.
2. There are still many areas where more could be done in allocating additional quotas for agricultural exports to AGOA-eligible countries. These areas mostly relate to import sensitivities and tariff rate quotas, in such products as sugar and cotton,where Africa could gain the most in relation to expanded trade with the U.S.

It is, therefore, important for Sub Saharan Africa countries and EAC Partner States in particular, to put in place strategies and programs that will enable them to take maximum advantage of the AGOA reauthorization and continue to engage their U.S. counterparts on the issues that are yet to be determined.

1.4 JUSTIFICATION FOR THE EAC-AGOA STRATEGY

The EAC Partner States and the Secretariat views the AGOA initiative as a special vehicle that would help to reduce poverty and stimulate economic growth through job creation in the region that needs to be converted into concrete advantage. According to the EAC, reports show that AGOA exports have continued to grow with positive impact on U.S. trade and investment relations with Sub-Saharan Africa. Thousands of jobs have been created and incomes enhanced in some of the eligible and participating countries. However, many countries that qualify for the Program are still far from meaningfully participating in order to reap the benefits from the trade preferences offered. In fact, the U.S. market demands quality standards that must be strictly complied with, quantity and timely delivery, and consistency of delivery throughout the year. To meet these and other requirements, tremendous efforts need to be deployed with regard to organization, industrialization, investments, capacity building, and promotion of a new culture of production. In addition, logistics, transport, transit and other administrative issues need to be revisited to expedite all the processes.

For these and other reasons, utilization by majority of the EAC Partner States over the last fifteen years in which the AGOA Program has been in existence has been lackluster at best (see Table 1 below)

Table 1: EAC Partner States' AGOA Exports (Exl GSP Exports to the United States 2005 - 2014 ($Million, Customs value)

Country	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Burundi										
Kenya	272	265	250	252	205	221	288	288	337	417
Rwanda										
Tanzania	3	3	3	2	1	2	5	10	10	17
Uganda	4	5	1	1				1		
Total	**279**	**273**	**254**	**255**	**206**	**223**	**294**	**299**	**347**	**434**

Source: USITC data, Published on **www.AGOA.info**

Note: empty fields denote '**No or negligible trade**'

The average combined annual exports from EAC Partner States were valued at U.S. $286 million per year. Moreover, it is expected that there will be renewed attention on East Africa and enhanced activities with the discovery of oil and other energy related resources as well as minerals in a number of the Partner Sates. It is for this reason that all the Partner States have formulated (or are in the process of formulating) country strategies to guide them in increasing their utilization of and benefits from AGOA.Credible studies have concluded that the five EAC Partner States have a combined annual shortfall of US$ 8.89 million of unrealized export trade with U.S. In line with the exigencies of regional integration, it is imperative for the EAC, a world leader in the regional integration process, to formulate a common strategy to proactively engage the U.S.A on trade and investment issues. The EAC-AGOA strategy would offer the following benefits to the region:

1) Reaping the benefits of economies of scale by bulking supplies from firms across the region and bulk purchase of inputs
2) Creating a platform for collective negotiation for trade and investment opportunities
3) Technology sharing between stakeholders
4) Assisting Partner States that have not previously participated in AGOA to piggyback on others that have positive experience.
5) Sharing of trade facilitation infrastructure
6) Increasing productivity and human capital
7) Accelerating the regional economic integration process.

The Strategy will take advantage of the additional provisions contained in the AGOA Act 2015 that are aimed at addressing the shortcomings of the outgoing pact. It will seek to optimize on the strong emphasis on regional integration as the basis of future commercial and investment engagement between the U.S. and Sub-Saharan Africancountries as advocated in the AGOA Act 2015. The Strategy will take cognizance of related current developments, including: the ongoing EAC-U.S.Trade and Investment Partnership (TIP) Agreement discussions;Economic Partnership Agreement (EPA) which was concluded in October 2014; and EAC-COMESA-SADC Tripartite process. In his paper entitled "AGOA Utilization 101," Prof Mwangi S. Kimenyi notes that "the issue for African countries to focus on should be strategies to increase utilization. Merely extending AGOA will not change the dismal record of utilization so far. Developing a national AGOA strategy, as has been done in Ethiopia, is an integral step toward increasing utilization. These country strategies help promote utilization by providing key information on the strengths and limitations of various. export sectors, proposing mechanisms for overcoming barriers to trade, and listing the diverse set of actors and resources available to support exporters seeking to take advantage of AGOA."[3]

The EAC-AGOA Strategy is therefore intended to catalyze and invigorate conditions that facilitate optimum utilization of benefits portended in the African Growth and Opportunity Act (AGOA). This will create the requisite conducive environment that will increase trade between EAC and the U.S. by eliminating known constraints, and facilitating growth in volumes, diversity and value addition. It will also create an enabling environment for enhanced inflow of domestic and foreign investments through actions geared to reducing the cost of doing business, knowledge sharing and targeted promotion of EAC as a choice

[3] Africa in Focus, Brookings Institution, 23rd March 2015

investment destination. The Strategy, while advocating for a strong partnership amongst the public, private and voluntary sectors, is predicated on the fact that the responsibility for actual trade and investment belongs to the private sector players.

1.5 THE PURPOSE OF THE EAC-AGOA STRATEGY

The purpose of the EAC-AGOA Strategy is consistent with the EAC Treaty and the region's development aspirations. The EAC-AGOA Strategy is the overarching guide for implementing regional level commercial ties between East Africa and the U.S. Specifically the purposes of the Strategy are to:

- provide clear and agreed upon vision, mission and objectiveof the EAC regional response to AGOA over the period 2015 to 2025;
- clearly identify priority areas and key strategies for intervention by all stakeholders including EAC Secretariat, Partner State Governments, the private sector and development partners;
- provide an implementation framework - to be reviewed annually - which guides interventions across the targeted areas of intervention by identifying specific tangible results to be delivered in each priority area, and identifying lead agencies and strategic partners responsible for implementation;
- establish a clear mechanisms for coordination, monitoring, evaluation and reporting;
- empower the private sector stakeholders to engage effectively in the regional and national response to the Strategy;
- estimate financing requirements for successful delivery of the Strategy; and
- operationalize the Region's aspirations of broadening and deepening economic relationships with the U.S. as a means of accelerating growth and development.

The EAC-AGOA Strategydoes not replace or duplicate Partner States' AGOA strategies or bilateral trade arrangements that may exist between any of the Partner States and the U.S. Rather, the Strategy provides the framework and context within which such strategies and arrangements may be enhanced through the establishment of a common approach.

1.6 FORMULATING THE EAC-AGOA STRATEGY

The process of formulating the EAC-AGOA Strategy is elaborated in *Annex 4*. Following are the highlights of the process:

- Development of the Terms of References(ToR) by the EAC Secretariat;
- Consideration of the ToR by Partner States for comments;

- Approval of the ToR by the Sectoral Council on Trade, Industry, Finance and Investment;
- Appointment of the Consultant to spearhead the process;
- Submission of an inception report;
- Field mission in Partner States (except Burundi) for stakeholder engagement. Stakeholders in Burundi were engaged through a video conference;
- Drafting of the Strategy;
- Experts review of the draft Strategy
- Validation of the draft by experts; and
- Approval of the Strategy

1.7 TIMEFRAME FOR IMPLEMENTING THE STRATEGY

The EAC-AGOA Strategy will be implemented over a period of ten years (2015 - 2025), being the duration of the current AGOA Program.

1.8 STRUCTURE OF EAC-AGOA STRATEGY

The EAC-AGOA Strategy 2015 – 2025 is structured as follows: Chapter 1 forms the introduction; Chapter 2 covers overview of EAC-U.S. commercial relationship; Chapter 3 is an analysis of the environment within which the Strategy will be implemented; Chapter 4 sets out the strategic vision, mission goal, priority areas, and key strategies; Chapter 5 describes the proposed EAC-AGOA operational framework; Chapter 6 describes the monitoring and evaluation mechanism; Chapter 7 is an analysis of assumptions and attendant risks; Chapter 8 sets out the estimated financing requirements for the Strategy, and Chapter 9 proposes an exit strategy.

Annex 1 contains the logical framework; Annex 2 provides the detailed implementation matrix; Annex 3 elaborates the detailed budget; Annex 4 is an explanation of the process of preparing the EAC-AGOA Strategy; and Annex 5 outlines the profiles of the EAC Partner States in relation to trade and investment with the U.S.

CHAPTER TWO: OVERVIEW OF EAC-U.S.A. COMMERCIAL RELATIONSHIP

2.1 U.S.A TRADE AND INVESTMENT RELATIONS WITH SUB-SAHARAN AFRICA

Trade and investment between the Sub Saharan African countries, of which EAC is a part, and the U.S. has been taking place for several decades. The following are the salient features of the U.S. trade and investment relationship with Sub-Sahara Africa:

2.1.1 Overview of U.S. Trade with Sub-Saharan Africa

Combined two-way trade between the United States and AGOA-eligible Sub-Saharan African (SSA) countries has doubled between 2001 and 2014. Peak trade flows were recorded in 2008, valued at almost $100 billion. The global financial crisis subsequently resulted in a significant contraction in SSA's exports to the United States although the period since then has initially seen a gradual recovery in trade flows, before declining again after 2011. In 2014, two-way trade was worth $50 billion, and eligible AGOA countries' trade surplus with the United States had declined to a mere $2 billion.

Exports to the U.S. by SSA countries have been dominated by extractive sectors such as oil, gas, and minerals. It is for this reason thatSSA's largest exporter by value has consistently been Nigeria which accounts for 32% (in 2013) of total exports. Angola and South Africa each account for a further 24% of the combined total exports to the U.S. There has, however, been an increase in diversity of products exported to the U.S. in the form of: transportation equipment, and apparel and textiles. Imports by the SSA countries aresimilarly concentrated, with 66% of imports from the U.S. destined to the same three countries being: South Africa (38%), Nigeria (19%), and Angola (9%). The remaining countries each account for less than 6% of U.S. exports to the region. U.S. exports to Sub-Saharan Africa are more diverse. They comprise machinery and mechanical appliances, transportation equipment, electrical machinery, mining equipment parts, automobiles and wheat.

2.1.2 U.S. Investment in Sub-Saharan Africa

Similar to trade, U.S. investment in Sub-Saharan Africa is a very small percentage of the total U.S. global investment. In year 2013, total U.S. Foreign Direct Investment (FDI) to SSA was valued at U.S.$ 61 billion. This made the U.S. the second largest source of FDI to SSA after China. The largest recipients of the FDI were Nigeria (U.S.$ 8.2 billion), Mauritius (U.S.$ 7 billion), South Africa (5.5 billion) and Ghana (3.6 billion). U.S. investment in Africa leans heavily toward extraction of natural resources (47%), manufacturing (22%), and wholesale trade (5%) Direct Investment from SSA in the U.S. was valued at U.S.$ 4.8 billion in 2012.[4].

Foreign Direct Investment (FDI) from U.S. to East African Partner States averaged U.S. $ 2.2 billion in the period 2004 to 2013 or approximately 3.6 percent of total investment in SSA. Tanzania accounted for the largest share (51.6 percent) followed by: Uganda (34.1 percent), Kenya (10.7 percent), Rwanda (3.5 percent) and Burundi (0.1 percent).

Table 2: Foreign Direct Investment inflows U.S. to EAC 2004 – 2013 (U.S. $ Million)

Year	Burundi	Kenya	Rwanda	Tanzania	Uganda	Total
2004	0	46.1	7.7	330.6	295.5	679.9
2005	0.6	21.2	8.0	935.5	379.8	1,345.1
2006	0	50.7	30.6	403	644.3	1,128.6
2007	0.5	729.1	82.3	581.5	792.3	2,185.7
2008	3.8	95.6	102.3	1,383.3	728.3	1,585
2009	0.3	115	118.7	952.6	841.6	2,028.2
2010	0.7	178.1	42.3	1,813.3	543.9	2,578.3
2011	3.3	335.3	106.2	1,229.4	894.3	2,568.5
2012	0.6	258.6	159.8	1,799.6	1,205.4	3,424
2013	68	514.4	110.8	1,872.4	1,145.4	3,711
TOTAL	16.9	2,344.1	768.7	11,301.2	7,470.8	21,901.7
% Share	0.1	10.7	3.5	51.6	34.1	100

Source: United Nations Conference on trade and Development, 2014 (Website: http://uncctadstat.unctad.org)

2.2 U.S.-SSA TRADE AND INVESTMENT UNDER AGOA

The advent of AGOA was a welcome boost to an already established commercial relationship between the U.S. and SSA. The following are some of the benefits that are attributed to the AGOA Program since it was established:

- 39 Sub Sahara African Countries qualify for benefits under the AGOA Program.
- Through the AGOA and Generalized System of Preferences (GSP) provisions, the volume, diversity and value of goods entering the U.S. market from SSA countries has increased remarkably.AGOA exports for year 2013 were valued at U.S.$26.8 billion, more than four times the amount in 2001.

[4]"U.S. – Sub Sahara Trade and Investment", An Economic Report by the International Trade Administration, US Department of Commerce, August 2014.

- Two-way trade and investment relationships have been established and nurtured between the U.S. and Sub Saharan Africa countries and businesses. Trade and Investment Framework Agreements (TIFAs) with Regional Economic Organizations and Trade, Investment and Development Cooperation Agreements have been signed with five countries under the South African Customs Union. Others include the Bilateral Investment Treatises (BITs) with six SSA Partners and implementation of Trade Africa[5]
- The increase in trade has been accompanied by increased foreign direct investment (FDIs) into SSA.
- The AGOA Program has offered SSA countries the opportunity to export a much wider range of products, thereby leading to greater diversification of product lines and concomitant diversification of their economies and attendant linkages. Leading AGOA exports categories included: crude oil ($30.1 billion), transportation equipment ($2.1 billion), minerals and metals ($865.5 million), textile and apparel ($815.3 million), agricultural products ($520.8 million), and chemicals and related products ($428.8 million). Notably there has been an increase in the value of agricultural products exported to the U.S.
- There has been substantial intervention in capacity building.
- The economic reform agenda has been reinforced and several SSA countries have improved their trading and investment climates.

A critical review of the AGOA Program reveals that the aggregate scenario does not tell the whole story. Indeed the gains by most SSA countries have been minimal at best. It has been observed that:

- Only a handful of the eligible countries are actually utilizing the Program.
- The balance of trade for the majority of eligible countries remains largely in favor of the U.S.
- Supply-side constraints have not been addressed in a concerted way, if at all. Yet, these constraints render African economies uncompetitive and therefore unable to access the U.S. markets.
- The AGOA Program is prone to economic shocks originating in the U.S. domestic economy.
- The AGOA Program has failed to spur Foreign Domestic Investments (FDIs) in a significant way with SSA remaining as the least favored destination for the U.S. FDI. This is because of perceived high risks, high setting up and compliance cost, lack of

[5]Trade Africa is President Obama's initiative announced in June 2013 that focuses on member states of EAC to double intraregional trade.

familiarity with investment opportunities, market asymmetry, dearth of data, among other factors.

- The Act has also been said to be unfair as it provides for unilateral expulsion of a country by the U.S.
- Eligible countries have continued to export primary and semi-processed commodities, undermining claims that AGOA has spurred diversification and value-addition.
- There are several non-tariff barriers including lengthy standards and compliance requirements that add to costs and a concomitant reduction of benefits.
- There are no strong African mechanisms for coordinating AGOA-related issues and follow them through with the U.S. counterparts.

2.3 REVIEW OF TRADE BETWEEN EAC PARTNER STATES AND THE U.S.A

The trading position between the EAC Partner States and the U.S.in the pre and post AGOA periods is summarized hereunder:

2.3.1 Pre-AGOA EAC Partner States Trade Performance with U.S.A.

In the period 1995 – 2000, the two-way trade in goods between EAC Partner States and the U.S. was valued at U.S. $ 472 million per annum on average. In that period, the EAC Partner States exported goods valued at U.S. $ 171 million to the U.S. per year on average. The share of the exports was distributed as follows: Kenya (62.3%), Tanzania (16.3%), Uganda (12.8%), Burundi (5.7%) and Rwanda (2.3%). In the same period, imports from the U.S. into the region were valued at U.S. $ 301 per annum on average. The imports were distributed as follows among the Partner States: Kenya (59.1%), Tanzania (19.9%), Uganda (8.3%), Rwanda (11%), and Burundi (0.8%). The trade balance was in favor of the U.S.

Table 3: EAC Partner States Trade with U.S.A: 1995-2000 ($ Million)[6]

Year	Burundi		Kenya		Rwanda		Tanzania		Uganda	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
1995	20.5	2.9	101.5	114.0	1.8	38.3	22.4	66.2	13.4	22.1
1996	2.1	2.2	106.4	104.6	8.7	37.3	18.9	50.4	15.9	17.2
1997	13.8	0.5	113.9	225.6	4.0	35.0	26.6	64.9	37.6	35.2
1998	7.7	4.9	98.5	198.9	4.0	21.7	31.7	67.0	15.1	29.8
1999	6.3	2.8	106.4	189.0	3.9	47.5	35.4	68.6	20.2	25.0
2000	8.1	1.7	110.2	237.5	5.0	19.1	32.3	44.6	29.0	28.3

[6]*NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified.Details may not equal totals due to rounding.*

Year	Burundi		Kenya		Rwanda		Tanzania		Uganda	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total	58.5	15	636.9	1069.6	27.4	198.9	167.3	361.7	131.2	157.6
Annual Average	9.8	2.5	106.5	178.3	4.6	33.2	27.9	60.3	21.9	26.3
Average two-way	12.3		284.8		37.8		88.2		48.2	
% share	2.6		60.4		8.0		18.7		10.2	

Source: U.S. National Census. Bureau, Analysis by the EAC-AGOA Strategy Consultant

2.3.2 Post AGOA EAC Trade Performance with the U.S.

Total two-way trade between the EAC and U.S. has increased from U.S. $514 million in 2000 to U.S. $2,775 million in 2014. In the same period, exports to U.S. from the EAC increased from U.S. $186 million to U.S. $743 million while imports increased from U.S. $328 million to U.S. $2,007 million respectively. The average annual value of exports was U.S. $ 419.4 million while imports were valued at U.S. $ 800.2 on average(see tables2 and 3 below).

Figure 1: Exports by EAC Countries to the U.S. in Millions of U.S.Dollars

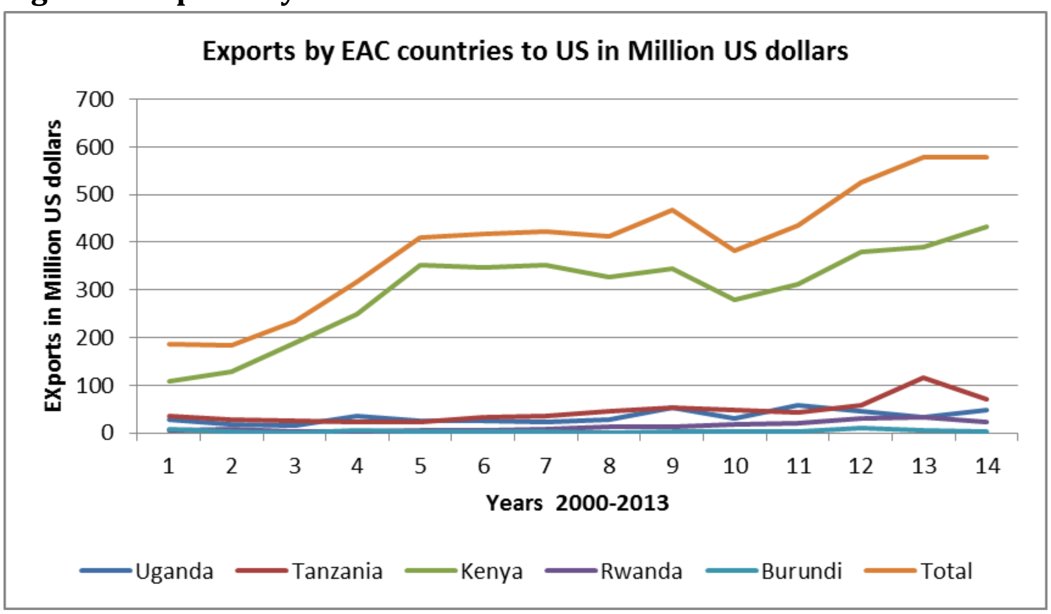


Table 4: Total Exports by EAC Countries by value ($Million)

Year	Uganda	Tanzania	Kenya	Rwanda	Burundi	Total
2000	29	35	109	5	8	186
2001	18	27	129	7	3	184
2002	15	25	189	3	1	233
2003	35	24	249	3	6	317

Year	Uganda	Tanzania	Kenya	Rwanda	Burundi	Total
2004	26	24	352	5	3	410
2005	26	34	348	6	4	418
2006	22	35	353	9	2	421
2007	27	46	326	13	1	413
2007	53	54	344	14	3	468
2009	30	49	280	19	4	382
2010	58	43	311	21	3	436
2011	46	58	380	31	10	525
2012	34	116	390	33	5	578
2013	47	70	432	24	4	577
2014	46	86	591	41	4	768
Total	512	726	4,783	234	61	6,316
Annual Average	36.6	48.4	318.9	15.4	4.1	419.4
% share	8.1	11.5	75.7	3.7	1.0	100

Source: Data U.S. Department of Commerce, Analysis by the EAC-AGOA Strategy Consultant

Figure 2: Imports by EAC Countries from the U.S. in Millions of U.S. $

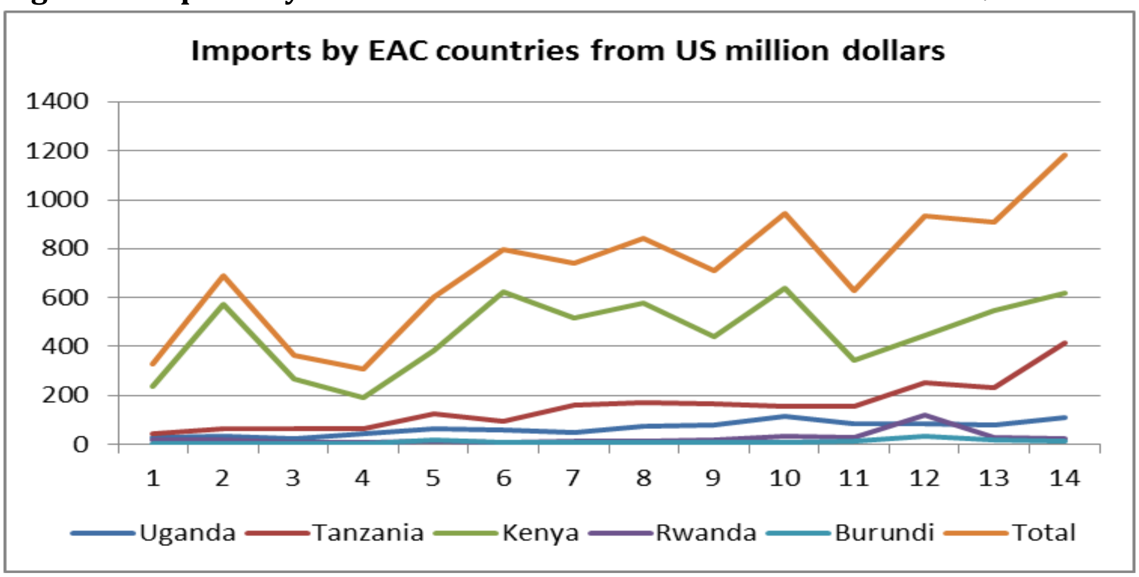


Table 5: Total Imports by EAC Countries from the U.S. by value ($Million)

Year	Uganda	Tanzania	Kenya	Rwanda	Burundi	Total
2000	27	45	235	19	2	328
2001	32	64	574	17	5	692
2002	23	62	268	10	2	365
2003	42	64	193	8	3	310
2004	63	125	387	11	17	603
2005	59	94	626	10	7	796

Year	Uganda	Tanzania	Kenya	Rwanda	Burundi	Total
2006	51	159	516	11	6	743
2007	75	172	576	14	7	844
2007	78	166	441	19	7	711
2009	113	154	638	33	8	946
2010	85	158	345	29	14	631
2011	87	251	447	119	32	936
2012	81	231	547	29	20	908
2013	111	414	620	24	15	1184
2014	77	304	1600	21	5	2007
Total	**1,004**	**2,463**	**8,013**	**374**	**150**	**12,004**
Annual Average	66.9	164.2	534.2	24.9	10	800.2
% share	8.4	20.5	66.8	3.1	1.2	100
Trade Deficit (Annual Average)	(32.8)	(115.8)	(217)	(9.5)	(5.9)	(380.8)

Source: U.S. Department of Commerce, Analysis by the EAC-AGOA Strategy Consultant

2.4 REVIEW OF EAC PARTNER STATES'EXPORTS PERFORMANCE UNDER AGOA

2.4.1 Overall AGOA utilization by EAC Partner States

The above data shows that total trade between the EAC and the U.S. increased significantly with the advent of AGOA. EAC exports under AGOA (including the GSP) Program peaked at U.S. $768 million in 2014 with Kenya contributing 73.31%, Tanzania 13.4%, Uganda 7.1%, Rwanda 5.3% and Burundi 0.9%. The contribution of the AGOA to the total EAC exports to the U.S.increased from 57% in 2011 to 62% in 2013. This relatively high level of contribution of the AGOA Program to the EAC exports has largely been due to higher textiles and apparel and agricultural productsby Kenya, which evens out the minimal exports by the other Partner States.

Table 6: EAC Exports to U.S. (AGOA and GSP in $ Million)

Country	2011	2012	2013	2014	Percentage
Burundi	10	5	4	4	0.9
Kenya	381	390	433	591	73.3
Rwanda	31	33	24	41	5.3
Tanzania	57	115	70	86	13.4
Uganda	46	34	47	46	7.1
TOTAL	**525**	**577**	**578**	**768**	**100**

Source: U.S. Department of Commerce

2.4.2 Summary Utilization by Partner States

The profiles of the EAC Partner States and how they have performed in trade with the U.S. and specifically on the AGOA Program is presented in *Annex 4*. In summary, the individual Partner States' AGOA utilization is presented hereunder:

a) Burundi

Burundi is eligible for preferential trade benefits under the African Growth and Opportunity Act[7]. Burundi is a member of both the East African Community and the Common Market for Eastern and Southern Africa.

Bilateral trade under the AGOA Program

Burundi formally became an AGOA-eligible country in 2006 but has not meaningfully utilized the Program. Statistics show that in the period 2011 to 2014, the minimal Burundi exports to the U.S. under preferences were transacted through the GPS window. The primary U.S. exports to Burundi in 2014 included computer and electronic products while the main exports from Burundi to the United States remained coffee. The total (two way) trade was valued at U.S. $9 million in 2014.

Among the challenges cited on non-utilization of the AGOA Program are: i) underdeveloped manufacturing sector; ii) high transport costs; iii) reliance on primary commodities; iv) prohibitive market compliance requirements; v) lack of awareness; and vi) non conducive domestic policies.

The United States has not signed specific trade and investment framework agreements with Burundi except those that it has entered with the East African Community and the Common Market for Eastern and Southern Africa.

A study carried out by the Center for International Development (CID) at Harvard University[8] identifies a gap of U.S. $1.04 billionbetween Burundi's performance and

[7] See footnote 1

[8] Cheston T, Bustos S and Escobari M; Realizing AGOA's Potential in East Africa: Initial Thoughts from an Economic Complexity Approach for the East African Community; Center for International Development at Harvard University, March 2015

expectations on the AGOA Program. The study identifies potential high value products that Burundi could export to the U.S. to include:

- gold scrap;
- prepared sausage products;
- iron/steel/plastic vats and containers;
- iron bars and rods;
- mineral water;
- non-alcoholic beverages;
- pastries/cakes;
- mineral fertilizers; and
- sugar confectionaries.

Burundi developed its National AGOA Strategy in February 2014. In the strategy, Burundi identifies the following sectors/products as having the highest potential for export into the US market under the AGOA preferences:

- Textiles and apparel
- Home and fashion accessories
- Jewelry
- Accessories, trims, packing, and packaging
- Light manufacturing, plastics and metal based products
- Cut flowers
- Live animals

b) Kenya

In 2014 total (two-way) trade between Kenya and the U.S. was valued at U.S. $ 2191. Exports were valued at U.S. $ 591 while imparts were valued at U.S. $1,600. Among the EAC Partner States, Kenya has taken the most advantage of the AGOA Program. AGOA's impact on Kenya's exports has been very impressive. Prior to the enactment of AGOA, trade between Kenya and the U.S. was growing at an average of 2 percent per year. Spurred by AGOA, Kenyan export growth to the U.S. jumped to 28 percent in the year 2005. Most of the growth was fueled by the textiles and apparel industry, which grew annually by as much as 44 percent in the period 2001-05. In the same period, the number of garment factories increased from six in 2000 to thirty-five in 2003. Employment in the Export Processing Zone (EPZ) grew by about 500 percent and created some 36,000 jobs during the same period. The expiry of the Multi-Fiber Agreement (MFA), globally, in 2005 led to a slow-down in the growth. Though the textile and apparel industry suffered decline, other exports continued to record considerable performance until after the downturn in the U.S.economy. AGOA remains an important plank in the bilateral trade between Kenya and the U.S. with the Program accounting for 79.4 percent of annual total export revenue to the U.S.

The study carried out by the Center for International Development at Harvard University[9], observes that Kenya presents the largest shortfall in actual versus expected exports among the EA Partner States, at $ 2.9 billion. The study recommends that Kenya should "build off existing AGOA products to enter into the more diverse industries in U.S. markets for Kenya." AGOA stakeholders in Kenya confirm the CID study findings that Kenya has a huge untapped potential for exporting the following products to the U.S.:

- Agricultural products (tea, coffee, horticulture and dairy)
- women's clothing;
- prepared foods (including pastries and yogurt);
- aluminum foil;
- wood particle boards;
- ethylene polymer film and sheets;
- synthetic polymer paints;
- plastic pipe fitting;
- construction structures and parts; and
- packaged vitamin medicaments.

Kenya formulated its National AGOA Strategy in June 2012. The theme of the strategy is *"supporting the ability of Kenyan firms to successfully sell into the U.S. Market, leveraging every opportunity that AGOA provides."*In the strategy, Kenya identifies the following sectors/products as having the highest potential for export into the US market under the AGOA preferences:

- Textiles and apparel
- Specialty Coffee
- Nuts
- Cut flowers
- Home and fashion accessories

Kenya's AGOA stakeholders are of the opinion that the strategy should be revised to encompass developments that have emerged.

[9]Ibid

c) Rwanda

The total (two-way trade between Rwanda and the U.S. was valued at U.S. $62 million in 2014.Goods imports totaled U.S. $21 million while exports totaled U.S. $41 million. The U.S. exports to Rwanda included pharmaceutical products, machinery, optic and medical instruments, electrical machinery, agricultural products and special other (donated articles and low value shipments). Rwanda exported coffee (unroasted), spices, tea, lac and vegetable saps (pectates), ores, slag, and ash (tantalum), other base metals (tungsten), strawand esparto (basketwork).

U.S. foreign direct investment (FDI) in Rwanda amounted to U.S. $3 million in 2014 but it declined to US$ 2.3 million in 2015. Data on Rwanda FDI in the United States is not available.

Rwanda became AGOA eligible in October 2000. A review of the country past utilization of the AGOA Program reveals very low performance. In the period 2011 to 2014, Rwanda exported textiles and handcrafts to the U.S. worth U.S. $ 25.5 million annually. Most of the exports to the U.S. from the country were mainly transacted through the GSP window. Among the challenges cited for low utilization of the preferences are: i) high transportation costs (Rwanda being a landlocked country); ii) infrastructure challenges; iii) inability to meet existing demand in exportable products; iv) challenges in meeting quality standards; v) lack of awareness; vi) difficulties in building business partnerships with U.S.buyers; and vii) limited products eligible for export.

The Center for International Development at Harvard University[10]study notes an untapped potential in the following products:

- foodstuffs;
- metals;
- chemicals;
- machines/electrical;
- iron/steel tanks and vats;
- ethylene polymer film and sheets;
- gold scrap;
- machine parts for food and drink preparation;
- synthetic polymer paints;
- fermented beverages (e.g. ciders);
- pallets; and

[10]Ibid

- trailers

Rwanda entered into a Bilateral Investment Treaty (BIT) with the U.S., which came into force in January 2012. The negotiations toward the BIT were launched in 2007 as one outcome of the consultations under the 2006 United States-Rwanda Trade and Investment Framework Agreement (TIFA). Rwanda was in the process of developing the country's National AGOA Strategy at the time the EAC-AGOA Strategy formulation mission visited the country.The AGOA stakeholders in Rwanda have identified the following sectors/products as having the highest potential for export into the US market under the AGOA preferences for inclusion in the strategy:

- Textiles and apparel
- Specialty foods including coffee, bananas, chilies and peppers, macadamia nuts, honey and pineapples
- Home and fashion accessories

d) Tanzania

The volume and value of the trade with the U.S. has remained small with only 2 percent of Tanzania's total exports being destined for the U.S. market. Tanzania exports gold and other precious metals, coffee (unroasted), vegetables (including saps and extracts) and textile to the U.S. In the period 2011 to 2014, Tanzania exported goods worth U.S. $ 73 million per year to the U.S. In the same period, the country imported an annual average of U.S. $ 274 million from the U.S. comprising transport equipment, electronics, machinery, footwear, textile and apparel, chemicals and agricultural products. This means that Tanzania suffers an annual trade deficit of U.S. $ 201 million.

Tanzania is the second most active partaker of the AGOA Program among the EAC Partner States. Prior to the enactment of AGOA in 2000, two-way trade between Tanzania and the U.S. was growing at an average of 7.5 percent per year. Trade relationship grew by an annual average of 23 percent after enactment of AGOA.

The CID at Harvard University study[11]proposes the following products as presenting the country's best export opportunity for Tanzania in to the U.S. market:

- foodstuffs;
- metals;
- chemicals;

[11] Ibid

- machines/electrical (namely: iron/steel/plastic vats);
- ethylene polymer film and sheets;
- gold scrap;
- construction structures and parts;
- plastic pipe fittings;
- parts for mineral sorting machines;
- cabinets and desk consoles;
- dairy machinery;
- slag wool;
- winches;
- floating structures; mowers;
- lawn rollers;
- gas station pumps; and
- optical instrument parts.

Tanzania had just embarked on the process of formulating its National AGOA Strategy at the time the EAC-AGOA Strategy formulation mission visited the country. The AGOA stakeholders in Tanzania have identified the following sectors/products as having the highest potential for export into the US market under the AGOA preferences for inclusion in the strategy:

- Agricultural products including horticulture and spices
- Leather and leather products
- Textiles and apparel
- Meat products
- Gold scrap
- Chemicals
- Jewelry and mineral products
- Fermented beverages
- Plastic pipe fittings

e) Uganda

Uganda has been a beneficiaryof the AGOA initiative right from its launch in 2000. As a result of this improved market access in the U.S. market for Uganda goods, Uganda's total exports to the U.S. increased from U.S. $25.8 million in 2004 to U.S. $52.7 million in 2008. It then declined to U.S. $ 30.17 million in 2009 mainly due to the financial crisis in the U.S. There was an upturn from 2011 when goods worth U.S. $45 million were exported. The year 2013 saw the best performance when goods valued at U.S. $47 wereexported and there has been a decline since then. Uganda has not taken full advantage of preferential opportunities present under AGOA. Between 2010 and 2014, Uganda exported an average of U.S. $ 9.1 million per year (equivalent to 24 percent of total exports) under AGOA. Uganda exports consisted of:textile and apparel, footwear, nutsand other agriculture products.

The CID at Harvard University study[12] notes that Uganda falls short of expected export performance to the U.S. by U.S. $ 1.02 billion per year. The study identifies the following high value products as having the potential for export into the U.S. market:

- slag wool;
- iron/steel tanks;
- ethylene polymer film and sheets;
- prepared cereal foods;
- electrical signals/traffic control equipment;
- machine parts for food and drink preparation; and
- vulcanized rubber gaskets and washers.

The Uganda National AGOA Response Strategy was in draft form at the time the EAC-AGOA Strategy formulation mission visited the country. The draft strategy identifies the following sectors/products as having the highest potential for export into the US market under the AGOA preferences:

- Agricultural products (coffee, tea, live goats and chicken, dairy and dairy products
- Cotton/textiles and apparel
- Fisheries
- Vanilla
- Floriculture
- Natural honey
- Tobacco leaf and tobacco partly or wholly stemmed/stripped,\
- Hides and skins
- Minerals (cooper, oil, gold, zinc, etc)
- Crafts

Table 7: Summary of EAC Partner States Exports to the U.S. by sector and value, 2013

Country	Major Sectors	Value (U.S.$ '000)
Burundi	Agricultural products	4,114

[12] Ibid

Country	Major Sectors	Value (U.S.$ '000)
	All sectors	4,297
Kenya	Agricultural products	89,281
	Chemicals and related products	3,258
	Textiles and apparel	308,934
	Electronic products	3,837
	Miscellaneous manufactures	6,324
	Special provisions	17,791
	All sectors	433,474
Rwanda	Agricultural products	20,390
	Minerals and metals	3,306
	All sectors	24,422
Tanzania	Agricultural products	30,706
	Textiles and apparel	10,403
	Minerals and metals	20,744
	Special provisions	2,766
	All sectors	70,324
Uganda	Agricultural products	40,497
	Special provisions	4,403
	All sectors	47,089

Source: *U.S. Department of Commerce*

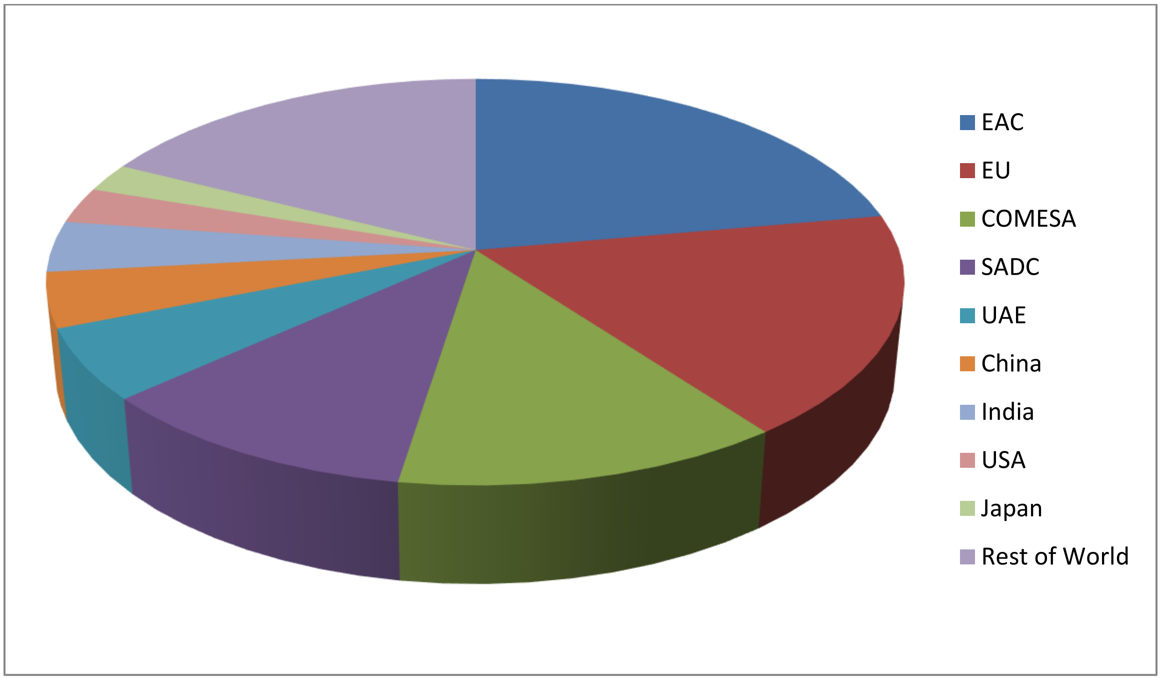
2.4.3 Comparison with other SSA countries

Overall, the utilization of AGOA by the EAC is far below the anticipated levels. For example, the EAC is performing far below selected Southern Africa countries such as Angola, South Africa, Lesotho, Namibia and Botswana. Exports under AGOA from these Southern African countries in 2011 stood at U.S. $16,097million while that of EAC was a meager U.S. $301 million. In 2013, EAC export goods into the U.S. market were valued atU.S. $356 million while those from the Southern Africa countries were valued at U.S. $10,708 million under the AGOAProgram. Though the relative high values of exports by the Southern Africa countries are attributable to oil and other minerals, it is also noted that Lesotho and Mauritius export relatively huge volumes of apparel and textile into the U.S. that the EAC countries could also export. It is therefore important for the EAC Partner States and the region to learn lessons from the Southern Africa countries on improving utilization of the AGOA Program.

2.5 TRADE PERFORMANCE UNDER AGOA VERSUS OTHER EXPORT DESTINATIONS

According to the EAC Trade Helpdesk Trade statistics, the total export trade for all EAC Partner States was valued at U.S. $14.3 billion in 2013. Intra-EAC trade was valued at U.S. $3.2 billion or 22.4 percent of total exports. Of the other destination countries/regions, the EU comprised the largest share (17.8 percent), followed by COMESA (12.8 percent), SADC (10.9 percent) and UEA (5.7 percent). Other export destinations were: China (4.4 percent), India (4.1 percent), U.S.A. (2.9 percent), Japan (2.3 percent) and the rest of the world (17.7 percent). These statistics show that the U.S. market is barely exploited for export trade by the EAC Partner States when compared with other destinations.

Figure 3: EAC Partner States Exports 2013 (% share by destination)



Source:*EAC Trade Helpdesk*

The above statistics agree with the findingsof the Harvard CID study that "The central finding of the modeling is the massive gap each EAC country has in their exports to the United States. Relative to their expected performance, each EAC country's exports are found to fall short by over a billion dollars each"[13].

2.6 PROMOTING EAC-U.S. ECONOMIC RELATIONSHIPS

[13] Cheston, T. Et Al; Realizing AGOA's Potential in East Africa: Initial Thoughts from an Economic Complexity Approach for the East African Community; Center for International Development, Harvard University pg 10

Despite the decrease in the EAC exports to U.S., imports have exponentially grown. This situation has led to the continued increase of trade imbalance against the EAC. If this situation persists, the intended objectives of AGOA to stimulate economic growth, encourage economic integration and facilitate Sub-Saharan African integration into the global economy will not be achieved inthe EAC. In cognizance of this reality, a number of interventions have been put into place including the following:

2.6.1 Trade and Investment Framework Agreement (TIFA)

On 16th July 2008, the EAC Partner States and the United States signed a Trade and Investment Framework Agreement (TIFA) in Washington D.C. The TIFA reaffirmed the parties desire to promote an attractive investment climate and to expand and diversify trade in products and services. EAC Partner States did not realize any tangible benefits from the TIFA owing to institutional dynamics. This made it necessary forupgrading discussions to focus on EAC-U.S. Trade and Investment Partnership (TIP) negotiations.

2.6.2 EAC - U.S. Trade and Investment Partnership (TIP) Agreement

In June 2011, the U.S. expressed interest to negotiate a Trade and Investment Partnership Agreement with the EAC to which the EAC agreed to engage in September 2011. On the sidelines of the AGOA Forum held on 14th June 2012, in Washington D.C. the EAC Ministers responsible for trade matters and the United States Trade Representative (USTR) met and issued a joint statement that resolved to upscale the TIFA to a new Trade and Investment Partnership. The negotiations under the Trade and Investment Partnership were to focus on the following:

(i) a regional investment treaty;
(ii) a trade facilitation agreement;
(iii) continued trade capacity building assistance; and
(iv) commercial dialogue between the EAC and the U.S. private sectors.

On the peripheryof the 2013 AGOA Forum, during the Ministerial meeting between the EAC and the U.S it was agreed as follows:

(i) launch formal negotiations on a trade facilitation agreement;
(ii) add new elements focusing on Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) to the Trade and Investment Partnership;
(iii) transform the U.S. Agency for International Development's East Africa Trade and Investment Hub into a U.S.-East Africa Trade and Investment Centre to expand U.S. regional trade programs, spur private investment, and scale up business-to-business and association-to-association partnerships;

(iv) form a new partnership between the U.S. and TradeMark East Africa, an organization dedicated to supporting greater regional integration by breaking down barriers at the border and facilitating trade; and

(v) continue to work towards an investment treaty.

It is expected that the Trade and Investment Partnership Agreement will go a long way in deepening economic ties between the EAC and the U.S., especially in increasing the utilization of the AGOA Program.

2.6.3 EAC – U.S. Cooperation Agreement on Trade Facilitation, SPS and TBT

On 26th February 2015, a Cooperation Agreement was signed among the EACPartner States and the U.S. on Trade Facilitation, SPS, and TBT with a view to increasing exports, expanding investment and helping support job creation and economic growth in the EAC and the U.S. The parties agreed to improve cooperation on Trade Facilitation, SPS and TBT. Among the issues agreed on were thefollowing:

(i) The parties affirmed their commitment to implement the WTO Trade Facilitation Agreement in accordance with the Bali Ministerial Decision of 7 December 2013 and the importance of meeting the deadline therein. The WTO commitment by the parties precluded them from negotiating a Trade Facilitation Agreement.

(ii) On recognizing the importance of agriculture and trade in agricultural products to the economies of the EAC Partner States and the U.S., the parties agreed to work together to develop and advance trade facilitating initiatives of mutual interest relating to SPS and build technical capacity in the EAC Partner States with respect to SPS measures. The parties also agreed to develop a work plan that prioritizes areas of work under SPS no later than six months after the date of entry into force of the agreement. The EAC Partner States are in the process of developing SPS priorities and capacity building areas to notify the U.S.

(iii) Recognizing the benefits to trade of WTO-consistent regulating regimes, the parties agreed to develop trade facilitating initiatives of mutual interest relating to technical regulation, conformity assessment procedures and standards. The parties agreed to continue collaborating on a work plan that prioritizes areas of work under TBT.

2.6.4 EAC – U.S.Regional Investment Treaty

Exploratory discussions on the Regional Investment Treaty between EAC and the U.S. have been based on the U.S. Model Investment Treaty (2012 version). These exploratory discussions along with the evaluation of the Partner States investment regimes were to determine whether negotiations would succeed in order to decide whether to launch the negotiations. The launch of the negotiations on the Regional Investment Treaty has been put on hold until both parties agree on the negotiations framework and after the adoption of the EAC Framework on Trade and Investment.

2.6.5 East African Trade and Investment Hub (EATIH)

There are opportunities to extend capacity building to support EAC Partner States and businesses to take advantage of AGOA mainly through the existing East African Trade and Investment Hub (the Hub). According to the Hub's website,[14] it is the one-stop shop in the East African region for businesses and national governments seeking to take advantage of the African Growth and Opportunity Act (AGOA). The Hub provides targeted assistance in two primary areas: firm-level assistance and national level assistance. Firm-level assistance promotes direct business linkages between the United States and East African firms. It addresses business development constraints, provides targeted technical assistance and educates private sector groups and associations about AGOA opportunities. The Hub also uses firm-level assistance to create valuable business networking opportunities through trade shows, trade missions, business-to-business events and conferences.

At the national level, the Hub assists AGOA-eligible East African countries to develop action-oriented strategies to systematically take advantage of AGOA opportunities and focus their efforts in areas of competitive advantage. For example, the Hub encourages countries to integrate trade facilitation concerns into the national economic agenda and include private sector participation in national export diversification strategies. The Hub focuses on the following key sub-sectors:

- Textile and apparel
- Home decor and fashion accessories
- Floriculture
- Footwear
- Specialty foods

2.7 CHALLENGES AND THREATS FACING EAC EXPORTS TO THE U.S.

As stated above, all the EAC Partner States are AGOA-eligible but, have been facing challenges and threats in utilizing the initiative. Consequently, with the exception of Kenya, other EAC Partner States have not realizedmuch benefitfromthe AGOAProgram. Below are some of the identified challenges and threats:

[14] www.eatradehub.org/agoa

i. Higher transportation costs to the U.S. market: Lack of direct air and sea transport from EAC to the U.S. increases the cost of shipment of products such as cut flowers and apparel among others. High costs reduce competitiveness of EAC products in the U.S. market.
ii. Third Fabric Provision is limited to textile and apparel: There is need to lobby the U.S to Extend the Third country fabric provisions to other Sectors (Hand bags, accessories, shoes made from clothing, etc)
iii. High transaction costs due to inadequate and well-developed infrastructure, appropriate information and communication technology, post-harvest handling facilities, cold chain facilities, power, irrigation, water and sanitation, and poor road and railway networks.
iv. Stringent Sanitary and Phytosanitary (SPS) measures: For agricultural products, such as fresh produce and beef, majority of East African producers are often unable to meet U.S. SPS requirements and are thus unable to export to the United States.
v. Stringent Rules of Origin (ROO): AGOA rules of origin are based on those in the U.S. GSP program. To be eligible for AGOA benefits, products must be grown, produced, or manufactured in one or more of the beneficiary countries and exported directly from an AGOA beneficiary country to the United States. With these conditions, a number of products from eligible countries cannot access the U.S. market. Moreover, unless "wholly obtained" from a single AGOA country, goods are subject to a 35 percent value-content rule. According to industry sources, some SSA industries, such as tuna processing, have difficulty achieving the 35 per cent value addition and therefore cannot be exported to the United States duty-free under AGOA. The restrictive rules of origin also do not reflect the current market reality, given that African textile mills cannot in general produce yarns or fabric in sufficient variety and quantity to meet the needs of African apparel producers or the requirements of developed country retailers. The provision on Rules of Origin has been proposed for revision under the AGOA reauthorization.
vi. The low inflows of U.S. investments into the region which has affected trade flow between the two parties. U.S. investment in EAC could play a critical role in opening up market opportunities and promote East Africa as an investment destination.
vii. The inefficient supply capacity by EAC Partner States to export wide ranging exportable products
viii. Existence of tariffs and tariff rate quotas (TRQs) on some agricultural products in which EAC can benefit: Although AGOA allows duty free and largely quota free market access to the U.S. market for as many as 1,835 beneficiary products in addition to the over 4,600 GSP products, tariff lines of products excluded from AGOA and GSP - especially on agricultural goods, remain high. More so, certain agricultural products of export interest to EAC are excluded from AGOA while others are subject to the tariff

rate quota. Indeed, some SSA exports to the U.S. market, such as sugar, tobacco, meat and dairy products continue to be subject to TRQs limiting export volumes eligible for duty-free treatment. For example, SSA countries producing sugar are eligible for duty-free treatment under U.S. raw sugar import quotas, but only under low-volume quotas granted to specific countries. The range of products in the AGOA preferences should therefore be expanded to include agricultural products such as sugar, tobacco, meat, and dairy products on the list of exportable products

ix. While some minerals are covered under AGOA, there are several minerals that are exported by the EAC which are not covered. In addition, Rwanda, Burundi, Tanzania and Uganda are part of the list of countries cited under the Dodd Frank Act[15] under the issue of conflict minerals. This has hampered exports to the U.S. for these minerals. Even if the respective industries are compliant to the norms set under the Dodd Frank Act, buyers are reluctant to purchase from the region because of fear of perception from their Boards and customers.

x. Limited availability of affordable trade financing services especially for the SMEs and rural farmers. Access to credit and other financial services is still limited due to high interest rates and collateral requirements.

xi. Limited information to stakeholders about AGOA: Many stakeholders within the governments, private sector and civil society are not well informed about AGOA. In addition, there is limited access to appropriate market information and business contacts needed by African manufacturers and producers to effectively respond to specific market demands. Also, producers lack knowledge of consumer tastes and preferences, and other marketing and international trade practices including standards and packaging. Even when they have such information, they have limited technical capacity to evaluate it, plan and develop strategies that can enable them to position themselves and trade competitively in a sophisticated market such as that of the U.S.

xii. Under-utilization of networking mechanism between U.S. and EAC business community in relation to AGOA opportunities (commercial dialogue). In addition there is a need for very strong private sector support including non-financial support.

xiii. AGOA preferences are likely to be diminished by WTO negotiations on further tariff reductions and WTO decisions on DFQT to all LDCs which include competitive countries like Cambodia and Bangladesh. The U.S.has also been negotiating a number FTAs which will contribute to making the AGOA countries less competitive due to erosion of preference.

[15]This is the most recent Wall Street reform bill, the Dodd–Frank Wall Street Reform and Consumer Protection Act, which was signed by President of the United StatesBarack Obama on July 22, 2010, following a global financial crisis.

xiv. Historical market orientation favors trade relationship with especially destinations that have colonial ties with the Partner States.

xv. Continued preference erosion of EAC products into the U.S market by well-established and globally competitive countries. In some cases, this is exacerbated by subsidized producers of textiles and apparel particularly following the January 1, 2005, elimination of quotas previously maintained by members of the World Trade Organization (WTO).

xvi. Lack of a regional AGOA policy and implementation strategy and low levels of AGOA mainstreaming within EAC Partner States.

xvii. Joint production and marketing at the regional level likely to be encumbered by suspicion, unevenly developed financial markets, technological differences and entrepreneurial skills differentials.

xviii. The institutional arrangement between the EAC and U.S.A are not well developed so as to facilitate enhanced trade.

CHAPTER 3: ENVIRONMENTAL ANALYSIS

3.1 THE POLITICAL ENVIRONMENT

The EAC Partner States have demonstrated individual and collective political will to accelerate the region's integration process. This political goodwill has led the EAC to be one of the most robust models of regional economic integration in the world. In a relatively short duration, the EAC has achieved many of the major milestones that were set for the integration process. Indeed, critical institutions have been established by the EACTreaty. These institutions which include the Summit, Council of Ministers, the Legislative Assembly and the Secretariat have been fully nurtured into vibrant organs that are responsible for the effective political guidance of the EAC integration process.

This is not to say that the EAC integration process has been without its measures of political challenges. There are times that aspects of integration have taken inordinately long to negotiate becauseof national political considerations and pursuit of national interests. Several technical and administrative barriers have continued to beset the regional integration on political grounds. Indeed some of the Partner States have faced internal political challenges that could slow down the integration process.

It is, however, the resolve with which the political questions have been addressed and the highly visible commitment of the Heads of Partner States and Governments that gives the assurance that the political will to support an initiative such as the EAC-AGOA Strategy is present and sustainable.

3.2 THE ECONOMIC ENVIRONMENT

The East African Community (EAC) countries' economic growth performance in the past decade has been impressive according to IMF Working Paper, 2014. At 6.2 percent per annum, the EAC's un-weighted average growth rate in 2004–2013 was at the top of one-fifth of the distribution of 10-year growth rate episodes experienced by all countries worldwide since 1960. Such performance is even more remarkable taking into account that the past decade encompasses the global economic and financial crisis that began in 2007. Though it is difficult to predict future growth, the medium term economic outlook for the region is positive. Scholars (see McAuliffe, Saxena, and Yabara, 2012) have gauged the sustainability of the EAC's economic growth "acceleration" using an econometric model applied to total GDP growth for a panel of countries. The findings have shown that prospects for sustained growth in the region are good if macroeconomic stability is maintained, and further progress is made in deepening the financial sectors and improving the business climate, infrastructure and human capital.

Further the IMF Report (2014), states that the pace of overall economic growth as well as the associated structural transformation of the economies accelerated during the past decade. It further alludes to the fact that both output and exports have become more diversified. Specifically, the share of agriculture has fallen substantially and been broadly distributed, with the largest gains going to construction, transportation, and wholesale trade. Manufacturing and mining sectors posted modest gains. Rapid growth has thus not been driven by a narrow range of products (as might have been the case with natural resources in some other low-income developing countries). Moreover, the sophistication and quality of items exported by the EAC countries have improved over time and more noticeably during the past decade than previously.

The total intra-EAC[16] trade has experienced exponential growth from U.S.$1,617.1 million in 2006 to U.S.$ 5,472.9 million in 2012. The growth represents a 34.1 percent annual average. The share of intra-EAC trade in total trade rise from 7.8 percent in 2006 to around 11.4 percent in 2009.Indeed most of the Partner sates have recorded gains in intra regional trade. Similarly intra-regional investment flows have been rising primarily supported by the enhanced regional integration process. Kenya has become a major investor in other Partner States ranking number two in Tanzania and among the top in Uganda. Several Kenyan firms in the distribution, insurance and banking sector have invested across the borders. Furthermore, EAC citizens have been participating in buying stocks across the borders especially primary issues, while some firms have cross listed in the stock markets

All the EAC Partner Sates have embraced market-oriented economic policies with strong focus on transforming economic structures and systems of doing business. All the Partner Sates have recorded tremendous improvement in the measure for ease of doing business. Economic transformation policies have been promulgated and conducive regulatory regimes put in place in all the Partner States.

When attempting a possible interpretation of these facts, the picture that emerges is that recent diversification and structural transformation bode well for continued economic growth. Yet, the kind of growth observed seems to be one in which consumer and investment demands for more sophisticated goods and services are beginning to be met, as one would expect with the rise in per capita income in the region. There does not yet seem to be any clear winners on the production side that are likely to embed a clear and durable

[16] Beginning 2009, Intra-EAC trade considers all Partner States including Rwanda and Burundi

comparative advantage in international markets, particularly beyond the region. There are also no major quality improvements vis-à-vis competitor countries, where progress is also being made. These observations may instill a further note of caution against projecting continued rapid growth into the distant future.

Going forward, economic growth is likely to remain healthy but slow down to a more moderate pace than during the past decade if proper macro-economic measures are not put in place.

3.3 THE SOCIAL ENVIRONMENT

The EAC Treaty containsa strong social charter which seeks to guarantee free movement of persons, labor, services and right of establishment and residence. Interactions among the people of East Africa have been going on from time immemorial, irrespective of national borders. The engagements have evolved into social as well as economic linkages that have been critical in the success of the integration process. Good progress has been achieved in the social contexts with several countries already abolishing visa and work permit requirements for EAC residents on a reciprocal basis. The existing social environment is amenable to the successful implementation of the EAC-AGOA Strategy.

3.4 THE LEGAL ENVIRONMENT

The East Africa Court of Justice, an organ of the EAC, has been established to ensure the adherence to the law in the interpretation and application of and compliance with the EAC Treaty. The Court is operational,and it works in complementarity with the judicial systems of the Partner States. The EAC judicial system is, therefore, well established and can be relied upon to secure adherence to stipulations of the EAC-AGOA Strategy.

3.5 SWOT ANALYSIS

Analysis of strengths, weaknesses, opportunities and threats (SWOT) helps to understand both the internal and external environments within which the organization operates.The following is an analysis of the environment within which the EAC-AGOA Strategy is to be implemented as identified by stakeholders:

Table 8: SWOT Analysis for the implementation of the EAC-AGOA Strategy

Strengths	Weaknesses
• EAC is a functional regional bloc • EAC operational and strategic policies exist • Partner States have experience in AGOA • Partners States are endowed with unique resources • Strong political will of the Partner States • Partner States are overcoming the language barrier • Entrepreneurial culture of the region's people • Solid ICT foundation • Support agencies in place e.g. EABC, EACJ, AWEP, EATH • Partner States have export promotion agencies • Partner States have diplomatic missions in the U.S.A • Robust economic growth in all Partner States • Solid commitment by Partner States to laying out development of infrastructure • Established production capacities and potential • Supportive legal regime in place at EAC and Partner States' levels • Commodities and value chains in place	• Over reliance on agriculture and primary production • Over dependence on foreign aid • Partner States at different levels on AGOA Program utilization and strategy • Partner States are at different levels in enterprise development • Existence of technical and non technical barriers • Low volume of intra EAC trade e.g. due to similar products and historical mistrust • Inadequate industrial capacity • Ineffectiveness of trade promotion agencies and diplomatic missions • Absence of financial intermediaries to support exporters and importers with credit on concessionary terms Partner States • Unique constraints and challenges facing individual Partner States[17] • Productioncapacities are weak and the potential remain unexploited • Supportive legal regime need review and strengthening at both EAC and Partner States' levels • Commodities and value chains need review to establish ad address gaps

[17] Refer to the individual Partner States AGOA Strategies

Opportunities	Threats
• Reauthorization of AGOA • EAC Trade Hub • Existence of a strong Diaspora in the U.S.A • Strong black caucus lobby at the U.S.Congress and Senate • African development issues receiving bi-partisan political support in the U.S.A • Robust ICT resource presence globally • Progress made towards tripartite FTAs and other trade agreements e.g. EPA • Existence of commercial dialogue between EAC and U.S.A business communities • Access to AGOA also opens access to NAFTA	• Instability in neighboring countries e.g. Somalia, South Sudan and DRC • Terrorism • Stringent SPS and ROO to access U.S.A market • Climate change • The geographical distance between U.S.A and EAC • Eroding the preferences by extending the AGOA like to more competitive economies/regions e.g. Latin America • Undeveloped institutional arrangements between EAC and EAC at business governments, regional levels • Ccompetition from more developed countries and the threat should also be included

3.6 STAKEHOLDER ANALYSIS

There are several stakeholders that have a responsibility or are involved in economic relationship between EAC and U.S. The following is an analysis of the stakeholders:

Table 9: Stakeholder Analysis

Stakeholder	Stakeholder Expectations	Response	EAC Secretariat's Expectations
EAC Secretariat	Formulate and steer implementation of a strategy that maximizes utilization of the AGOA Program for the enhanced benefit of the region, the business community and the people	EAC-AGOA Regional Strategy formulated and implemented in an inclusive manner	All the involved parties will play their role and discharge obligations efficiently and effectively
Partner States	• Effective coordination of planned activities by the Secretariat • Contribution of Partner States to the Strategy is marshaled by the Secretariat • The private sector is willing to be actively engaged • Development partners' willingness to support the Strategy.	• Participatory engagement in formulation of EAC Export-AGOA Strategy • Responsibilities cascading to the national level interests	Each Partner State will support all aspects of the Strategy
Private Sector/Private Sector Organizations	• Barriers to accessing the U.S. market will be redressed • Competitiveness of the EAC private sector will be enhanced • Increased commercial dialogue with the U.S. counterparts	Areas identified in Strategy: • Value addition • Trade facilitation • Technical and financial support to exporters • Training and capacity building • Improved trade infrastructure	• Private sector is receptive to the opportunities created in the Strategy • Private sector becomes more innovative and aggressive • Private sector's willingness to engage in Strategy implementation
EA Diaspora Citizens	• A clear cut role in the Strategy • Recognition of their contribution • Tangible benefits for their contribution	Diaspora citizens identified as critical players in the Strategy	Diaspora citizens will be a critical interface between EA business community and thei U.S. counterparts
Development Partners	Clear EAC framework for their engagement	There is a clear role in the Strategy for development partners	Development Partners to proactively support EAC-AGOA Strategy especially through trade facilitation interventions

3.7 EMERGING ISSUES

Strategies will be developed to address the following key issues emerging from the above analysis:

- Poor utilization of the AGOA Program by the EAC region;
- Taking maximum advantage of the reauthorized AGOA Program, including the additional provisions;
- Exploitation of collective strengths and synergies in order to reap maximum benefits from the AGOA Program;
- Addressing low investments in order to spur growth of exportable products;
- Reducing the cost of doing business between EAC and the U.S.

CHAPTER 4: THE EAC-AGOA STRATEGIC PLAN

4.1 Introduction

This chapter sets out the vision, mission, goal, priority areas, and key strategies for the EAC-AGOA Strategy 2015 to 2025, incorporating the key pillars of the EAC.

4.2 VISION

The vision of the EAC-AGOA Strategy is *"To become a region that is competitive and dynamic exporter to the U.S. market and globally."*

4.2 MISSION

"To position EAC as the leading competitive exporter of diversified and value added goods to the U.S.A and globally".

4.3 OVERALL GOAL

The overall goal is to maximize utilization of the AGOA Program for the benefit of the EAC economies, businesses and people.

4.4 PRIORITY SECTORS

The EAC-AGOA Strategy identifies a number of sectors that will be targeted in order to achieve the set strategic objectives. The analysis of the past performance and existing potential suggests that for the East Africa Partner states to further integrate into Regional and Global Supply Chains it mustfocus on specific sectors in which it enjoys a comparative advantage. Consequently, the following sectors have been identified:

(1) Agricultural products and foodstuffs,
(2) Leather and leather products,
(3) Textiles and apparel,
(4) Extractive natural resource products, and
(5) Home and fashion accessories

4.5 PRIORITY AREAS

Massive effort is required across all Partner States and economic sectors to achieve the EAC-AGOA goal. Prioritization is, however, essential to ensure that limited resources are usedfor maximum effect. In prioritizing, due consideration is made of the fact that the primary duty of the public sector and its agencies is to facilitate the economic relationship between EAC and the U.S. The private sector is primarily responsible for making the practical decisions relating to products that will comprise the export basket. The priority areas for the EAC-AGOA Strategyare four -fold:

Priority Area 1: Increase production and export of tradable products

The objective of this priority area is to increase the volume of goods that are exported to the U.S. from the EAC region. This priority area is based on the reality that the U.S.businesses demand huge quantities to satisfy the country's vast market. In the past, EAC businesses have been unable to service orders to their U.S. clients because of depressed production volumes. This is especially the case for businesses in the MSME segment.

Priority Area 2: Diversify products exported to the U.S.A from the EAC region

The objective of this priority area is to increase the range of products that are exported from the EAC region to the U.S. Reliance on a few common products exposes the region to economic shocks, particularlywhen the market appeal for those products suffersa sudden downturn or when more efficient producers swarm the market with their products.

Priority Area 3: Intensify value addition

The objective of this priority area is to take maximum advantage of value chains in the export trade. By ensuring that the maximum value is added on a product within the region, more jobs are created and the dollar-price of the exported product is also maximized.

Priority Area 4: Promote and attract investment capital

The objective of this priority area is to ensure the availability of investment capital for existing and potential businesses in the region seeking to tap into the AGOA Program. Low and reducing levels of Foreign Direct Investments and high domestic interest rates have rendered businesses in the EAC region unable to produce to the desired quantities efficiently.

4.6 STRATEGIES

Within each priority area, specific strategies are set for the ten-year period of the EAC-AGOA Strategy (2015-2025). The justification for each priority area and the key strategies to be employed are described below.

4.6.1 Priority Area 1: Increase production and export of tradable products

The main aim of the EAC-AGOA Strategy is to penetrate the U.S. market with goods that are produced in the region. Market analysis indicates that the U.S. is a vast market that is characterized by dominance of major supermarket chains across the entire country. The supermarkets operate on standard procedures that require the same product availability in all outlets in exactly the same description and quality. This means that suppliers must have the capacity to deliver huge volumes that would service the entire market chain. Because of supply chain constraints, many producers in the EAC's MSMEs segment are unable to meet the orders by their U.S.customers. Consequently, the export business opportunities are lost to other regions and suppliers who may not be favored by the existence of preferences but have nonetheless the capacity to produce quantities that are large enough.Taking actions that will facilitate the EAC businesses to build their production volumes will increase utilization of the AGOA Program. A combination of strategies to increase the production volume of export goods destined for the U.S. market is outlined below:

Strategies

1) Establish mechanisms for reducing cost of production and doing business

The EAC integration process has been instrumental in reducing the cost of doing business in the region. However, these costs are still very high when compared to countries that compete with the region for a share of international export business. Some of the contributory factors include: inadequate and inefficient infrastructure; poor information and communication technology; lack of post-harvest handling facilities and cold chain facilities; costly and erratic power; underdeveloped irrigation systems; undependable water and sanitation; and poor road and railway networks among others. The situation is compounded by the long distance between the EAC production sites and the U.S., and the lack of direct air and sea transport facilities.

There are several institutions that have carried out studies to determine how to reduce the cost of doing business across the globe. The EAC-AGOA Strategy will consolidate the data on the ease of doing business pertaining to regional value chains that are of interest to the AGOA Program. These include, but are not limited to: cotton/textile/apparel; cold chain; agricultural commodities (including horticulture and cut-flowers); home décor, fashion accessories and artifacts; and specialty and packaged foodstuff. Whereas the needed interventions cut across the entire regional production chain, some of the interventions that would impact positively on the AGOA and related businesses would include: reducing the cost of electricity, reducing transportation costs, easing cross border administration, transparency in business regulation and property rights protection amongst others.

2) Develop bankable trade facilitation projects

In line with the U.S. Cooperation Agreement on Trade Facilitation, SPS and TBT, bankable projects will be prepared and submitted for funding support. These projects will aim at increasing exports to the U.S., expanding investments and assisting in job creation and economic growth in the EAC and the U.S. The projects will especially target agricultural value chains in recognition of the importance of trade initiatives in agricultural products to the economies of the EAC Partner States. Agricultural producers and individual countries are often unable to produce enough quantities that would make economic sense to supply the U.S. market or satisfy orders. At the same time fresh agricultural produce are susceptible to perish, especially because of lack of direct transportation. Poor harvesting practices, wastage between farm and storage, lack of storage and poor pest control occasion huge losses to farmers. Bulking facilities, cold chains, and post harvest storage facilities are possible projects that merit consideration. The facilities would be implemented at regional (e.g. cold chains and bulking) or national levels (e.g. bulking and grain handling and storage) depending on the outcome of feasibility studies

3) Solve the challenge of volumes in supply of products

In a bid to solve the problem of inability to generate quantities that satisfy the orders for the U.S. market, feasibility studies will be undertaken with the aim ofestablishing warehousing and bulking facilities for targeted export products. If viable, five model warehousingand bulking centers will be established; one in each of the Partner States. Within this strategy, the warehousing and bulking centers will be extensively advertised so that they may be fully utilized in the shortest time possible.

4) Sensitize stakeholders about AGOA and its benefits

It emerged during stakeholder engagement that there are many businesses with the potential to utilize the AGOA Program that have not done so for want of information. Indeed it is partly for this reason that countries like Burundi have not previously traded with the U.S. through AGOA. Within this strategy,a standard training manual on AGOA will be prepared, outreach programs will be carried out and participants' scheduled follow-up sessions will be organized and carried out.

5) Create a web based marketing platform

The AGOA 2015 Act obligates the President (of the United States) to establish a website for the collection and dissemination of information regarding the African Growth and Opportunity Act. The information published in the website shall include information and technical assistance provided at United States Agency for International Development regional trade and investment hubs; and a link to websites of United States embassies located in eligible Sub-Saharan Africa countries. Taking a cue from this provision, the EAC-AGOA Strategy will create a web-based marketing platform to assist exporters to facilitate online trade. The Website would be hosted by the EAC Secretariat or any of the export promotion agencies in Partner States. To achieve this strategy, an exercise to profile exporters at national level will be carried out. This will culminate in a roll-out of the EAC-AGOA portal that will contain details of an exporters' compendium. A mechanism will be put in place to monitor and review the number of exporters getting orders through the portal.

4.6.2 Priority Area 2: Diversify products exported to the U.S.A from the EAC region

Policymakers have for a long time been beholden to the idea of specialization as a means of maximizing on comparative advantage. This idea translates into a production process in which a country concentrates on production of a few items that they make very well. Those specialized items are then exchanged with other products from other countries resulting in gains from trade. Whereas it is gainful for individuals and firms to specialize, it is a dangerousdevelopment approach for a country and region to aspire to do the same. Rather,countries and regions find more benefits in diversifying their products. Past experiences with specialization by countries have shown that when the few specialized products, especially if they are simple and commonplace, are subjected to market shock, the implication reverberates into the entire economy. Diversification incorporates existingnon complex products with new, more complex products to the products' base. Individuals and firms can then specialize in more products which translate into diversification of production at the country and regional levels. The difference between rich and poor countries is that whereas the richcountries export more products including a few that nearly no one can make, the poor countries export a few products that everyone makes.

By taking actions that would facilitate diversification, the EAC will develop more capabilities to produce more complex products without sacrificing the production of existing products for which businesses and partner states are already very good at producing. Several strategies for increasing diversification of export goods destined for the U.S. market are outlined below:

Strategies

1) Profile resources and map products in Partner States

The list of products that are admissible under AGOA is only known to a few exporters in the EA region. Indeed the capacity to access the list, interpret it and convert that knowledge into production is very limited. The situation varies from country to country but nowhere is it sufficient. Through this strategy, the region will develop a products catalogue that is appropriate to the existing and potential EAC-AGOA exporters. AGOA stakeholders will also be sensitized on the content of the catalogue. To achieve this strategy, a desk review of resources and products that are AGOA admissible will be carried out; a resources/product catalogue will be produced; and onsite coaching for firms producing selected products will be undertaken.

2) Conduct market research in the U.S.A.

The U.S. market is complex and very competitive. The market depicts certain behavior patterns and demands standards and specifications that exporters are required to meet. To assist AGOA stakeholders in the EAC region to produce goods that are marketable in the U.S., a desk research of the U.S. market will be carried out; a detailed market research will then follow culminating in dissemination workshops for the stakeholders.

3) Institutionalize linkages between training institutions and exporting firms

Effective utilization of the AGOA Program will be predicated on knowledge. Consequently,institutionalization of linkages between training institutions and exporting firms will guarantee that the training institutions equip their graduates with relevant skills necessary for optimizing on the opportunities provided by the Program. In addition, exporters will be provided with a facility where they can hone their capabilities and learn new and emerging ideas. Through this strategy, the technology gaps that exist in firms will also be assessed, a stakeholder workshop conducted anda linkage strategy will be prepared.

4) Streamline property rights issues in EA

Enterprises and innovators in the EA region have lost their innovations to other parts of the world due to weak mechanisms for registration and enforcement of patents. Accordingly, strong laws for protecting property rights, robust dispute resolution and enforcement mechanisms - especially for inventors - need to be put in place. Through this strategy, a comprehensive audit of intellectual property in Partner States will be undertaken with a view to strengthening them. An experience sharing forum will be organized to agree on and chart a roadmap on the appropriate measures to be put in place for the region's property rights issues.

5) Train entrepreneurs on product development and adaptation

Entrepreneurs, especially in the MSMEs segment, will be trained on developing new products that are attractive to the U.S. market and adapting existing ones for enhanced appeal. Branding and packaging are extremely important components in marketing especially in the case of the U.S. market. Pertaining to packaging, there is essential information that is needed without which some products cannot enter the U.S. market. Part of this strategy, therefore, aims to build the capacity of EAC firmson branding and packaging for the U.S.A. market. This will be done through a study to assess the U.S. market; preparation of a catalogue for selected products; and training of entrepreneurs on the saidrequirements.

6) Organize marketing activities

Direct marketing activities such as exhibitions, expos, business to business meetings, and trade missions are very effective in giving exposure to products, firms and countries. These activities tend to be quite expensive and a common approach would, thus, lower costs and make the EA region's presence more dramatic. Through this strategy, EAC exporters will participate in an international expo in U.S.A.; product based exhibitions in different states in U.S.A.; and a trade mission.

7) Establish business incubation centers for selected product lines

Five business incubation centerswill be established across the region in selected product lines. The centers will incubate ideas and products that will raise the composition of the region's exports to the U.S. Among the actions that are proposed in this strategy are: a feasibility study for establishing incubation centers; recruitment of tutors and students into the centers; and exchange visits/experience sharing missions to comparable countries.

4.6.3 Priority Area 3: Intensify value addition

One of the policy objectives of the EAC Industrial Policy (2012 to 2032) is *"to promote the development of strategic regional industries in the region with a view to fostering and unlocking the region's potential in value addition, encouraging and promoting cross-border industrial linkages and synergies within the value chains, thus ensuring productive integration and sustainableindustrialization in the region."* Export trade under the AGOA Program should aspire to add as much value as possible within the region. Value chains will be optimized not only for existing export products but also in attracting new industries that target the AGOA opportunity. This in essence translates to industrial growth and job creation.

By taking actions that intensify value addition within the region, export of higher value goods into the U.S.will be made possible and the cost of transportation will be significantly reduced. The strategies that have been laid out for this priority area are highlighted below:

Strategies

1) Undertake value chain assessment of priority products

The objective of this strategy is to ensure maximum benefits from established and potential value chains whose products are targeted for the U.S. market. To achieve this objective, a number of actions are planned including:a study on value chain supportive arrangements to determine gaps; developing a plan to address the gaps; and preparation of a policy brief and action plan on ways and means of optimizing the value chains.

2) Establish a mechanism to promote export of finished and intermediate products

In order to ensure that only value added goods from the region are exported to the U.S., it is essential that laws, regulations, trade policies and incentives are put in place that promote export of intermediate and finished products. Further, a variety of stakeholders should be brought on board and this strategy mustreceive the broad approval by Partner States. Consequently, the following actions are planned: enactment of enabling laws and regulations; assessment and review of trade policies; stakeholder workshop to share findings and recommend way forward; and policy briefs and action plans for approval by relevant Partner States legislative systems.

3) Optimize utility of export promotion incentive schemes that promote value addition for export.

Most partner states are implementing export promotion incentive schemes, such as EPZs, Special Economic Zones, free zones, etc to encourage value addition for export. Some of the incentive initiatives have been more successful than others. There is, therefore, need to establish the reasons for the mixed performances as well as promote and enhance the schemes. Additionally, regional production sharing within such schemes is minimal, a factor that could greatly leverage the comparative advantage of partner states. In light of this, the following actions are planned: study export incentive schemes in the region with a view to identifying success factors and regional cumulation possibilities; give publicity to the incentive schemes and zones to increase uptake; market products from the zones and schemes; and admit investors to the facilities.

4.6.4 Priority Area 4: Expand existing and attract new investment in AGOA eligible sectors

The goal of this priority area is to mobilize investment capital, especially from foreign sources. EA producers are faced with the reality of high interest rates as well as absence of lending institutions that are well-versed with supporting export businesses. Production of diversified and adequate volumes of products would require substantial injection of capital and financing mechanisms that are amenable. The strategies that are proposed for this priority area are discussed hereunder.

Strategies

1) Invigorate and support export financing institutions

The objective of this strategy is to ensure that AGOA exporters in the region have access to low cost and reliable funding for their operations in order to grow their competitiveness. There exist financial institutions in the EAC region and elsewhere which specialize in or have capacity for export financing. These institutions include commercial banks, development banks, mutual funds and other financial intermediaries. The American Exim Bank is also included in this list. To achieve the objective of this strategy, existing financial institutions and their mechanisms for supporting trade will be reviewed; gapsin their lending practices and capacity will beidentified; and solutions that could increase their capacity to fund exporting firms will be developed.

2) Fast track conclusion of the partnership agreements between U.S.A and EAC

There are several ongoing initiatives that are aimed at spurring trade and investment partnership between EAC and the U.S. Negotiations under the Trade and Investment Partnership (TIP) Agreement have been focused on: a regional investment treaty; a trade facilitation agreement; continued trade capacity building assistance; and commercial dialogue between the EAC and U.S. private sectors. The EAC–U.S. Cooperation Agreement on Trade Facilitation, SPS and TBT was signed on 26th February 2015, with a view to increasing exports, expanding investment and helping to support job creation and economic growth in the EAC and the U.S. There have been exploratory discussions on the possibility of realizing Regional Investment Treaty between EAC and the U.S. based on the U.S. Model Investment Treaty (2012 version). These initiatives would address many of the demand and supply side challenges that AGOA exporters have been experiencing. The realization of these initiatives would render the region much more competitive not only in the U.S. market, but also globally. The objective of this strategy is, therefore, to facilitate the conclusion of partnership agreements between U.S.A and EAC and create broad awareness on these agreements among the stakeholders. During the plan period, the status of current export facilitating agreements will be reviewed; stakeholder forums to iron out pending issues and conclude negotiations will be organized; and agreements will be concluded, signed and put to effect.

3) Mobilize active participation of the Diaspora citizens

The EAC citizens in the U.S. Diaspora are an important constituency that can be mobilized to great advantage in the EAC-U.S. commercial relationship. In the first instance, this group has become a critical source of foreign exchange inflows into the region's economies. Structured mechanisms that would translate the remittances into investable funds would go a long way in plugging the financing deficit. In addition, the group has ready U.S. market intelligence including knowledge of the variety of goods that can be exported into the U.S. As such, the U.S.Diaspora can form a strong nexus between EAC exporters and their U.S. counterparts. Lastly some Diaspora citizens are significant players in the export/import trade and could be re-oriented to consider sourcing from EAC as a matter of priority.

Previously, very little effort has been directed at tapping this very important stakeholder. This strategy seeks to re-energize and focus the participation of the Diaspora citizens in the EAC exports agenda. During the plan period, the current operations and structure of Diaspora citizens will be assessed; linkages will be developed with Diaspora forums; and a blue print on a structured engagement with Diaspora citizens will be developed and implemented.

4) Facilitate review of investment and export policies

The EAC region and Partner States have inherent interest in predicating their economic performance on exports-led growth. The "EAC Export Promotion Strategy 2013 – 2016" was formulated at a time when AGOA reauthorization was not imminent. Subsequently, AGOAdoes not feature prominently in this strategy. All the EAC Partner States have developed policies, programmes and institutions to support the MSMEs segment. These have, however, not been linked to the AGOA Program. Rwanda has recently revised and released its investment policy and Kenya has also started to draft a new export strategy. The EAC-AGOA Strategy offers an opportunity to work with the remaining EAC Partner States as they embark on reviewing and updating their investment and export policies. Within this strategy, therefore, the investment policies will be reviewed in light of the reauthorization of AGOA; investment strategies will also be reviewed with a view to identify gaps; stakeholder workshops will be organized to brainstorm on export promotion and investment strategies and chart a way forward; and new investment policies will be developed and disseminated.

5) Carry out joint investment promotional activities

The objective of this strategy is to attract foreign direct investments (FDIs) to tap into the AGOA opportunities without violating provisions of the AGOA Act. The FDIs would be sourced from both the U.S. and other parts of the world and would target the priority sectors identified in this strategy and new production frontiers. In pursuance of this strategy, the EAC will seek to market the region as a unitary investment destination. An investor nurturing campaign and system will be developed and rolled out; an investment package will developed; an online investment compendium will be developed; and targeted investor conferences will be organized.

6) Build the capacity of regional investment promotion agencies

All the EAC Partner States have established investment promotion agencies. These agencies have, however, been operating below par because of depressed capacity and resources. This strategy aims to strengthen the capacity of the investment promotion agencies in order to enable them to fulfill their mandate of attracting and promoting investment. It entails seeking the support of development partners and other stakeholders. Envisaged activities include: carrying out capacity needs assessments; developing an intervention plan; and rolling out the plan.

4.7 CROSS CUTTING ISSUES

The cross cutting issues in the EAC-AGOA Strategy are highlighted hereunder:

1) Capacity building: there will be capacity building for Partner States' private and public players on AGOA vis-à-vis the four main objectives of this strategy.
2) Environmental conservation:the Strategywill promote the use of green energy, and minimize carbon emissions to acceptable standards agreed at global level. This will be in an effort to protect the environment and attract business deals with environmentally consciouscustomers in the U.S.
3) Women and youth: the activities of the Strategy will be undertaken in collaboration with the existing women and youth groups. Initially working with those groups that are registered, formation of new ones will be encouraged in order to enhance collective production and marketing. The pioneering role of the African Women's Entrepreneurship Program (AWEP) will serve as a positive example to other groups.
4) Equity in sharing resources:equal opportunity by and for Partner States will be upheld throughout the implementation of the Strategy in line with the spirit of the EAC.
5) Communication of the strategy: the EAC Secretariat will run outreach programs to educate the public about the benefits of AGOA throughout the region.

4.8 ALIGNMENT OF EAC-AGOA STRATEGY TO EXISTING STRATEGIES

This Strategy shares a vision with the EAC Export Promotion Strategy whose mission and objectives are adapted to suit the AGOA Strategy. The Strategy being a subset of the EAC Export Promotion Strategy is in sync with the 4th EAC Development Strategy and the EAC IndustrialDevelopment Policy (2012 to 2032). The strategy is also aligned to the MSME policies that are in place at Partner States and regional levels.

CHAPTER 5: PROPOSED EAC-AGOA OPERATIONAL STRUCTURE

5.1 INTRODUCTION

This chapter sets out the implementation framework for the EAC-AGOA Strategy. The framework takes cognizance of the wide range of actors who will be involved in the implementation of the Strategy. It elaborates the roles and responsibilities assigned to the identified institutional players at the EAC Secretariat and Partner States levels. An implementation structure is proposed that will serve as the focal point for enhanced utilization of the AGOA Program. The structure recognizes that AGOA activities need to nest within the established institutional arrangements at all levels. The implementation structure provides a framework for the AGOA exporters and investment facilitators to play a crucial role in policy-making through dialogue with the Governments' officers and the EAC Secretariat.

5.2 THE INSTITUTIONAL ARRANGEMENTS

The institutional arrangements seek to facilitate the EAC Secretariat to effectively coordinate relevant ministries in the Partner States in order to create an enabling environment for the private sector AGOA exporters to thrive. It provides a means through which constraints facing AGOA exporters from the EA region can be amicably addressed to enable enhanced utilization of the Program. In addition, arrangements will stimulate both domestic and foreign investments into the region targeted at exploiting opportunities availed in the AGOA Program.

5.3 THE INSTITUTIONAL STRUCTURE

The institutional structure comprises of the EAC Sectoral Council on Trade, Industry, Finance and Investment, the Directorate of Customs and Trade, the AGOA Technical Working Group, AGOA Coordinating Unit (headed by a Senior Trade and Investment Officer), Trade Representative (based in Washington DC), Country AGOA Coordinators, and specialized country AGOA Sector Committees. The Secretariat will also facilitate the creation of a private sector coordinating mechanism as a sub-organ of the East Africa Business Council with presence in the Partner States at levels corresponding with the public sector structure. Figure 3 illustrates the outline of the institutional arrangement as discussed in this chapter.

5.3.1 The Sectoral Councilon Trade, Industry, Finance and Investment

The Council will be at the apex of the institutional structure and will provide the political leadership and direction for the Strategy and ensure that Partner States sustain the political goodwill needed for its full implementation. The Secretariat will be providing the Council with periodic reports and work plans.

5.3.2 The Directorate of Customs and Trade

AGOA issues at the EAC Secretariat are placed under the Directorate of Trade and Customs. In the current arrangement, the Senior Export Promotion Officer is also responsible for AGOA alongside all other trade issues. In order to give the AGOA Program the attention it deserves, this Strategy proposes the creation of a fully fledged Unit within the Directorate headed by a Senior Trade and Investment Officer. The Unit should also be staffed with officers responsible for the dominant AGOA export sectors and investment promotion. The Unit will be the secretariat for AGOA issues in the region.

5.3.3 AGOA Technical Working Group

A Technical Working Group comprising of experts nominated by Partner States will be constituted to provide harmonized guidance in the implementation of the EAC-AGOA Strategy. The Group will receive and scrutinize reports from the Partner States and seek clarification(if necessary) before forwarding them to the organs of the EAC for processing or action. The Technical Working Group will be meeting quarterly to attend to its responsibilities.

5.3.4

Country AGOA Coordination Offices

AGOA Desks have been established in the Ministries responsible for trade in most of the Partner States. The AGOA Desks have operated as the point of contact between AGOA exporters and government agencies that facilitate the Program. The Desks have, however, been proven to be weak and they lack proper orientation. This Strategy proposes the creation of robust AGOA Coordination Units in those Partner States where no Desks exist. In all the Partner States, Coordination Units should be reinvigorated and equipped to the extent that they can be of sufficient assistance to exporters and investors operating under the Program. The Coordination Units will provide secretariat services to the four specialist

Sectoral Committees (see 5.3.6 below). The Coordinating Units will carry out training and outreach programs as well as implement the country-specific AGOA strategies.

5.3.6 Sectoral Committees

This Strategy proposes the creation of four technical committees responsible for: (1) Agriculture and related products, (2) Textile and apparels, (3) Other Products, and (4) Policy and advocacy at the country level. Members of the committees would be drawn from the private sector, knowledge institutions, government agencies, development partners and support organizations such as the EA Trade and Investment Hub. The Sector Committees will provide forums for different players to engage directly to explore present and potential opportunities and express their particular concerns on issues handled by other stakeholders in the Program. A private sector representative would chair the Sectoral Committee while the officer in charge of the AGOA Coordination Unit would provide secretariat services.

5.3.7 The Private Sector

Ultimately, AGOA is about doing business. Whereas the EAC Secretariat and Partner States' Governments will play a facilitative role, the private sector will be the most critical pillar in this Strategy. It is expected that the East Africa Business Council (EABC) will constitute a special purpose committee from among its membership that focuses on AGOA issues. EABC will use its clout and observer status at EAC to escalate lobbying at the Summit and Sector Council levels. The private sector structure should then cascade downwards to the Partner States level where business associations will be expected to actively participate in the Sectoral Committees.

Figure 4: EAC-AGOA Strategy Implementation Structure

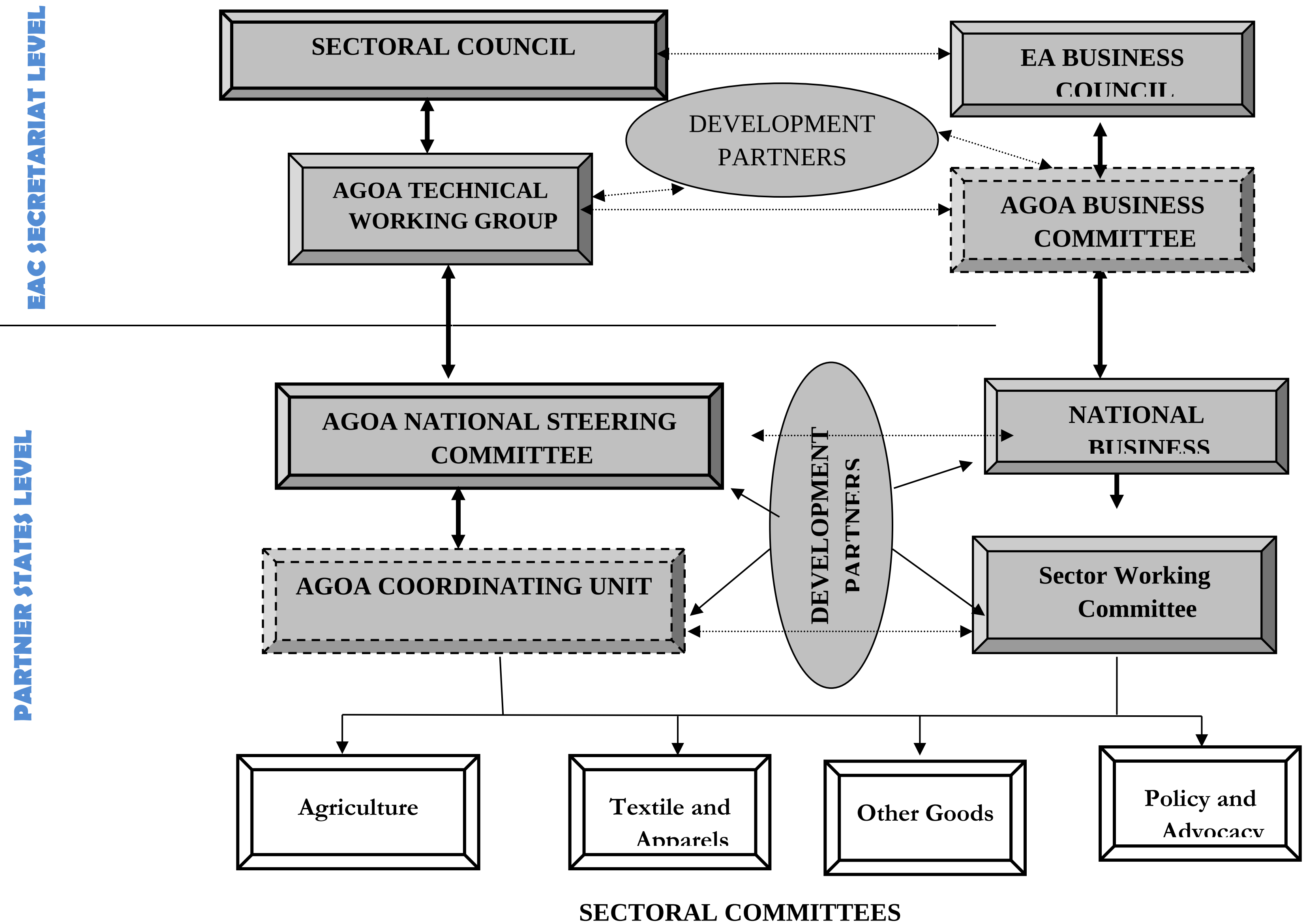
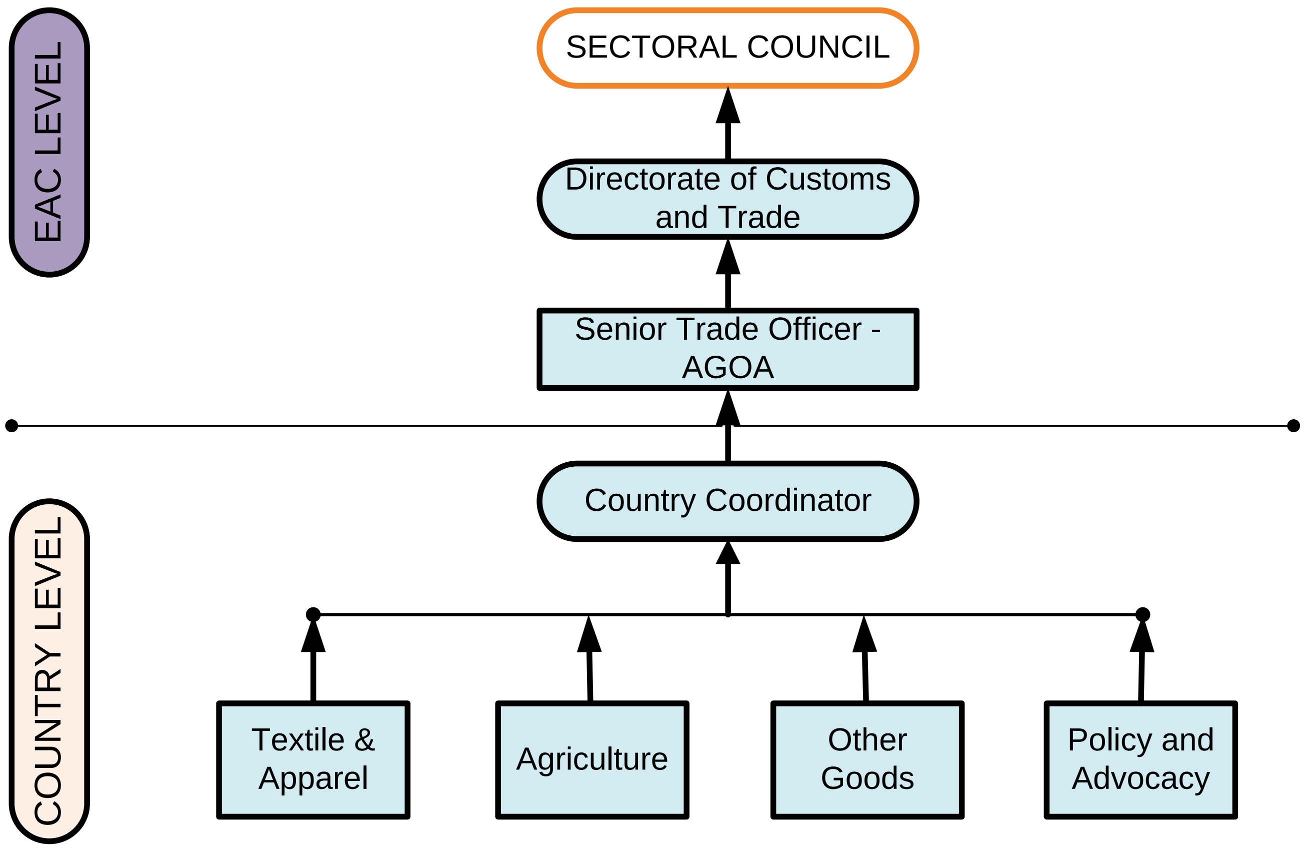


Figure 5: EAC-AGOA Operational Structure



CHAPTER 6: MONITORING AND EVALUATION

6.1 INTRODUCTION

The EAC Development Strategy (2011/12 – 2015/16) is the overall framework within which the EAC-AGOA Strategy must nest. The Development Plan proposes an operational Monitoring and Evaluation (M&E) system that is adapted for this Strategy. Monitoring is a very important component of strategy implementation. It entails taking a periodic review of the progress being made on both the process and activities. It enables taking additional advantage of emerging opportunities or taking remedial measures on time, should conditions that hinder implementation be encountered. Evaluation entails a systematic and objective assessment of on-going or completed interventions or policies and the resulting impacts, and justifies continuation of the program or changing of course.

6.2 OBJECTIVE

From the foregoing discussion, it is important to put in place an effective monitoring and evaluation (M&E) mechanism at the design stage of any strategy or program. The EAC Development Strategy argues that an effective M&E system:

- Ensures that the interventions being carried out conform to the development plan;
- Ensures that the results being achieved are aligned with the set objectives;
- Serves as an "early warning system" and gives an opportunity for all implementers to communicate how they are doing, and where the problems and opportunities lie;
- Provides regular information to all stakeholders on the progress of implementation and aids informed decision making;
- Allows corrective action and "fine tuning"not only on the strategies, but also the planning process leading to improved performance;
- Demonstrates public accountability and transparency in the implementation of the regional projects and programs;
- Promotes learning, feedback and knowledge sharing on results and lessons learned among implementing partners; and
- Ensures the continuous sharpening and focusing of strategies and assists in the mobilization of appropriate and responsive interventions at all stages of implementation.

In adapting the EAC Development Plan's M&E mechanism for the EAC-AGOA Strategy, due consideration has been made to ensure that the mechanism:

- is participatory;

- is simple and efficient, i.e. it is based on assessment of easily measurable indicators, but which, nevertheless supplies relevant and useful information concerning progress, achievements and obstacles of the Program to both the private sector and Partner States' stakeholders;
- must supply information, which can immediately guide adjustment of planning and implementation of the Strategy and improve the effectiveness and efficiency of delivery of the proposed interventions; and
- is economically and institutionally sustainable.

6.3 APPROACH

The proposed M&E system will, to the extent possible, be participatory in approach to allow the active engagement of the stakeholders. This will ensure that all information collected and analyzed is useful for improved management, planning and implementation of the Strategy. It should also advance the general environment for increasing business between EAC and the U.S. Data that has already been collected should be put to maximum use and shared among all the interested parties. Additional data to be collected should be as simple and as easy to interpret as possible.

The implementation of the M&E system should render itself open for transparent scrutiny in all aspects including data collection, analysis, storage, presentation and utilization. Finally it should be easily accessible to all interested parties as a public service.

6.4 FOCUS OF THE M&E SYSTEM

As is the case with the EAC Development Plan M&E system, the EAC-AGOA M&E system will put emphasis on the monitoring of outcomes and impact more than processes and activities (though these will also be monitored). Regular monitoring will focus on the following issues:

a. Are activities being implemented within set timelines and progress being made;
b. The rate at which inputs (budgets, staffing and finances) are being used within agreed budget lines;
c. The extent to which the desired results are being achieved in relation to set targets; and
d. Changes in the project environment and whether the assumptions still hold.

6.5 PROGRESS MONITORING

In line with the Result Based M&E framework currently developed by the EAC, the following key reports shall be regularly compiled:

6.5.1 Monthly Activity Monitoring

The AGOA Coordination Unit at the Partner States level will prepare quarterly reports based on the activities of the four Sector Committees and the general trend in the implementation of country-specific AGOA strategies. The reports will be considered by the National AGOA Steering Committees and thereafter be forwarded to the EAC Secretariat's Unit specializing in AGOA affairs. Subsequently, the EAC-AGOA Unit will prepare a harmonized quarterly report that would be submitted to the AGOA Technical Working Group for scrutiny. Thereafter the Directorate of Trade and Customs will process it through the established system. The quarterly reports will contain the status of implementation of key activities and related actions undertaken during the period under review. The quarterly reports will provide update on the status of achievement of targeted outputs and an assessment of progress towards achievement of strategic objectives and goals. The reports will also provide an opportunity to share lessons and experiences.

A similar report will be prepared and submitted by the AGOA Trade representative based on pre-agreed performance benchmarks.

6.5.2 Bi-Annual Progress Report

The bi-annual (six months) progress report shall be prepared by EAC M&E Section in collaboration with the Partner States through respective AGOA Coordination Units. The report shall provide progress made in implementing the Strategy. The report shall be submitted to the Sector Council for information, consideration and guidance.

6.5.3 Annual Review

Every organ responsible for any aspect of implementation of this Strategy will be required to prepare and submit an annual report no later than three months after the end of the implementation year. The report shall provide information and data on the progress made in implementation of the Strategy by all relevant stakeholders. The report will highlight the success achieved, emerging opportunities, challenges encountered and innovative solutions employed to meet the challenges. It shall also highlight the priority programs and action plans for the succeeding year and strategies for maintaining and improving existing interventions. The EAC Senior Trade and Investment Officer-AGOA will organize an annual review workshop at the end of every year to deliberate on the content of this report.

Subsequently, the report will be submitted to the Sector Council for consideration and adoption.

6.6 EVALUATION OF EAC-AGOA STRATEGY

On-going or completed interventions, policies and the resulting impacts will be subjected to evaluations at predetermined intervals. The evaluations will be conducted by way of systematic and objective assessment of the relevance, efficiency, effectiveness, internal coherence, impact and sustainability of the development interventions. Overall, evaluations will endeavorto explore the alignment of interventions, policies and change processes that support implementation of the Strategy. The following evaluations will be undertaken:

6.6.1 Baseline Survey

A survey will be carried out before the start of the implementation process to establish the baseline data for particular outcome indicators upon which future monitoring and evaluation will be measured.

6.6.2 Ex-Ante Evaluations

Internal self evaluation of the Strategy will be carried out in the third and seventh year in the life of this Strategy. An independent Mid-Term Review (MTR) will be carried out in the fifth year. Other periodic evaluations may be carried out as required in pursuit of specific events or set of conditions or upon request by the Council, Partner States or the development partners.

6.6.3 Ex-Post Evaluation

This evaluation will be undertaken at the end of the Strategy period by an independent external expert. The focus of the evaluation will be the entire AGOA Program including its philosophical underpinning, efficacy of institutions, processes, interventions, final results and outcomes. The aim of this evaluation will be to glean lessons learned that would provide input into the formulation of future strategies. The evaluation will also attempt to assess the impact of the interventions implemented under the Strategy and their chances of sustainability. It will also attempt to isolate impact on the EAC-U.S.A. economic relationship that could be attributed to the EAC-AGOA strategy.

6.7 INSTITUTIONAL FRAMEWORK FOR MONITORING AND EVALUATION

Overall responsibility for ensuring effective monitoring and evaluation shall be vested on the EAC M&E Section. The Section shall prepare the tools necessary for carrying out the tasks and also develop unified reporting formats at all levels. It will also build M&E within the responsible units for carrying out actual monitoring functions and follow up to ensure that the function is duly executed. Further, the Section will initiate the carrying out of surveys, evaluations and other types of investigations and assessments on the implementation of the Strategy.

The EAC-AGOA Unit and the AGOA Coordination Units in the Partner States will be responsible for actual monitoring and facilitating planned evaluations at their respective levels.

6.8 MONITORING AND EVALUATION TIMEFRAME

The following table proposes the timeframe for undertaking the EAC-AGOA Strategy M&E functions:

Table 10: EAC-AGOA Strategy M&E Timeframe

M&E Activity	Responsibility	Occurrence	Output	Recipient
STATEGY MONITORING				
Activity Monitoring	Country AGOA Coordination Units	Quarterly	Report	• National AGOA Steering Committees • AGOA Technical Working Group • EAC Director of Trade and Customs
Progress Reporting	• AGOA Units • M&E Section Head	Bi-Annual	Report	EAC Sector Council
Annual Review	• All AGOA implementers • M&E Section Head	Annually	Report	EAC Sector Council
STRATEGY EVALUATION				
Baseline Survey	• EAC Secretariat • Consultant	Immediately before Strategy implementation begins	Report	All stakeholders

M&E Activity	Responsibility	Occurrence	Output	Recipient
Internal Self Evaluations	• EAC Secretariat	• Year 3 • Year 7	Report	• EAC Sectoral Council • Development Partners
Ex-Ante Evaluations	• EAC Secretariat • Consultant	Year five	Report	• EAC Summit • Development Partners
Other Periodic Evaluations	• EAC-DTC • Evaluator	On need basis	Report	Commissioning client
Ex-Post Evaluation	• EAC Secretariat • Consultant	End of year nine	• Report • Policy brief	• EAC Summit • Development Partners

CHAPTER 7: RISK FACTORS AND MITIGATION

7.1 INTRODUCTION

The EAC-AGOA Strategy is founded on a number of assumptions. However, there are inherent risks that could compromise the overall success of the Strategy. This section attempts to assess the likely risks, their chances of realization and the possible impact on strategy implementation.

7.2 NATURE OF ASSUMPTIONS AND RISKS

General assumptions underlying the EAC-AGOA Strategy and the associated risks include the following:

- Political stability and goodwill will be sustained
- The U.S. Government will secure the Program by not entering into other trade agreements that could undermine AGOA
- Adequate funding for the Strategy will be available
- There will be active and continued engagement by the private sector
- Development partners will readily support the strategy implementation
- There will be widespread ownership of the Strategy by the EAC

The likelihood of the risks inherent in the above assumptions being realized is assessed here below:

7.2.1 Political stability and goodwill will be sustained

The success of the EAC-AGOA Strategy, and indeed the EAC itself, is predicated on sustained political stability and the collective goodwill of the respective governments. In the specific case of the AGOA Program, it is a condition that eligible countries must continuously uphold democratic practices and respect for human rights. In the past, there have been countriessuspendedby the U.S.from the Program due to violation of these tenets. Though the AGOA Act 2015 has built-in mechanisms to render the process of suspending countries more participatory and transparent, the conditions are ever present.

That there is solid political commitment to advance the process of EAC integration complete with necessary program support is without a doubt. However, the level of exercise of democratic practices varies across the Partner States. It is, therefore, a poignant concern as to what would befall the success of this Strategy should a Partner State be declared ineligible. This is even more pertinent in the event that the Partner State concerned is a critical player in the overall game plan, for example, as a supplier of critical inputs or home to an important production unit. Cases of Partner States falling short of democratic expectations especially in the conduct of elections are real in some of the Partner States.

The AGOA Act 2015 attempts to ring fence businesses, especially those driven by women and the youth, from being adversely affected should a decision to render a country ineligible be reached. In the course of pursuing commercial cooperation between the EAC and the U.S., these matters should be addressed and settled early enough. Finally, the dialogue between the private sector and their governments would be critical to always alert the leaders on the impact of political risks on businesses and the economy of the countries and the region.

7.2.2 The U.S. Government will secure the Program

The U.S. is a vast and high-end market that is attractive to exporters throughout the world. Though issues touching on African development receive overwhelming bi-partisan support in the U.S., the risk of lobbyists from other regions of the world pressurizing the U.S. Government to enter into preferential trade agreements that could undermine AGOA remain a real possibility. Already there are moves, backed by strong elements within the U.S. body politic, to extend AGOA-like preferences to Latin American countries and Asia. Indeed it is highly unlikely that AGOA will be extended in its current form beyond its reauthorized lifespan.

To address this risk, it is important to escalate the trade agreements that are in the process of being negotiated between the EAC and the U.S. Within that process, solid commitment by the U.S. to preserve AGOA should be firmed up. In addition every effort should be made to transform the competitiveness of the production process in the EAC to a level where preferences will not be needed by the expiry of the current phase of AGOA.

7.2.3 Adequate funding for the Strategy will be available

The EAC-AGOA Strategy is a catalyzing mechanism that galvanizes the plans of individual Partner States, specialized agencies, exporters and investors to maximize benefits of commercial engagement with the U.S. Not all of these implementing parties may receive the Strategy with equal measure of priority and urgency. This could lead to sub-optimal support for the Strategy, especially in funding its activities. Yet inability to deliver on proposed support could distance the implementing parties further with dire consequence on the Strategy.

To alleviate the significance of this risk, efforts must be made to secure sufficient funding in an efficient manner for the effective implementation of the Strategy. Some tips on possible sources of finance for the strategy have been proposed herein (see 8.2 below).

7.2.4 There will be active and continued engagement by the Private Sector

It is anticipated that the private sector in the entire EA region, through its member organizations, will engage the Governments in order to realize this Strategy. It is also expected that the private sector will up its game to a level where it enters into progressive commercial dialogue with its counterpart in the U.S. A disjointed private sector may not have a voice strong enough to influence Government policies and decisions, let alone earn respect abroad, as envisaged in the Strategy. The private sector must therefore be willing to play its rightful role in providing material and strategic support to its organizations so that they become strong focal points for private sector engagement. This calls for the private sector firms to fully participate in activities of organizations in which they are members including payment of membership dues, volunteering into activities of sector committees, and knowledge sharing amongst others.

To mitigate against this risk, the Strategy proposes central roles for the private sector at all levels of its implementation. The basic level of active engagement will be the Country Sectoral Committees. It scales up to the National AGOA Steering Committee and further into the EAC Technical Committee on AGOA and EABC. Partner States, the private sector and the EAC Secretariat willtherefore be obliged to live up to their commitments in order for the Sectoral Committees to function as a vibrant mechanisms.

7.2.5 Development partners will readily support the Strategy implementation

The EAC-AGOA Strategy has been formulated through a partnership between the EAC Secretariat, Partner States, the Private Sector and USAID (as the development partner). The implementation of this Strategy assumes continued and active support from specialized U.S. agencies and other development partners in the investment of infrastructure, trade facilitation and promotion, trade financing, mobilization of FDI, and capacity building. It is also anticipated that the support will be equitably distributed across Partner States in order to preserve inclusivity. This assumption resonates well with the declared preference by the U.S. to engage through regional economic blocs.

To lessen the effects of this risk, the EAC will capitalize on the enhanced attention on the EA as a region by other leading development partners such as the EU, China and other emerging economic powerhouses as alternate sources of support in the execution of the Strategy.

Managing divergent interests and growing out of donor dependency, though likely to be a significant challenge, will be the long-term aspirationfor the region as far as this Strategy is concerned.

7.2.6 There will be widespread ownership of the Strategy by the EAC

The EAC serves a wide mandate and there is always a risk that a singular agenda such as AGOA may not receive the requisite ownership within the institution.

To eliminate this risk, the Strategy proposes specialized organs within the EAC that will be dedicated to the AGOA issues and its delivery.

CHAPTER 8: FINANCIAL REQUIREMENTS

8.1 SUMMARY BUDGET

Table 11: Summary Budget

Component	Projected costs in U.S.$ ('000) per year										Total
	1	2	3	4	5	6	7	8	9	10	
Priority Area 1: To increase production and export of tradable products											
Strategies											
1.1 Establish mechanisms for reducing cost of production and doing business	50	30	110								190
1.2 Develop bankable trade facilitation projects	-	25	25	20	1,000	1,000	1,000	1,000	1,000		5,070
1.3 Solve the challenge of volumes in supply of products	25	25	1,000	1,000	1,000	1,050	1,050	50			5,200
1.4 Sensitize stakeholders sensitize about AGOA and its benefits	35	25	15	25	15	25	15	25	15	10	205
1.5 Create platform for web based marketing	30	35	40	5	5	5	5	5	5	5	140
Sub-Total	**140**	**140**	**1,190**	**1,050**	**2,020**	**2,080**	**2,070**	**1,080**	**1,020**	**15**	**10,805**
Priority 2: Diversify products exported to the U.S.A from the EA region											
Strategies											
2.1 Profile resources and map products in Partner States	10	35	15	20	15	20	15	20	15	5	170
2.2 Conduct market research in the U.S.A	10	50	15								75
2.3 Link training institutions to exporting firms		65	50	20							135
2.4 Streamline property rights issues in EAC	20	20	70								110

Component	Projected costs in U.S.$ ('000) per year										Total
	1	2	3	4	5	6	7	8	9	10	
2.5 Train entrepreneurs on branding and packaging for the U.S.A market		30	35	15	15	15	15	15	15	15	170
2.6 Organize marketing activities			500	2,000	5,000	500			500		8,500
2.7 Establish business incubation centers in selected product lines		50	1,000	1,150	1,300	1,450	1,600	655	605	605	8,415
Sub Total	**40**	**250**	**1,685**	**3,205**	**6,330**	**1,985**	**1,630**	**690**	**1,135**	**625**	**17,575**
Priority Area 3: Intensify value addition											
Strategies											
3.1 Undertake value chain analysis of targeted products	10	25	25	5							65
3.2 Establish a mechanism to promote export of finished and intermediate products	20	50	100	20							190
3.3 Optimize utility of the free zone schemes that promote value addition for export	50	1,000	1,000	1,000	1,300	1,400	500	500	5,000		11,750
Sub-Total	**80**	**1,075**	**1,125**	**1,025**	**1,400**		**500**	**500**	**5,000**		**12,005**
Priority Area 4: Promote and attract investment capital											
Strategies											
4.1 Invigorate and support export financing institutions	25	25	30	500							580
4.2 Fast track conclusion of partnership agreements between U.S.A and EA	10	50	50								110
4.3 Mobilizeactive participation of the Diaspora citizens	25	35	10	15							85
4.4 Facilitate review of investment and export policies in light of AGOA re-authorization	10	70	25	50							155

Component	**Projected costs in U.S.$ (‘000) per year**									**Total**
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	
Sub-Total	**70**	**180**	**115**	**565**							**930**
TOTAL											41,315
Add 10 percent for M&E											4,132
Add 30 percent for administration											12,395
GRAND TOTAL											57,841

8.2 FINANCING THE STRATEGY

Upon approval of the EAC-AGOA strategy, the Secretariat will work on the implementation details including the financing of the various activities. Following are suggested sources of finance for the strategy:

- EAC internal resources as per the established arrangements
- Donor agencies, especially the U.S. Government through the USAID. Capacity building activities would be readily taken up by the East Africa Trade and Investment Hub. Other sources include Trade Africa, Power Africa and resources availed through bilateral agreements.
- Multilateral agencies such as the World Bank Group, and UN agencies
- Fees and levy on activities that are of direct benefit to businesses e.g. training, expos and exhibitions, use of the e-marketing portal among others.

9.0 EXIT STRATEGY

It is argued under 7.2.2 above that it is unlikely that the AGOA Program will be extended beyond 2025, at least in its current form. The basic assumption is that by that time, commercial relations between EAC and the U.S. will have matured so as not to need preferential treatment. Pressure from other countries and regions as well as international trade laws are additional factors against an extension. To prepare for this eventuality, the EAC countries should speedily do the following:

- Remove all the technical and administrative barriers that hinder intra EAC and intra Africa trade.
- Address the factors that limit the competitiveness of goods destined for the U.S. and other export markets.
- Diversify the range of products and increase their complexity i.e. move away from focus of primary products to value-added goods
- Conclude and implement on-going Trade and Investment Partnership Agreement
- Progressively move away from preferential schemes towards economic partnership agreements with the U.S.

ANNEXES

ANNEX 1: LOGICAL FRAMEWORK

Table 12: Priority Area 1: Increase production and export of tradable products

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
Impact Increase in economic development	% contribution to economic growth	EAC Economic Survey	• Political climate and good will prevail • Favorable climatic conditions • U.S.A will not enter into agreements with other economic blocs that will undermine AGOA • Bi-partisan support by the U.S. Congress for AGOA will hold • WTO waiver will be granted • Macro-economic conditions in EAC and U.S.A will remain stable
Outcome Increase in foreign exchange earnings	• % increase in volume of exports • % increase in employment in export sector	• Survey reports • National Bureau of Statistics Reports • Revenue Authority Databases	
<u>Output</u> 1.1 Mechanisms for reducing cost of production and doing business established 1.2 Bankable trade facilitation projects developed 1.3 Challenge of quantity of supply for targeted products solved 1.4 Stakeholders sensitized about AGOA and its benefits 1.5 Web based marketing platform created	• # of cost of doing business assessments undertaken • # of projects funded • # of cold storage, warehousing and bulking facilities established • # of AGOA outreach programs Undertaken • # of exporters getting orders from the EAC portal		

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
	• Performance rating score		
<u>Activities</u> 1.1.1 Consolidate the data on the cost of doing business 1.1.2 Organize stakeholders' workshop 1.1.3 Organize international workshop on alternative energy 1.1.4 Prepare and publish a blue print on property rights protection 1.2.1 Carry out feasibility studies in Trade Facilitation, SPS and TBT projects 1.2.2 Approve projects 1.2.3 Submit for funding support 1.3.1 Feasibility study for cold storage, warehousing and bulking facilities 1.3.2 Establish one model facility per Partner State 1.3.3 Extensively advertise for utilization of warehousing and bulking facilities 1.4.1 Prepare a standard AGOA training manual 1.4.2 Carry out outreach programs 1.4.3 Organize and carry out participants' scheduled follow-up sessions	**Budget** **U.S.$ 12,625,000**		

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
1.5.1 Profile exporters at national level 1.5.2 Roll out of EAC-AGOA portal 1.5.3 Train exporters on portal usage 1.5.4 Put in place mechanisms to monitor portal Usage 1.6.1 Undertake a situational analysis 1.6.2 Identify the gaps 1.6.3 Draw work plan			

Table 13: Priority Area 2 - Diversify products exported to the U.S.A from EAC

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
Impact Increased economic development	% contribution of AGOA to economic growth	EAC Economic Survey	• Political climate and good will sustains • Favorable climatic conditions • U.S.A will not enter into agreements with other economic blocs that will undermine AGOA • Bi-partisan support for AGOA by the U.S. Congress will hold
Outcome Increase in foreign exchange earnings	• # of new products being exported to the U.S. • Number of jobs created	• Survey reports • National Bureau of Statistics Reports • Revenue Authority Databases	
<u>Output</u> 2.1 Resources and map products in Partner States profiled 2.2 Market research in the U.S.A conducted	• Products catalogue • # of market researches conducted		

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
2.3 Linkages between training institutions and exporting firms institutionalized 2.4 Property rights issues in EA streamlined 2.5 Entrepreneurs trained on branding and packaging for the U.S.A market 2.6 Marketing activities organized 2.7 Business incubation centers for selected product linesestablished	• # of firms linked to training institutions • # of patents registered • # of entrepreneurs trained about AGOA • #of marketing activities undertaken in U.S.A • # of business incubation centers established		• Macro-economic conditions in EAC and U.S.A will remain stable
<u>Activities</u> 2.1.1 Carry out a desk review of AGOA admissible resources and products 2.1.2 Produce a resources/products catalogue 2.1.3 Undertake onsite coaching for firms. 2.2.1 Carry out a desk research on the U.S. market 2.2.2 Undertake a detailed market research 2.2.3 Organize dissemination workshops for the stakeholders 2.3.1 Assess the technology gaps at firms' level 2.3.2 Conduct stakeholder workshop 2.3.3 Prepare exporting firms and training institutions linkage strategy	**Budget** **U.S.$ 17,575,000**		

Intervention Logic	**Objectively Verifiable Indicators**	**Means of Verification**	**Assumptions**
2.4.1 Carry out a comprehensive audit of intellectual property in Partner States 2.4.2 Organize an experience sharing forum 2.4.3 Prepare a roadmap for the region on property rights issues 2.5.1 Carry out a branding and packaging assessment study 2.5.2 Prepare a branding and packaging catalogue for selected products 2.5.3 Train entrepreneurs on branding and packaging requirements 2.6.1 Organize exporters to participate in an international expo in U.S.A 2.6.2 Organize product based exhibitions in different states in U.S.A 2.6.3 Organize a trade mission 2.7.1 Undertake a feasibility study for establishing incubation centers 2.7.2 Recruit tutors and potential entrepreneursinto the centers			

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
2.7.3 Organize exchange visits/experience sharing missions			

Table 14: Priority area 3: To intensify value addition

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
Impact Increased economic development	% contribution of AGOA to economic growth	EAC Economic Survey	• Political climate and good will sustain • Favorable climatic conditions • U.S.A will not enter into agreements with other economic blocs that will undermine AGOA • Bi-partisan support for AGOA by the U.S. Congress will hold • Macro-economic conditions in EAC and U.S.A will remain stable
Outcome Increase in foreign exchange earnings	• % increase in value of exports to the U.S. • # of jobs created	• Survey reports • National Bureau of Statistics Reports • Revenue Authority Databases	
<u>Output</u> 3.1 Undertake value chain analysis of targeted products 3.2 Establish a mechanism to promote export of finished and intermediate products 3.3 Optimize utility of the free zone schemes that promote value addition for export	• # of products whose value chain has been analyzed • # of laws/incentive that promote export of intermediate and finished products in place • # of existing EPZs assessed	• Reports • Legislated laws • Assessment reports	
Activities 3.1.1 Carry out a desktop research of viable products 3.1.2 Study gaps existing along the value chains 3.1.3 Prepare a policy brief	**Budget** **U.S.$ 12,005**		

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
3.2.1 Assess and review trade policies 3.2.2 Hold stakeholder workshop 3.2.3 Prepare and approve policy briefs for legislative action 3.3.1 study free zones in the region 3.3.2 give publicity to the incentive schemes 3.3.3 market products from the zones 3.3.4 give incentives to investors			

Table 15: Priority Area 4: Promote and attract investment capital

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
Impact Increased economic development	% contribution of AGOA to economic growth	EAC Economic Survey	• Political climate and good will prevail • Favorable climatic conditions • U.S.A will not enter into agreements with other economic blocs that will undermine AGOA • Bi-partisan support for AGOA at the U.S. Congress will hold
Outcome Increase in foreign exchange earnings	• % increase in FDI • # of jobs created	• Survey reports • National Bureau of Statistics Reports • Revenue Authority Databases	
<u>Output</u> 4.1 Export financing institutions invigorated and supported 4.2 Conclusion of partnership agreement between U.S.A and EA fast tracked	• % increase in Export Finances • #of partnership agreements concluded • # of Diaspora citizens sensitized on EAC export Agenda	• Reports, bank operations manual, meeting minutes, sensitization manual, policy briefs	

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
4.3 Active participation of the Diaspora citizens mobilized 4.4 Review of investment and export policies facilitated	• # of investment policies reviewed • # of new products exported to the U.S. • % increase in FDIs in the region targeting the AGOA program		• Macro-economic conditions in EAC and U.S.A will remain stable
Activities 4.1.1 Review existing export trade financing institutions 4.1.2 Identify gaps in their lending practices and capacity 4.1.3 Develop solutions to increase their capacity 4.2.1 Review the status of current export facilitating agreements 4.2.2 Hold stakeholder forums to conclude negotiations 4.2.3 Sign and put agreements 4.3.1 Assess the current operations and structure of Diaspora citizens 4.3.2 Develop linkages with Diaspora forums 4.3.3 Develop and implement a blue print on a structured Diaspora engagement 4.4.1 Review the investment policies 4.4.2 Review investment strategies 4.4.3 Organize stakeholder workshops	**Budget** **U.S.$ 930,000**		

Intervention Logic	Objectively Verifiable Indicators	Means of Verification	Assumptions
4.4.4 Develop and disseminate new investment policy			

ANNEX 2: IMPLEMENTATION MATRIX

Table 16:Implementation matrix for Priority Area 1: To increase production of tradable products

Strategy	Action (plan)	Time frame (years)										Responsible
		1	2	3	4	5	6	7	8	9	10	
1.1 Establish mechanisms for reducing cost of production and doing business	1.1.1 Consolidate the data on the cost of doing business	X										EAC Secretariat
	1.1.2 Organize stakeholders' workshop		X									
	1.1.3 Organize international workshop on alternative energy			X								
	1.1.4 Prepare and publish a blue print of the way forward			X								
1.2 Develop bankable trade facilitation projects	1.2.2 Carry out feasibility studies in Trade Facilitation, SPS and TBT projects		X	X								EAC Secretariat, Partner States Coordinators
	1.2.3 Approve projects				X							
	1.2.4 Submit for funding support					X						
1.3 Solve the challenge of quantity of supply for targeted products	1.3.1 Feasibility study for cold storage, warehousing and bulking facilities	X										EAC Secretariat, Partner States' Coordinators, Development Partners
	1.3.2 Establish one model facility per Partner State	X	X	X	X	X	X	X	X	X	X	
	1.3.3 Extensively advertise and utilizewarehousing and bulking facilities				X	X	X	X	X	X	X	
1.4 Sensitize stakeholders about AGOA and its benefits	1.4.1 Prepare a standard AGOA training manual	X										EAC Secretariat, Partner States' Coordinators
	1.4.2 Carry out outreach programs		X	X	X							
	1.4.3 Organize and carry out participants' scheduled follow-up sessions				X	X	X					

Strategy	Action (plan)	Time frame (years)										Responsible
		1	2	3	4	5	6	7	8	9	10	
1.5 Create platform for web based marketing	1.5.1 Profile exporters at national level	X	X	X								EAC Secretariat, Partner States' Coordinators, Development Partners
	1.5.2 Roll out of EAC-AGOA portal		X									
	1.5.3 Train exporters on portal usage			X	X	X	X	X	X	X	X	
	1.5.4 Put in place mechanisms to monitor portal usage											

Table 17:Implementation matrix for Priority Area 2: Diversify products exported to the U.S.A from the EAC

Strategy	Action (plan)	Time frame (years)										Responsible
		1	2	3	4	5	6	7	8	9	10	
2.1 Profile resources and map products in partner states	2.1.1 Conduct desk review of resources and products	X	X									EAC Secretariat, Partner States' Coordinators, Development Partners
	2.1.2 Produce product catalogue for EAC		X	X								
	2.1.3 Undertake onsite coaching of firms producing selected products		X	X	X	X	X	X	X	X	X	
2.2 Conduct market research in the U.S.A	2.2.1 Undertake desk research	X	X	X								EAC Secretariat, Diaspora citizens, Development Partners
	2.2.2 Conduct detailed market research		X	X	X							
	2.2.3 Organize dissemination workshops			X	X	X						
2.3 Link training institutions to exporting firms	2.3.1 Assess technology gaps that exist in firms		X									EAC Secretariat, Training Institutions, Private Sector
	2.3.2 Organize stakeholder workshop			X								
	2.3.3 Prepare exporting firm-training institutions linkage strategy				X							
2.4 Streamline property rights issues in EAC	2.4.1 Carry out a comprehensive audit of intellectual property in Partner States	X	X									EAC Secretariat, Partner States'

Strategy	**Action (plan)**	**Time frame (years)**										**Responsible**
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	
	2.4.2 Organize an experience sharing forum			X	X							Coordinators, Development Partners
	2.4.3 Prepare a roadmap for the region on property rights issues			X	X	X	X	X	X	X	X	
2.5 Train entrepreneurs on branding and packaging for the U.S.A market	2.5.1 Assess branding and packaging requirements for U.S.A market segments		X									EAC Secretariat, Private Sector, Development Partners
	2.5.2 Prepare a branding and packaging catalogue for selected products			X	X							
	2.5.3 Train entrepreneurs on the packaging and brand requirements			X	X	X	X	X	X	X	X	
2.6 Organize marketing activities	2.6.1 Participate in an international expo in U.S.A											EAC Secretariat, Partner States' Coordinators, Development Partners, Private Sector
	2.6.2 Organize product based exhibitions in different states in U.S.A		X	X	X	X	X	X	X			
	2.6.3 Organize a trade mission			X			X				X	
2.7 Establish business incubation centers in selected product lines	2.7.1 Undertake feasibility study for establishing incubation centers		X	X								EAC Secretariat, Partner States' Coordinators, Development Partners
	2.7.2 Recruit tutors and students					X	X	X	X	X	X	
	2.7.3 Organize exchange visits/experience sharing					X	X	X				

Table 18: Implementation matrix for Priority Area 3: Intensify value addition

Strategy	Action (plan)	Time frame (years)										Responsible
		1	2	3	4	5	6	7	8	9	10	
3.1 Undertake value chain analysis of targeted products	3.1.1 Conduct a desktop research of viable products	X	X									EAC Secretariat, Development Partners
	3.1.2 Study gaps existing along the value chains		X	X								
	3.1.3 Prepare policy brief				X							
3.2 Establish a mechanism to promote export of finished and intermediate products	3.2.1 Enact enabling property rights laws and regulations	X										EAC Secretariat, Partner States' Coordinators
	3.2.2 Assess and review trade policies		X									
	3.2.3 Hold stakeholder workshop			X								
	3.2.4 Prepare and approve policy briefs for legislative action				X							
3.3 Optimize utility of the free zone schemes that promote value addition for export	3.3.1 study free zones in the region		X									EAC Secretariat, Partner States' Coordinators, EP schemes
	3.3.2 give publicity to the incentive schemes			X								
	3.3.3 market products from the zones				X	X	X	X				
	3.3.4 Give incentives to investors						X	X	X	X		EAC Secretariat, Partner States' Coordinators

Table 19: Implementation of Priority Area 4 - Promote and attract investment capital

Strategy	Action (plan)	Time frame (years)										Responsible
		1	2	3	4	5	6	7	8	9	10	
4.1 Invigorate and support export financing institutions	4.1.1 Review existing export trade financing institutions	X	X									EAC Secretariat, Partner States' Coordinators, Development Partners
	4.1.2 Identify gaps in their lending practices and capacity		X									
	4.1.3 Develop solutions to increase their capacity			X								
4.2 Fast track conclusion of partnership agreements between U.S.A and EA	4.2.1 Review status of current export facilitating agreements	X	X									EAC Secretariat, Partner States' Coordinators, USAID
	4.2.2 Organize stakeholder forum to review pending issues and conclude negotiations		X	X								
	4.2.3 Prepare agreements and facilitate signing				X							
4.3 Mobilizeactive participation of the Diaspora citizens	4.3.1 Assess the current operations and structure of Diaspora citizens from EAC	X	X									EAC Secretariat, Partner States' Coordinators, Development Partners
	4.3.2 Develop linkages with Diaspora forums		X	X								
	4.3.3 Develop and implement a blue print on a structured Diaspora engagement			X	X							
4.4 Facilitate review of investment policy in light of AGOA re-authorization	4.4.1 Review the investment policies		X									EAC Secretariat, Partner States' Coordinators, USAID
	4.4.2 Review investment strategies			X								
	4.4.3 Organize stakeholder workshops		X									
	4.4.4 Develop and disseminate new investment policy					X	X					

ANNEX 3:DETAILED BUDGET

Table 20: Priority 1 - Increase production of tradable products budget (U.S. $)

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
1.1 Establish mechanisms for reducing cost of production and doing business	1.1.1 Consolidate the data on the cost of doing business	50,000										50,000
	1.1.2 Organize stakeholders' workshop		30,000									30,000
	1.1.3 Organize international workshop on alternative energy			100,000								100,000
	1.1.4 Prepare and publish a blue print of the way forward			10,000								10,000
	Sub-total	**50,000**	**30,000**	**110,000**								**190,000**
1.2 Develop bankable trade	1.2.1 Carry out feasibility studies in Trade		25,000	25,000								50,000

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
facilitation projects	Facilitation, SPS and TBT projects											
	1.2.2 Approve projects				20,000							20,000
	1.2.3 Submit for funding support					1,000,000	1,000,000	1,000,000	1,000,000	1,000,000		5,000,000
	Sub-total		**25,000**	**25,000**	**20,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**		**5,070,000**
1.3 Solve the challenge of quantity of supply for targeted products	1.3.1 Feasibility study for cold storage, warehousing and bulking facilities	25,000	25,000									50,000
	1.3.2 Establish one model facility per Partner State			1,000,000	1,000,000	1,000,000	1,000,000	1,000,000				5,000,000
	1.3.3 Extensively advertised and utilize						50,000	50,000	50,000			150,000
	Sub-Total	**25,000**	**25,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,050,000**	**1,050,000**	**50,000**			**5,200,000**
1.4 Sensitize stakeholders about AGOA	1.4.1 Prepare a standard AGOA	20,000										20,000

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
and its benefits	training manual											
	1.4.2 Carry out outreach programs	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000		135,000
	1.4.3 Organize and carry out participants' scheduled follow-up sessions		10,000		10,000		10,000		10,000		10,000	50,000
	Sub-total	**35,000**	**25,000**	**15,000**	**25,000**	**15,000**	**25,000**	**15,000**	**25,000**	**15,000**	**10,000**	**205,000**
1.5 Create a platform for web based marketing	1.5.1 Profile exporters at national level	30,000	30,000	30,000								90,000
	1.5.2 Roll out of EAC-AGOA portal		5,000	5,000								10,000
	1.5.3 Train exporters on portal usage			5,000		5,000		5,000		5,000		20,000
	1.5.4 Put in place mechanisms to monitor portal usage				5,000		5,000		5,000		5,000	20,000
	Sub-total	**30,000**	**35,000**	**40,000**	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**	**140,000**
	TOTAL	**140,000**	**140,000**	**1,190,000**	**1,050,000**	**2,020,000**	**2,080,000**	**2,070,000**	**1,080,000**	**1,020,000**	**15,000**	**10,805,000**

Table 21: Priority 2 - Diversify products exported to the U.S.A from EAC budget (U.S. $)

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
2.1 Profile resources and map products in Partner States	2.1.1 Conduct desk review of resources and products	10,000										10,000
	2.1.2 Produce product catalogue for EAC		20,000		5,000		5,000		5,000		5,000	40,000
	2.1.3 Undertake onsite coaching of firms producing selected products		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000		120,000
	Sub total	**10,000**	**35,000**	**15,000**	**20,000**	**15,000**	**20,000**	**15,000**	**20,000**	**15,000**	**5,000**	**170,000**
2.2 Conduct market research in the U.S.A	2.2.1 Undertake desk research	10,000										10,000
	2.2.2 Conduct detailed market research		50,000									5,00
	2.2.3 Organize dissemination workshops			15,000								15,000
	Sub total	**10,000**	**50,000**	**15,000**								**75,000**

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
2.3 Link training institutions to exporting firms	2.3.1 Assess technology gaps that exist in firms		65,000									65,000
	2.3.2 Organize stakeholder workshop			50,000								50,000
	2.3.3 Prepare firm-training institutions linkage strategy				20,000							20,000
	Sub total		**65,000**	**50,000**	**20,000**							**135,000**
2.4 Streamline property rights issues in EA	2.4.1 Carry out a comprehensive audit of intellectual property in Partner States	20,000	20,000									40,000
	2.4.2 Organize an experience sharing forum			50,000								50,000
	2.4.3 Prepare a roadmap for the region on property rights issues			20,000								20,000
	Sub total	**20,000**	**20,000**	**70,000**								**110,000**
2.5 Train entrepreneurs	2.5.1 Assess branding and		30,000									

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
on branding and packaging for the U.S.A market	packaging requirements for U.S.A market segments											
	2.5.2 Prepare a branding and packaging catalogue for selected products			20,000								
	2.5.3 Train entrepreneurs on the packaging and brand requirements			15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	120,000
	Sub total		**30,000**	**35,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**170,000**
2.6 Organize marketing activities	2.6.1 Participate in an international expo in U.S.A					5,000,000						5,000,000
	2.6.2 Organize product based exhibitions in different states in U.S.A			500,000			500,000			500,000		1,500,000
	2.6.3 Organize a trade mission				2,000,000							2,000,000
	Sub total			**500,000**	**2,000,000**	**5,000,000**	**500,000**			**500,000**		**8,500,000**

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
2.7 Establish business incubation centersfor selected product lines	2.7.1 Undertake feasibility study of establishing incubation centers		50,000									50,000
	2.7.2 Recruit tutors and students			1,000,000	1,000,000	1,000,000	1,000,000	1,000,000				5,000,000
	2.7.3 Organize exchange visits/experience sharing				150,000	300,000	450,000	600,000	605,000	605,000	605,000	3,315,000
	Sub total		**50,000**	**1,000,000**	**1,150,000**	**1,300,000**	**1,450,000**	**1,600,000**	**655,000**	**605,000**	**605,000**	**8,415,000**
	TOTAL	**40,000**	**250,000**	**1,685,000**	**3,205,000**	**6,330,000**	**1,985,000**	**1,630,000**	**690,000**	**1,135,000**	**625,000**	**17,575,000**

Table 22: Priority Area 3 - To intensify value addition budget (U.S. $)

Strategy	Action (plan)	Time frame (years)									Total	
		1	2	3	4	5	6	7	8	9	10	
3.1 Undertake value chain analysis of targeted products	3.1.1 Conduct a desktop research of viable products	10,000										10,000
	3.1.2 Study gaps existing along the value chains		25,000	25,000								50,000
	3.1.3 Prepare policy brief				5,000							5,000
	Sub total	**10,000**	**25,000**	**25,000**	**5,000**							**65,000**

Strategy	Action (plan)	Time frame (years)									Total	
		1	2	3	4	5	6	7	8	9	10	
3.2 Establish a mechanism to promote export of finished and intermediate products	3.2.1 Enact enabling property rights laws and regulations	20,000										20,000
	3.2.2 Assess and review trade policies		50,000									50,000
	3.2.3 Hold stakeholder workshop			100,000								100,000
	3.2.4 Prepare and approve policy briefs for legislative action				20,000							20,000
	Sub total	**20,000**	**50,000**	**100,000**	**20,000**							**190,000**
3.3 Optimize utility of the free zone schemes that promote value addition for export	3.3.1 study free zones in the region	50,000										50,000
	3.3.2 give publicity to the incentive schemes		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000					5,000,000
	3.3.3 market products from the zones									5,000,000		5,000,000
	3.3.4 Give incentives to investors					300,000	400,000	500,000	500,000			1,700,000
	Sub total	**50,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,300,000**	**1,400,000**	**500,000**	**500,000**	**5,000,000**		**11,750,000**
	TOTAL	**80,000**	**1,075,000**	**1,125,000**	**1,025,000**	**1,400,000**		**500,000**	**500,000**	**5,000,000**		**12,005,000**

Table 23: Priority Area 4 - Promote and attract investment capital budget (U.S. $)

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
4.1 Invigorate and support export financing institutions	4.1.1 Review existing export trade financing institutions	25,000	25,000									50,000
	4.1.2 Identify gaps in their lending practices and capacity			30,000								30,000
	4.1.3 Develop solutions to increase their capacity				500,000							500,000
	Subtotal	**25,000**	**25,000**	**30,000**	**500,000**							**580,000**
4.2 Fast track conclusion of partnership agreements between U.S.A and EA	4.2.1 Review status of current export facilitating agreements	10,000										10,000
	4.2.2 Organize stakeholder forums to review pending issues and conclude negotiations		50,000									50,000

Strategy	Action (plan)	Time frame (years)										Total
		1	2	3	4	5	6	7	8	9	10	
	4.2.3 Prepare agreements and facilitate signing			50,000								50,000
	Subtotal	**10,000**	**50,000**	**50,000**								**110,000**
4.3 Mobilizeactive participation of the Diaspora citizens	4.3.1 Assess the current operations and structure of Diaspora citizens from EAC	25,000	25,000									50,000
	4.3.2 Develop linkages with Diaspora forums		10,000	10,000								20,000
	4.3.3 Develop and implement a blue print on a structured Diaspora engagement				15,000							15,000
	Subtotal	**25,000**	**35,000**	**10,000**	**15,000**							**85,000**
4.4 Facilitate review of investment policy in light of AGOA re-authorization	4.4.1 Review the investment policies	10,000										10,000
	4.4.2 Review investment strategies		50,000									50,000

Strategy	Action (plan)	Time frame (years)										Total
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	
	4.4.3 Organize stakeholder workshops		20,000									20,000
	4.4.4 Develop and disseminate new investment policy			25,000	50,000							75,000
	Sub-Total	**10,000**	**70,000**	**25,000**	**50,000**							**155,000**
	TOTAL	**70,000**	**180,000**	**115,000**	**565,000**							**930,000**

ANNEX 4: PREPARATION OF THE EAC-AGOA STRATEGY

1. Introduction

The EAC-AGOA Strategy evolved through a highly consultative and broad-based process that started in February 2015. The Strategy is informed by the experience of utilization of the AGOA Program by the EAC Partner States over the past fifteen years of its existence, the reauthorization of the Program and the formulation of national AGOA response strategies by the Partner States. The EAC's Directorate of Customs and Trade led the process and worked diligently to ensure engagement of stakeholders across all Partner Sates. Over 150 representative stakeholder agencies and institutions were engaged in the development of the Strategy. They participated in meetings, workshops, key informant interviews, expert validation and provision of data/information. The strategy formulation process is elaborated here below:

2. Preliminary Stage

The EAC Secretariat developed the Terms of References for the development of the Strategy in February 2015 and submitted them to Partner States for feedback. The Sectoral Council on Trade, Industry, Finance and Investment at its meeting held on 22nd May 2015, in Arusha, Tanzania approved the ToRs. Thereafter, the consultant was appointed to spearhead the EAC-AGOA Strategy formulation.

The consultant began by reviewing the expansive secondary materialon the AGOA initiative. The diverse material covers the philosophy, history, application, performance, critique, proposals for improvement, current status and future outlook. The secondary material is supported by statistical data contained in the USTR. and the World Bank amongst other sources. As earlier mentioned, during the formulation of this Strategy, Partner Sates were at various stages of formulating country-specific AGOA strategies and in most cases, the basic contents of these strategies was available for review and consideration. At the same time, the EAC Secretariat, UNECA, Partners States' relevant institutions and trade facilitation agencies are repository of invaluable secondary material including reports, studies, commentaries, plans, proposals and analytical reports. All these material and other content that is topical in the area of strategy formulation and implementation were perused in the course of developing this Strategy.The preliminary stage culminated in the preparation and submission of the inception report. This report was considered and approved by the Sectoral Committee on Trade, Industry, Finance and Investment in a meeting held on 26th June 2015 in Arusha, Tanzania.

3. Field Mission

After holding reconnaissance meetings with key officers in the Customs and Trade Directorate of EAC, visits were made to four Partner States to hold meetings with officials from the relevant stakeholder segments. These included representatives from the following institutions: Ministries of EAC Affairs, Trade, Industrialization, Foreign Affairs, Transport;Customs Authorities;Investment and Export Promotion Institutions; Chambers of Commerce and Industry, Private Sectors Foundations, Confederations of Industries, Women's Associations, Civil Society Organizations, officials from business advisories and representatives of exporting companies among others. Consultations were also held with the USAID-supported EA Trade and Investment Hub. The stakeholder consultations were guided by targeted questionnaires that were shared with the respondents ahead of the visits.

4. Draft Strategy Formulation

The data/information collected from desk reviews and stakeholder engagements was synthesized and triangulated to establish harmony and consistency. A first draft of the Strategy was prepared. The draft underwent a process of iterating reviews and improvements before being subjected to an expert validation workshop. The workshop washeld on 1 to 2 October2015 in Kigali, Rwanda.

5. Strategy Finalization

The experts' feedback was incorporated in the draft strategy. Further work was also included in the course of finalizing the strategy document.

6. Adoption and Launching

The Strategy was presented to the Trade Committee meeting held on 4th–7th November 2015 for consideration. It was thereafter presented to the Sectoral Committee on Trade, Industry, Finance and Investment on 9th–13th November 2015 for approval. The Strategy was approved by the Sectoral Council on Trade, Industry, Finance and Investment on 27th May 2016.

ANNEX 5: COUNTRY PROFILES

KENYA COUNTRY PROFILE

Introduction

Kenya emerged from British colonial rule in 1963 and pursed positive market driven economic policies. These yielded remarkable growth in the post independence decade until the oil crisis of the mid 1970s combined with economic mismanagement and poor policy choices that slowed down overall economic performance. By the turn of the 20th Century, the county was forced to re-strategize in order to turn around the economic and political course. Changes in leadership enabled the enactment of bold policy initiatives that ushered the country into a growth trajectory once again. Kenya is the second largest of the East African Partner States with a total surface area of 582.6 thousand square kilometers and an estimated population of 43 million. With a GDP per capita of U.S. $ 1,338, Kenya is placed as a low middle income and the largest economy in the East Africa region. The services sector accounts for 53 percent of the GDP; agriculture, forestry and fishing account for 20.3 percent; and industryrepresent 17.7 percent. 80 percent of the population is engaged in Agriculture, forestry, fishing and related activities. Life expectancy is 62.3 years for males and 65.3 years for females while literacy rates are higher for males (81.1 percent) than for females (74.9 percent). Kenya is bordered by Somalia, Ethiopia, Sudan, Uganda, Tanzania and the Indian Ocean with the Equator straddling the country.

Bilateral Trade with U.S.A

Commercial relationship between Kenya and the U.S. predates the African Growth and Opportunity Act by several decades. By the year 2012, the U.S. was Kenya's 5th export market with an 8 percent market share. Kenya has been exportingapparel and garments, nuts (macadamia and cashew nuts), extracted oils from nuts, handicrafts, coffee & tea and cut flowers to the U.S. In the period 2011 to 2014, Kenya exported goods worth U.S. $ 389.6 million per year to the U.S. In the same period, Kenya imported an annual average of U.S. $ 657 million from the U.S. comprising Transport equipment, electronics, machinery, minerals and metals, chemicals and agricultural products. This means that Kenya suffers an annual trade deficit of U.S. $ 267.4 million.

Bilateral trade under the AGOA Program

Among the EAC Partner States, Kenya has taken the most advantage of the AGOA Program. . Prior to the enactment of AGOA in 2000, trade between Kenya and the U.S. was growing at an average of 2 percent per year before. Spurred by AGOA, Kenyan exports to the U.S.rose to 28 percent by the year 2005. Most of the growth was fueled by the textiles and apparel industry, which grew annually by as much as 44 percent in the period 2001-05. In the same period, the number of garment factories increased from six in 2000 to thirty-five in 2003. Employment in the Export Processing Zone (EPZ) grew by about 500 percent and created some 36,000 jobs during the same period. The expiry of the Multi-Fiber Agreement (MFA) in 2005 led to a slow-down in the growth. Though the textile and apparel industry suffered decline, other exports continued to record considerable performance until after the upturn in the U.S. economy. AGOA remains an important plank in the bilateral trade between Kenya and the U.S. with the Program accounting for 79.4 percent of annual total export revenue to the U.S.

According to a study carried out by the Center for International Development at Harvard University[18], Kenya is the only EAC country to have a presence in AGOA products, with over 70 percent of its exports to the U.S. covered by AGOA. However, the study observes that Kenya presents the largest shortfall in actual exports versus expected exports among the EA Partner States, at $ 2.9 billion. The study recommends that Kenya should, "build off existing AGOA products to enter more diverse industries in the U.S. markets for Kenya." Kenya should, therefore, facilitate partners in industries with related capacities, which may include women's clothing, prepared foods (including pastries and yogurt), aluminum foil and wood particle boards. The study also finds promising potential in products such as: ethylene polymer film and sheets (of which the U.S. imports over $ 1.1 billion); synthetic polymer paints; plastic pipe fitting; construction structures and parts; and packaged vitamin medicaments.

Table 24:Kenya - U.S.A Bilateral Trade 2011 to 2014

Value ('1000 dollars)

Category	2011	2012	2013	2014
Kenya Exports	380,525	389,679	433,478	590,711
Kenya Imports	444,254	534,474	604,133	1,614,035
Balance of Trade	(36,729)	(144,795)	(170,655)	(1,023,324)
AGOA (including GSP provisions) Exports	292,652	292,927	343,000	417,000
GSP Exports	4,321	5,091	6,000	6,000
AGOA Exports	288,331	287,836	337,000	423,000

Source: U.S. *Department of Commerce*

Kenya AGOA Country Strategy

[18]Cheston T, Bustos S and Escobari M; Realizing AGOA's Potential in East Africa: Initial Thoughts from an Economic Complexity Approach for the East African Community; Center for International Development at Harvard University, March 2015

In 2012, Kenya developed its AGOA Country Strategy. Under the theme *"supporting the ability of Kenyan firms to successfully sell into the U.S. market, leveraging every opportunity that AGOA provides,"* the strategy is pillared around three priority areas of intervention:

- Strategic priority 1: Trade policy;
- Strategic priority 2: Business support: U.S. market focused; and
- Strategic priority 3: Business support: Generalfocus.

In the strategy, Kenya identifies the following sectors/products as having the highest potential for export into the US market under the AGOA preferences:

- Textiles and apparel
- Specialty Coffee
- Nuts
- Cut flowers
- Home and fashion accessories

Kenya's AGOA Country Strategy, however, needs to be revised to embrace the current status of AGOA reauthorization.

Stakeholders' engagement

As part of formulating the EAC-AGOA Strategy, stakeholders in Kenya were engaged through a participatory process. The stakeholders were clearly aware that Kenya would stand to benefit by conducting business with the U.S. from the EAC standpoint in the following ways:

- Benefit from her comparative advantage in secondary production in the region
- Attract Foreign Direct Investments and take advantage of the AGOA
- Merging some similar industries with a view to meet supply
- Sustain Kenya's leading economic role in the region
- Access to the greater American market under the FTA

The stakeholders were, however, cognizant of a number of constraints that would need to be addressed for the EAC-AGOA strategy to be fully embraced. These include:

- Mistrust among the Partner States/businesses (stereotypes)
- Different levels of development
- Lack of harmonized legal framework
- Corruption
- Stringent standard requirements in the U.S. market
- Lack of adequate information on AGOA and the U.S. market
- Lack of capacity building
- Lack of financing

There are also threats to the EAC-AGOA Strategy which include the following:

- Lack of political goodwill in the region
- Political instability
- Climate change
- Corruption
- Dumping and lack of capacity to implement anti-dumping
- Counterfeits

Consequently, the stakeholders recommended specific actions by specific responsibility centers to mitigate against the challenges and threats as follows:

- Transparency
- Developing mutually agreeable business operational frameworks
- Frequent regional business to business forums
- Harmonize and implement regional integration legal framework
- Sensitization on the U.S. market demands at grassroots, national and regional business levels
- Provision of Government financing for product and market sensitization, and credit financing

TANZANIACOUNTRY PROFILE

Introduction

The United Republic of Tanzania unites the mainland Tanganyika and the twin islands of Zanzibar and Pemba. It is the largest of the East African countries with a total surface area of 945.1 thousand square kilometers and an estimated population of 51 million. Tanzania has completed her transition into a market economy. However, there is still a strong government presence in vital sectors such as telecommunications, banking, utilities and mining. With a per capita income of U.S. $ 998 (The World Bank 2014 est.), Tanzania is classified as a low income economy. Agriculture, forestry and fishing accounts for 26.9 percent of the Gross National Product and employs 82 percent of the total workforce. Life expectancy is 60.34 years for males and 63.13 years for females while literacy rates are higher for males (75.9 percent) than for females (65.4 percent).

Tanzania is bordered by Burundi, Democratic Republic of the Congo, Kenya, Malawi, Mozambique, Rwanda, Uganda and Zambia.

Bilateral Trade with U.S.A

The trade relationship between Tanzania and the U.S. was influenced by the cold war and Africa liberation politics for several decades. The volume and value of the trade has, therefore, remained small (at only 2 percent of the Tanzania's total exports being destined for the U.S. market). Tanzania exports gold and other precious metals, coffee (not roasted), vegetables (including saps and extracts) and textiles to the U.S. In the period 2011 to 2014, Tanzania exported goods worth U.S. $ 73 million per year to the U.S. In the same period, the country imported an annual average of U.S. $ 274 million from the U.S. comprising transport equipment, electronics, machinery, footwear, textile and apparel, chemicals and agricultural products. This means that Tanzania suffers an annual trade deficit of U.S. $ 201 million in her trade with the U.S.

Bilateral trade under the AGOA Program

Tanzania is the second most active partakers of the AGOA Program among the EAC Partner States. Prior to the enactment of AGOA in 2000, two-way trade between Tanzania and the U.S. was growing at an average of 7.5 percent per year. With the enactment of AGOA the trade relationship grew by an annual average of 23 percent. Under the AGOA program, Tanzania has been exporting apparels and textiles, honey, handcrafts and carvings, coffee, tea, spices herbal medicaments, tobacco, nuts, and cut flowers. However, AGOA is an important but not significant catalyst of the Tanzania – U.S. trade relationship. It accounts for 13.6 percent of the total Tanzania exports to the U.S. on average.

According to the study by CID at Harvard University,[19]Tanzania exports over a third of all possible vegetable products, while also exporting 40 products in metals and machines/electrical products, few of which are covered by AGOA. Tanzania also exports significant shares of all hides/furs and minerals. From this base, the greatest potential for adjacent products is in foodstuffs, as well as spreading out into new products in metals, chemicals, and machines/electrical (namely: iron/steel/plastic vats); ethylene polymer film and sheets; gold scrap; construction structures and parts; plastic pipe fittings; parts for mineral sorting machines; cabinets and desk consoles; and dairy machinery. Potential exports to the U.S. include slag wool; winches; floating structures; mowers; lawn rollers; gas station pumps; and optical instrument parts.

Table 25: Tanzania-U.S.A Bilateral Trade 2011 to 2014

Value ('1000 dollars)

Category	2011	2012	2013	2014
Tanzania Exports	58,954	114,863	70,326	86,112

[19] Ibid

Category	2011	2012	2013	2014
Tanzania Imports	253,025	237,802	405,827	294,053
Balance of Trade	(194,074)	(122,939)	(335,501)	(207,941)
AGOA (including GSP provisions) Exports	5,751	11,846	11,000	18,000
GSP Exports	620	1,400	1,000	1,000
AGOA Exports	5,131	10,446	10,000	17,000

Source: U.S. *Department of Commerce*

Tanzania AGOA Country Strategy

At the commencement of the process of formulating the EAC-AGOA Strategy, the Tanzania country strategy had not been formulatedas the process had just commenced. From engagement with stakeholders, it is likely to deduce that the Tanzania country AGOA strategy will focus on the following:

- Strategic priority 1: Addressing the supply side constraints that include infrastructure, finance and information flow;
- Strategic priority 2: Addressing the demand side constraints that hinder marker access, including stringent rules of origin, standards and specifications and market intelligence;
- Strategic priority 3: Spurring Foreign Direct Investments; and
- Strategic priority 4: General business support

Stakeholders' engagement

As part of formulating the EAC-AGOA Strategy, stakeholders in mainland Tanzania and Zanzibar were engaged through a participatory process. The stakeholders were clearly aware of the advantages Tanzania stands to gain by conducting business with the U.S. from the EAC standpoint including:

- It will be easier to resolve the supply side constraints;
- There will be opportunities for skills development and exchange of knowledge and experience;
- Access to finance from donor and development partners;
- Sharing of facilities especially in research and development across the region
- Creation of more jobs
- Horizontal integration of businesses across the region.

The AGOA stakeholders in Tanzania have identified the following sectors/products as having the highest potential for export into the US market under the AGOA preferences for inclusion in the strategy:

- Agricultural products including horticulture and spices
- Leather and leather products

- Textiles and apparel
- Meat products
- Gold scrap
- Chemicals
- Jewelry and mineral products
- Fermented beverages
- Plastic pipe fittings

The stakeholders, however, raised several challenges that need to be addressed for the EAC-AGOA Strategy to yield the desired results. These include:

- Determination of product origin in order to comply with the rules of origin;
- Quality of product may vary from one country to another
- Technical and administrative barriers that are still present in the region that impede flow of goods and service
- Mistrust among the states/businesses (stereotypes)

The Tanzania stakeholders recommended the following as panacea for the challenges:

- Trade facilitation should be equitably distributed;
- There should be massive awareness creation especially among the SMEs on all aspects of the AGOA Program;
- The EAC-AGOA Strategy should be predicated on national AGOA strategies
- Incubator schemes should be revived
- The National Export Strategies and EAC Export Strategies should be revised and taken into account in the AGOA reauthorization
- A robustregional trade dispute resolution mechanism should be put in place

UGANDA COUNTRY REPORT

Introduction

Uganda is a former British colony which borders Kenya, Tanzania, Rwanda, South Sudan, Democratic Republic of Congo and Burundi. It has a total surface area of 236 thousand square kilometers and a population of 37 million (The World Bank, 2014). With a per capita income of U.S. $ 667, Uganda is classified as a low income economy. Agriculture is the mainstay of the Ugandan economy with coffee, fish and fish products, tea, tobacco, cotton and sesame being the main export commodities. Indeed agriculture accounts for 21.9 percent, services account for 51.3 percent and industryaccounts for 26.7 percent of the gross national product. Life expectancy is 53.4 years for males and 56.36 years for females while literacy rates are higher for males (78.4 percent) than for females (71.5 percent).

When Uganda became an independent country in 1962, it was one of the most prosperous countries in Africa with an average growth rate of 5.3 percent and real GDP growth rate of 2.4 percent per annum (1960 – 1970). The breakdown of democratic governance (1962 – 1970), the nine years of dictatorial military rule (1971 – 1979), and rapid succession of ineffective regimes (1980 – 1985) resulted in a crisis leading to breakdown, deterioration and decay of all social and economic indicators in the country. The consequent collapse of the commercial and industrial sectors formally controlled by Asians, and the free fall of production in agriculture and export sector led to macroeconomic challenges and hyper inflation which adversely affected the country.

In 1986, the National Resistance Movement (NRM) government came into power and responded to the economic crisis with economic recovery programs. Uganda's economic recovery programs under the framework of Structural Adjustment Programs (SAPs) as espoused by the World Bank and IMF started in 1987 with the aim of controlling inflation, improving revenue collection and control of public expenditure. Other measures included the liberalization of the foreign exchange market, removal of import bans, elimination of export taxes, abolition of marketing monopolies and deregulation of producer and consumer prices. These measures, though punitive to the social sectors, stabilized the economy and ushered the country into a functioning state.

Bilateral Trade with U.S.A

The U.S. ranks eleventh in Uganda's export destinations. Only 2 percent of Uganda's total exports are destined for the U.S. market. Uganda exports metals, agricultural and forestry products, textile and apparels and minerals to the U.S. In the period 2011 to 2014, Uganda exported goods worth U.S. $ 38 million per year to the U.S. In the same period, the country imported an annual average of U.S. $ 83 million from the U.S. comprising transport equipment, electronics, machinery, energy, textile and apparel, chemicals and agricultural products. This means that Uganda experiences an annual trade deficit of U.S. $ 45 million in her trade with the U.S.

Bilateral trade under the AGOA Program

Uganda has been a beneficiary of the AGOA initiative right from its launch in 2000. As a result of this improved market access, Uganda's total exports to the U.S increased from U.S. $25.8 million in 2004 to U.S. $52.7 million in 2008. It then declined to U.S. $ 30.17 million in 2009 mainly due to the financial crisis in the U.S. There was an upturn from 2011 when goods worth U.S. $45 million were exported. The year 2013 saw the best results in exports, when goods valued at U.S. $ 47 wereexported. Since then, there has been a decline with the country nottaking full advantage of preferential opportunities present under AGOA. Between 2010 and 2014, Uganda exported an average of U.S. $ 9.1 million per year (equivalent to 24 percent of total exports in the country) under AGOA

The study by CID at Harvard University[20] notes that Uganda falls short of expected export performance to the U.S. by U.S. $ 1.02 billion per year. According to the study, Uganda's export basket produces over 50 products in each of the vegetable products, metals and machines/electrical sectors and can have a relatively large share of all products in vegetables, hides/skins, animal products and foodstuffs. The study opines that whereas vegetable products present few opportunities for Uganda to make gains, there are products that have very high potential for export into the U.S. These include: slag wool; iron/steel tanks; ethylene polymer film and sheets; prepared cereal foods; electrical signals/traffic control equipment; machine parts for food and drink preparation; and vulcanized rubber gaskets and washers.

Table 26: Uganda - U.S.A Bilateral Trade 2011 to 2014

Value ('1000 dollars)

Category	2011	2012	2013	2014
Uganda Exports	45,882	34,479	47,089	45,931
Uganda Imports	87,306	80,591	109,673	67,324
Balance of Trade	(41,424)	(46,112)	(65,584)	(21,393)
AGOA (including GSP provisions) Exports	1,754	1,774	2,000	2,000
GSP Exports	787	64	2,000	2,000
AGOA Exports	5,131	10,446		

Source: U.S. *Department of Commerce*

Uganda AGOA Country Strategy

Uganda has formulated a draft country AGOA strategy called *"draft AGOA National Response Strategy: Trading Out Of Poverty, Into Wealth and Prosperity."* The draft strategy identifies the following challenges as the cause of low utilization of the AGOA program by Uganda:

- Products are uncompetitive in the U.S. market;
- Lack of adequate well developed infrastructure such as transport, post harvest handling facilities, and cold chain facilities;
- Restrictive domestic policies, laws and regulations;
- Lack of awareness of the potential inherent in the AGOA and limited access to market intelligence;
- Access to credit and other financial services is still limited;
- Lengthy and stringent visa requirements for travel to U.S.A;

[20] Ibid

- Trade development support institutions have limited capacity to effectively carryout their mandates;
- The basket of export goods comprise low value semi finished products;
- Ineffective commercial diplomacy mechanisms;
- Absence of a national level AGOA forum in which key actors are able to harmonize strategies and actions on a regular basis;
- The production sector is dominated by small scale producers, who are unable to satisfy a mass consumption market such as the U.S.; and
- Limited lifespan and legality of the AGOA Program leading to unpredictability.

To overcome the challenges highlighted above, the Uganda Government undertakes to implement the following key strategic interventions:

- Promote joint ventures to increase investment levels and enhanced capacity for exporting to the U.S market;
- Support and foster collective action through development and strengthening of targeted small and medium producer and trade cooperatives;
- Identify and develop products and services where Uganda has comparative and competitive advantage in exporting to the U.S.;
- Evaluate and boost the capacity of trade and investment-related institutions in Uganda;
- Promote, develop and facilitate measures aimed at enhancing value chain management and value addition;
- Support and promote measures aimed improving value chain infrastructure;
- Create an enabling environment for private sector investment and competitiveness, and promotion of technology transfer;
- Appoint a Commercial Attachés to the Ugandan Mission to the U.S. and support the office's program activities for effective promotion of trade and investment;
- Organize and facilitate the private sector to participate in the trade fairs and exhibitions organized in the U.S.;
- Identify and address all barriers to trading with the U.S.;
- Facilitate the DCOs to implement and monitor AGOA related policy guidelines in the production centers;
- Support data collection, processing and management of market information;
- Review existing information systems in the context of relevant production and market information;
- Operate a web based market information system as an interactive platform for investors, importers and exporters;
- Promote electronic commerce by developing and implementing instruments that facilitate virtual business;
- Work closely with financial institutions to ensure that there are adequate and favorable trade financing products;

- Extend business development services to farmers and entrepreneurs; and
- Operationalizethe TIFA by identifying trade and investment related needs that should be considered in enhancing Uganda's trade and investment cooperation with the U.S.

The draft National AGOA Response Strategy identifies the following sectors/products as having the highest potential for export into the US market under the AGOA preferences:

- Agricultural products (coffee, tea, live goats and chicken, dairy and dairy products
- Cotton/textiles and apparel
- Fisheries
- Vanilla
- Floriculture
- Natural honey
- Tobacco leaf and tobacco partly or wholly stemmed/stripped,\
- Hides and skins
- Minerals (cooper, oil, gold, zinc, etc)
- Crafts

Stakeholders' engagement

Stakeholders in Uganda were engaged through a participatory process as part of formulating the EAC-AGOA Strategy. The stakeholders were aware that Uganda has not optimally utilized the AGOA Program. They were convinced that Uganda would stand to gain by basing her commercial relationship with the U.S. from the EAC standpoint in the following ways:

- There will be economies of scale;
- There are opportunities for horizontal support – the more advanced exporters will build the capacity of the upcoming ones;
- Inputs from one country would feed into production systems of another;
- Better trade agreements would be negotiated with the U.S.;
- The EAC integration will be more developed;

The stakeholders were, however, concerned about the absence of tight mechanisms for trade facilitation and logistics across the Partner States. They were also fearful that the established exporters and countries would take undue advantage. The Uganda stakeholders recommended the following as panacea for the challenges:

- Establishment of a Standing Commission to be responsible for implementing the EAC-AGOA common strategy. The Commission should be as representative as possible;
- Sectors and industries should be across the region should be linked to address their specific issues;

- The Uganda National AGOA Strategy should be reviewed to align it with the strategies formulated for other Partner States; and
- There should be established a model industrial park in each country.

RWANDA COUNTRY PROFILE

Introduction

Rwanda was a Belgian colony that gained its independence in 1962. Three years prior to independence, and with overt connivance with the Belgian Government, the majority ethnic group, the Hutus, overthrew the ruling Tutsi king. This set in motion cycles of ethnic violence which culminated in one of the world's worst ever recorded genocide that began in April 1994. A determined group of nationalists under the Rwanda Patriotic Front (RPF) has since returned the country into normalcy and political and economic miracles are being witnessed in the country. Rwanda is a small, densely populated and landlocked country. Her total surface area is only 26,338 squarekilometers andhas an estimated population of 12.7 million.With a GDP per capita of U.S. $ 652, Rwanda is placed as a low income country. The sectors' contributions to the GDP are services (52.7 percent); agriculture (32.5 percent) and industry (14.8 percent). The majority of Rwandans are employed in agriculture and related activities. Life expectancy is 58.11 years for males and 61.27 years for females while literacy rates are higher for males (73.2 percent) than for females (68.9 percent). Rwanda borders Burundi, Democratic Republic of the Congo, Tanzania and Uganda.

Bilateral Trade with U.S.A

Rwanda entered into a Bilateral Investment Treaty (BIT) with the U.S. which came into force in January 2012. The negotiations toward the BIT were launched in 2007 as one outcome of the consultations under the 2006 United States-Rwanda Trade and Investment Framework Agreement (TIFA). The total (two-way trade between Rwanda and the U.S. was valued at U.S. $50 million in 2013. Goods imports totaled$ 25 million while goods exports totaled$ 24 million. Trade surplus in favor of the U.S. in 2013 was therefore U.S. $747 thousand. The U.S. goods exports include pharmaceutical products, machinery, optic and medical instruments, electrical machinery, agricultural products, and special other (donated articles and low value shipments). Rwanda export include: coffee (unroasted), spices, tea, lac and vegetable saps (pectates), ores, slag, and ash (tantalum), other base metals (tungsten), straw and esparto (basketwork).

U.S. foreign direct investment (FDI) in Rwanda amounted to U.S. $ 3 million in 2014 but it declined to US$ 2.3 million in 2015. Data on Rwanda FDI in the United States is not available.

Bilateral trade under the AGOA Program

Rwanda became AGOA eligible in October 2000. A review of the country's past utilization of the AGOA Program reveals very low utilization. In the period 2011 to 2014, Rwanda exported textiles and handcrafts to the U.S. worth U.S. $25.5 million annually. Most of the exports to the U.S. from the country were mainly transacted through the GSP window. Among the challenges cited for poor utilization of the preferences are: i) high transportation costs (Rwanda being a landlocked country); ii) infrastructure challenges; iii) not being able to meet existing demand in exportable products; iv) problems with meeting quality standards; v) lack of awareness; vi) difficulty in building business partnerships with U.S. buyers; and vii) limited eligible products for export.

The study by CID at Harvard University[21] reveals that Rwanda has an unfulfilled potential for exporting to the U.S. to the tune of U.S. $ 1.02 billion. The study observes that Rwanda exports relatively few products with highest shares in the least complex sectors, namely hides/furs (though only 13% of all potential products), vegetables, and foodstuffs. There exists great potential to continue exporting foodstuffs, while entering nearby products in metals, chemicals, and machines/electrical, which rely on similar capabilities to that which Rwanda currently possesses. These specific high-potential products include: iron/steel tanks and vats; ethylene polymer film and sheets; gold scrap; machine parts for food and drink preparation; synthetic polymer paints; fermented beverages (e.g. ciders); pallets; and trailers.

Table 27: Rwanda - U.S.A Bilateral trade 2011 to 2014

Value ('1000 dollars)

Category	2011	2012	2013	2014
Rwanda Exports	30,858	33,287	24,422	40,664
Rwanda Imports	118,654	29,373	24,221	19,193
Balance of Trade	(87,796)	3,914	201	21,471
AGOA (including GSP provisions) Exports	597	377	1,000	1,000
GSP Exports	580	369	1,000	1,000
AGOA Exports	17	8		

Source: U.S. *Department of Commerce*

Rwanda AGOA Country Strategy

[21]Ibid

At the time of country visits to collect information for the EAC-AGOA Strategy formulation, it was reported that the Rwanda AGOA strategy was in raw draft form. This Strategy has, therefore, not benefited from the Rwandan country strategy. The AGOA stakeholders in Rwanda have identified the following sectors/products as having the highest potential for export into the US market under the AGOA preferences for inclusion in the strategy:

- Textiles and apparel
- Specialty foods including coffee, bananas, chilies and peppers, macadamia nuts, honey and pineapples
- Home and fashion accessories

Stakeholders' engagement

A stakeholders' workshop was held in Rwanda to complement focused questionnaires that had been circulated to specific respondents. The stakeholders were aware of the country's low utilization of the AGOA Program and the need to re-strategize in order to reap greater benefits. According to the stakeholders, Rwanda would stand to benefit by conducting business with the U.S. from the EAC standpoint in the following ways:

- Increased capacity to supply the U.S. market
- Stronger bargaining power as a region rather than individual countries
- Maximize opportunities for value addition in export products
- Enjoy economies of scale
- Take advantage of regional infrastructure e.g. Mombasa Port, railways

The stakeholders expressed a number of potential threats and challenges to the EAC approach. These would need to be addressed for the EAC-AGOA approach to benefit participating countries and enterprises. They include:

- As one market, the insecurity challenge within one State can affect other Partner States and may break the value addition chain because raw materials or semi-finished product are affected; and
- Difficulty in ensuring the quality standards of products being produced by different manufacturers in different countries.

The stakeholders recommended the following actions as a means of addressing the challenges and threats by the Rwandan government and AGOA exporters:

- Create a Rwanda-U.S. team;
- Increase awareness to stakeholders and local communities on the AGOA opportunities; and
- Strengthen the national AGOA team and build the capacity of exporters

The EAC Secretariat and Partner Sates should:

- Strengthen cooperation between Partner States

- Fast-track the implementation of theSynchronous Transport Module (STM) Act
- Give assistance in market information and investment attraction
- Capacity building for exporters

BURUNDI COUNTRY PROFILE

Introduction

The Republic of Burundi is a small landlocked country bordered by Rwanda, Tanzania, and the Democratic Republic of Congo. Burundi attained political independence in 1962 under a Monarchy. Following a series of social differences, a Republic was declared under a one-party state in 1966. Burundi shares the same geo-ethno-political environment as the neighboring Rwanda. The current political arrangement is defined by the widespread genocide that took place in the 1990s. As a result of political instability, Burundi has been undeveloped and is seen as one of the world's poorest nations. Burundi is densely populated with a population of 10.4 million and total surface area is only 27,830 squarekilometers.With a GDP per capita of U.S. $ 295, Burundi is placed as a very low income economy. The sectoral contributions to the GDP are services (42.5 percent); agriculture (40.3 percent) and industry (17.1 percent). The majority of Burundians are employed in basic agriculture and related activities. Life expectancy is 58.45 years for males and 61.78 years for females while literacy rates are higher for males (88.2 percent) than for females (83.1 percent).

Bilateral Trade with U.S.A

Burundi is eligible for preferential trade benefits under the African Growth and Opportunity Act. The United States has not signed specific trade and investment framework agreements with Burundi except those that it has entered with the East African Community and with the Common Market for Eastern and Southern Africa. Burundi is a member of both regional organizations. The primary U.S. exports to Burundi in 2014 included computer and electronic products while the main exports from Burundi to the United States remained coffee. The total (two way) trade was valued at U.S. $19,550 in 2013.

Bilateral trade under the AGOA Program

Burundi formally became an AGOA-eligible country in 2006 but has not meaningfully utilized the Program. Statistics show that in the period 2011 to 2014, the minimal Burundi exports to the U.S. under preferences were transacted through the GPS window. Among the challenges cited for non- utilization of the AGOA Program are: i) underdeveloped manufacturing sector; ii) high transport costs; iii) reliance on primary commodities; iv) prohibitive market compliance requirements; v) lack of awareness; vi) non conducive domestic policies.

The study by CID at Harvard University[22]identifies a gap between Burundi's performance and expectations on the AGOA Program of U.S. $1.04 billion. The study found that Burundi exports insignificant shares of products in all sectors except for hides/skins, vegetable products, and machinery/electrical. Regarding specific high-potential products, the study proposes that Burundi should examine the feasibility of the following: gold scrap; prepared sausage products; iron/steel/plastic vats and containers; iron bars and rods; mineral waters; non-alcoholic beverage; pastries/cakes; mineral fertilizers; and sugar confectionaries.

Table 28: Burundi - U.S.A bilateral trade 2011mto 2014

Value ('1000 dollars)

Category	2011	2012	2013	2014
Burundi Exports	9,558	4,809	4,297	4,373
Burundi Imports	32,425	19,794	15,253	4,447
Balance of Trade	(22,867)	(14,985)	(10,956)	(74)
AGOA (including GSP provisions) Exports		18		
GSP Exports		18		
AGOA Exports				

Source: U.S. *Department of Commerce*

Burundi AGOA Country Strategy

In February 2014 Burundi completed its National AGOA Strategy. The objective of the AGOA strategy is to support the ability of Burundi's firms to successfully sell in the U.S. market, leveraging every opportunity that AGOA provides. The AGOA Strategy will focus on:

- ➢ Focus area 1: Trade policy
- ➢ Focus area 2: Business support in view of U.S. trade specifics
- ➢ Focus area 3: General business support

In the strategy, Burundi identifies the following sectors/products as having the highest potential for export into the US market under the AGOA preferences:

- Textiles and apparel
- Jewelry, Home and fashion accessories
- Accessories, trims, packing, and packaging

[22]Ibid

- Light manufacturing, plastics and metal based products
- Cut flowers
- Live animals

Stakeholders' engagement

The EAC-AGOA Strategy formulation mission was not able to visit Burundi owing to heightened political activities occasioned by the country's national elections. Stakeholders were therefore engaged though a video conference. The stakeholders were alive to the fact that Burundi has not utilized the AGOA Program and the attendant reasons. Stakeholders had also taken a step to redress the situation by formulating a Country AGOA Strategy. The stakeholders were also persuaded that Burundi would stand to benefit by conducting business with the U.S. from the EAC regional standpoint in the following ways:

- There will be opportunities for building in bulk in order to satisfy the U.S. market;
- Supply side constraints will be addressed;
- Burundi exporters would learn from their EAC counterparts who have been in the business for much longer;
- Opportunities would be opened for cross-border value chains; and
- Enjoy economies of scale

The stakeholders expressed a number of potential threats and challenges to the EAC approach. These would need to be addressed for the EAC-AGOA approach to benefit participating countries and enterprises. They include:

- The fact that the EAC Partner States do not have homogeneous economic development; and
- Some of the Partner States are landlocked and would need the cooperation of those Partner States that have access to the sea.

The stakeholders recommended the following actions as a means of addressing the challenges and threats by the Burundi government and AGOA exporters:

- Incentives for doing business with the U.S. should be created and enhanced; and
- Trade facilitation programs should be availed to ease movement of goods within the country.