East African Community

Assessment Study on the Need for a Centre for the Development of Regional Industries in the EAC Region

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List of Abbreviations

ACP	Africa-Caribbean-Pacific Countries
ACP-CDI	Africa Caribbean Pacific Centre for Development of Industries
ADB	African Development Bank
AIB	Burundi Manufacturers Association
API	Burundi Investment Promotion Authority
BOI	Board of Investment
BRELA	Business Registration and Licensing Agency
CBI	Cross Border Investments
CCIB	Burundi Chamber of Commerce, Industry, Agriculture & Handicrafts
CEO	Chief Executive Officer
CFCIB	Burundi Federal Chamber of Commerce and Industry
CNTA	Centrale Nationale de Technologie Alimentaire (Institute of Food and Technology)
COMESA	Common Market for East and Southern Africa
COMESA-RIA	Common Market for East and Southern Africa Regional Investment Agency
COMESA-RIO	Common Market for East and Southern Africa Regional Investment Observatory
DBSA	Development Bank of Southern Africa
DOSS	Digital One Stop Shop
EABC	East African Business Council
EAC	East African Community
EADB	East African Development Bank
EDB	Economic Development Board
EDF	European Development Fund
EPC	Export Promotion Council
EPZ	Economic Processing Zones
EPZA	Export Processing Zones Authority
EU	European Union
FDI	Foreign Direct Investment
FEAPM	Federation of East African Pharmaceutical Manufacturers
G/RVC	Global/Regional Value Chains
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für international Zusammenarbeit; German Development Agency
HIDA	Rwanda Human Resource and Institutional Capacity Development Agency
ICE	Intergovernmental Committee of Experts
ICT	Information and Communications Technology
IDC	Industrial Development Corporation of South Africa
IFC	International Finance Organization
IMP	Investment Monitoring Platform
IPAs	Investment Promotion Agencies
IPC	Investment Promotion Centre
IRICEA	Industrial Resource and Investment Centre of East Africa
ISTEEBU	Burundi Institut de Statistiques et d'Etudes Economiques
JICA	Japanese International Cooperation Agency
KACITA	Kampala City Traders Association
KAM	Kenya Association of Manufacturers
KenInvest	Kenya Investment Authority

KEPSA	Kenya Private Sector Alliance
LDCs	Least Developed Countries
MFPED	Uganda Ministry of Finance, Planning and Economic Development
MIDA	Malaysia Industrial and Development Authority
MIPO	Mediterranean Investment Project Observatory
NFPs	National Focal Points
NUTIP	Netherlands-Uganda Trade and Investment Platform
ORTPN	Rwanda Office of Tourism and National Parks
OSS	One Stop Shop
PIRT	Uganda Presidential Investors’ Roundtable
PMC	Project Management Committee
PNSD	Plan for National Statistical Development
PPP	Public Private Partnership
PSF	Private Sector Federation
PSFR	Private Sector Federation of Rwanda;
PSFU	Private Sector Foundation Uganda
PSFU	Private Sector Foundation Uganda
PSFU	Private Sector Foundation Uganda
R&D	Research and Development
RCRSA	Rwanda Commercial Registration Service Agency
RDA	Regional Development Authority
RDB	Rwanda Development Board
RIEPA	Rwanda Investment and Export Promotion Agency
RITA	Rwanda Information and Technology Agency
SADC TIFI	Southern African Development Community Secretariat’s Directorate for Trade, Industry, Finance and Investment
SADC	Southern African Development Community
SADC-DFRC	Southern African Development Community Development and Finance Resource Centre
SME	Small and Medium Enterprise
SOE	State-owned Enterprise
SPX	Subcontracting and Partnership Exchange centre
TIC	Tanzania Investment Centre
TIF	Technopreneurship Investment Fund
TNCs	Transnational Corporations
TPSF	Tanzania Private Sector Foundation
TPSF	Tanzania Private Sector Foundation
TRA	Tanzania Revenue Authority
UBOS	Uganda Bureau of Statistics
UIA	Uganda Investment Authority
UMA	Uganda Manufacturers Association
UNCTAD	United Nations Conference on Trade and Development
UNCTADStat	Statistical database of the United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
URA	Uganda Revenue Authority
USSIA	Uganda Small Scale Industries Association
WAIPA	World Association of Investment Promotion Agencies
WIR	World Investment Report

Ambassador Dr Richard Sezibera

Foreword

The East African Community (EAC) is a regional inter-governmental organization of the five Partner States, namely; the Republic of Kenya, the Republic of Uganda, Republic of Burundi, Republic of Rwanda and the United Republic of Tanzania, with its Headquarters located in Arusha, Tanzania.

Since the inauguration of the East African Community (EAC) in 1999, the Community has undertaken substantial efforts towards transforming the regional economy through industrialisation and private sector development. The region's commitment to economic structural transformation through industrialization is well espoused in Article 79 & 80 of the EAC Treaty, Article 44 of the EAC Common Market Protocol, and the EAC Development Plan (2011-2016).

In recognition of the imperative for transformation and the need to create a sound industrial base as a basis for sustainable regional integration, wealth creation, and poverty reduction; the EAC Summit directed the Secretariat to formulate an East African Industrialization and Investment Strategy, supported by an effective decision making framework and aimed at promoting equitable industrial development within the region. Guided by the vision of Heads of State, the region embarked a programme which led to the formulation of EAC Industrialization Policy and Strategy, which was approved subsequently by the EAC Summit in 2012. The overall objective of the Industrialization Policy and Strategy is to enhance industrial production and productivity and accelerate the structural transformation of the economies of the EAC Partner States to, among others, enable sustainable wealth and employment creation, improved incomes, and higher standards of living among East African citizens.

Presently, the contribution of the industrial base in East Africa is estimated at 19.2 percent of GDP, of which only 8.9 percent is generated from manufacturing. This contribution is low in relation to the average target of about 25 percent for all the five Partner States. This target can be reached through accelerated investment and creation of internationally competitive business environment. For this reason, the EAC has prioritized sectors in which concerted policy efforts will be directed with a view to increase investment into these sectors so as to improve competitiveness and unlock value addition opportunities. The sectors targeted in the short term include:

- Agro-processing & agri-business;
- Extractive industries & mineral processing;
- Petrochemicals, Oil and gas;
- Energy & bio-fuels;
- Chemicals, agro-chemicals fertiliser; and
- Pharmaceutical etc

To stimulate investment and create enabling policy environment, the EAC Industrialization Policy provides for establishment of a dedicated Center to undertake among others:

i) Mapping of the sectors to identify supply and demand gaps, bottlenecks and constraints facing the value chains, and assess market access and investment needs;
ii) Preparing feasible and bankable investment projects including formulating appropriate investment marketing strategies and setting up mechanism to market and promote investment projects at national, regional and international levels;
iii) Preparing targeted programmes to facilitate business linkage and networks, promote business collaboration at regional and global scale;
iv) Providing information and market intelligence for investors, policy makers, researchers and development partners.

With the support of the German government, a study was commissioned to assess the scope for establishing such a regional Center, identifying challenges hindering investment in general and more specially in the industrial sectors, and articulate the possible roles for the centre taking into account synergies with national and regional investment promotion organizations. The findings of the study are instructive as it reveals the gaps in the current avenues for interactions among investors, quality of investment information provided, and capacities to track investment trends and competitiveness of the business environment as well as promote investments in targeted industries. These issues have profound impact on the extent to which EAC as region can attract investment and position itself as a production hub to meet regional and global market needs.

The results will no doubt assist the region is defining short to medium term actions to improve investor knowledge and information on opportunities in the region with specific reference to the priority sectors, and measures to institutionalize the tracking and monitoring of competitiveness and business environment. I call upon our partners to work together with us towards implementation the study findings and recommendations.

Dr Richard Sezibera
Ambassador
Secretary General
East African Community

Deputy Secretary General Jesca Eriyo

Acknowledgement

This assessment study on the potential for establishment of a regional Center for the development and investment in industries in EAC region is a result of the thorough work of a consultancy team under the guidance of the EAC Secretariat and in cooperation with various national, regional and international, as well as multi-sectoral stakeholders.

In this regard, the EAC Secretariat wishes to acknowledge the contributions of the EAC Sectoral Committee on Industrialization, the technical team constituted to review the study results, and the EAC Industrialization Department in guiding and steering the process of this study.

The EAC Secretariat would like to thank the team of international, regional and national experts for their commendable effort to collect comprehensive information from the Partner States and prepare detailed reports on the Investment situation in each of the countries.

Furthermore, the Secretariat wishes to acknowledge the participation, dedication and commitment of the public and private sector as well as civil society representatives from all Partner States in the development and validation of assessment study report. Key national stakeholders were drawn from the Ministries of East African Affairs, Ministries responsible for Industrialization, Investment Promotion Agencies, as well as manufacturers' associations, private and public academia, NGOs, and development partners.

The invaluable technical and financial support provided by the Federal Republic of Germany through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH programme 'Support to the EAC Integration Process' is acknowledged and highly appreciated.
Last but not least, the EAC Secretariat recognizes the tireless efforts of the EAC Industrialization Department staff during their successful stewardship of the study process.

Jesca Eriyo
Deputy Secretary General
(Productive and Social Sectors)
East African Community

"This study highlights the scope and magnitude of the interventions required to address the challenges and gaps identified in current investment promotion activities."

1 Introduction

1.0 Introduction

1.1 Background

The ‘Regional Scoping Study to Identify Potential areas for Intervention by the EAC Secretariat on The East African Community (EAC) is a regional inter-governmental organization of the five Partner States; namely the Republic of Kenya, the Republic of Uganda, the Republic of Burundi, the Republic of Rwanda, and the United Republic of Tanzania, with its Headquarters located in Arusha, Tanzania (www.eac.int). The EAC Partner States identified the industrial sector as one of the main enablers that will lift national and regional economies to a status that can sustainably generate sufficient outputs to satisfy both domestic and export markets and rapidly increase per capita incomes to improve living standards. The EAC formulated the EAC Industrialization Policy and Strategy (2012-2032) to enhance industrial production and productivity and accelerate the structural transformation of the economies of the EAC. The EAC Industrialization Policy and Strategy substantiated that strategic public-private effort shall be put into the development of six regional industries: agro-processing, fertilizers and agro-chemicals, iron-ore and other mineral processing, pharmaceuticals, petro-chemicals and gas processing, and energy and bio-fuels.

By implementing the Policy and Strategy, the EAC aspires to raise the contribution of manufacturing to GDP in East Africa from an estimated 8.9 percent to an average target of about 25 percent by 2032. However, the EAC Industrialization Policy, acknowledges that "*lack of coordination in the promotion and development of the value chains with regional dimensions, and absence of a regional framework for establishing and supporting investments in the strategic regional industries further hamper the development of such industries where the region has comparative advantages*". The policy therefore proposes the following measures:

- Formulation of regional incentive schemes to stimulate investment in the strategic regional industries;
- Facilitation of the development and dissemination of market intelligence and trade and investment information on the opportunities available within each strategic regional industry;
- Setting up of a mechanism to enhance the capacity of national and regional institutions/organizations to conduct feasibility studies and other promotional programmemes for the identified strategic regional industries; and
- Setting up a financial vehicle/mechanism to support the development of projects and programmemes under strategic regional industry initiatives.

In order to facilitate the implementation the EAC Industrialization Policy and Strategy, the EAC adopted the Industrialization Action Plan in 2012. The Action Plan of the EAC Industrialization Policy and Strategy provides for the establishment of a dedicated regional mechanism that will facilitate provision of information on investment opportunities in the strategic regional industries, and also carry out technical and commercial feasibility assessments of the investment potentials. The existence of such a mechanism/centre would facilitate expeditious and timely access to information by investors, Partner States, development partners, universities, and other research organizations; thereby considerably reducing transaction costs. In a nutshell, such a mechanisms/centre is expected to offer one-stop shop services on a wide range of investment information for the selected regional industries, including legal and regulatory requirements, existing production capacities, available support services and skills, potential areas of partnership and joint ventures, and investment potentials in the sectors.

1.2 Report Objectives

The primary objective of this study was to assess the need for the establishment of a regional resource centre that will be dedicated to the provision of specialized information to investors and other stakeholders in the area of manufacturing/industrial sector in the region. This study investigated the necessity for such an institutional arrangement, taking into consideration Common Market requirements and the need to jointly promote and market investment projects in regional value chains, promote cross-border industrial linkages, and disseminate and exchange industrial and technological information among EAC Partner States. This report provides a wide range of information that can facilitate technical discussions and provide policy input on potential regional benefits of a regional institutional mechanism, the gaps and challenges it can address, its functions and synergies with the existing national investment promotion centres, as well as management structure and financial sustainability.

1.3 Purpose and Scope of the Study

The report outlines feasible strategic options and recommendations that will guide technical and policy discussions on the possible establishment of a dedicated regional institutional mechanism for the EAC Partner States. The institutional mechanism will facilitate growth in the six manufacturing sectors in the Partner States as one of the main enablers to lift national and regional economies to a status that can sustainably generate sufficient outputs to satisfy both domestic and export markets and rapidly increase per capita incomes to improve living standards. The report and the terms and reference did not provide for a comprehensive institutional capacity needs assessment of the investment promotion agencies (IPAs) in the Partner States.

1.4 Study Methodology

The principal methodology employed in this study was respondent interviews. Relevant stakeholders in each of the five Partner States of the EAC were identified and contacted for interviews. The stakeholder groups included: relevant government institutions, development partners, private sector associations and private sector companies interviewed over a period of two weeks. The list of respondents is provided in Chapter 10. Although more than 40 private sector companies in the targeted sectors were contacted for interviews for this study, only 18 companies (45 percent) agreed to be interviewed. The reasons for non-participation in the study included the short survey period, survey fatigue, and lack of interest. The survey findings were augmented with the findings from empirical studies (in contrast to theoretical predictions) that focused on developing countries and sub Saharan Africa (SSA) where available. The list of supporting studies is provided in Chapter 9 in the report.

1.5 Report Outline

This report examines whether a regional institutional mechanism is required for the promotion of investment in the targeted manufacturing sectors outlined in the EAC Industrialization Policy and Strategy (2012-2032), in line with the terms of reference for this study.
In order to determine whether such an institution mechanism is required, pertinent questions are addressed in order to highlight the current challenges of increasing investment in the sector. They include:

i. The importance of growth of investment in the manufacturing sector in the context of contribution to economic growth and job creation in the Partner States in line with the EAC Industrialization Policy and Strategy (2012 – 2032).
ii. The current operating environment for the manufacturing sector in the Partner States and how it would influence investment in the sector, and therefore why these sectors require targeted efforts on investment promotion.
iii. Efforts by current and potential investment promotion agencies at both regional and national levels to promote investment in the Partner States and specifically in the manufacturing sector and their successes and challenges.
iv. Expected benefits of a regional centre for investment promotion as compared to national investment promotion centres.

Sections 2 to 5 of the study document the findings for this study that are based on interviews with respondents as outlined in the methodology, and review of relevant publications and data sources. Sections 6 to 7 provide information on the need for a regional resource centre for investment promotion of the manufacturing sector. Conclusions, recommendations, and way forward are provided in Section 8 of the report.

2

Analysis of Investment Flows in the EAC Partner States

2.0 Analysis of Investment Flows in the EAC Partner States

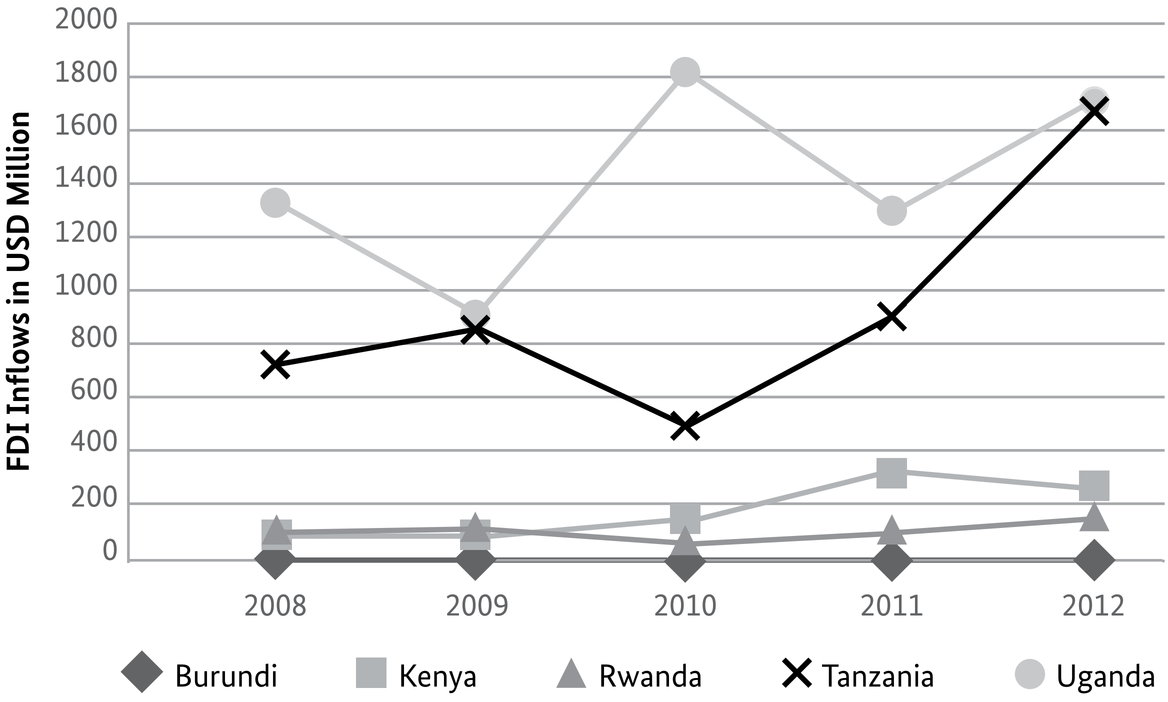
2.1 Global Trends

According to the World Investment Report (WIR) 2013, total global foreign direct investment (FDI) in 2012 was USD1.35 trillion which represents a decline of 18 percent from the previous year. This sharp decline is attributed to caution among investors in reaction to the fragility of the global economy and the resulting policy uncertainty. The decline in FDI flows was also observed in the economies of developing nations with the exception of Africa, where a 5 percent increase in FDI inflows to USD 50 billion was registered over the previous year. This growth was driven, in part, by FDI into extractive industries and the growing investment in consumer-oriented manufacturing and service industries. The overall increase in FDI inflows translated into increased flows to North Africa, Central Africa, and East Africa, while West and Southern Africa registered declines. The report also demonstrated an increase in FDI from developing countries and observed that FDI oriented to African consumers is becoming more widespread in manufacturing and services but will remain relatively limited in the near-term.

2.2 Investment Trends in the EAC Region

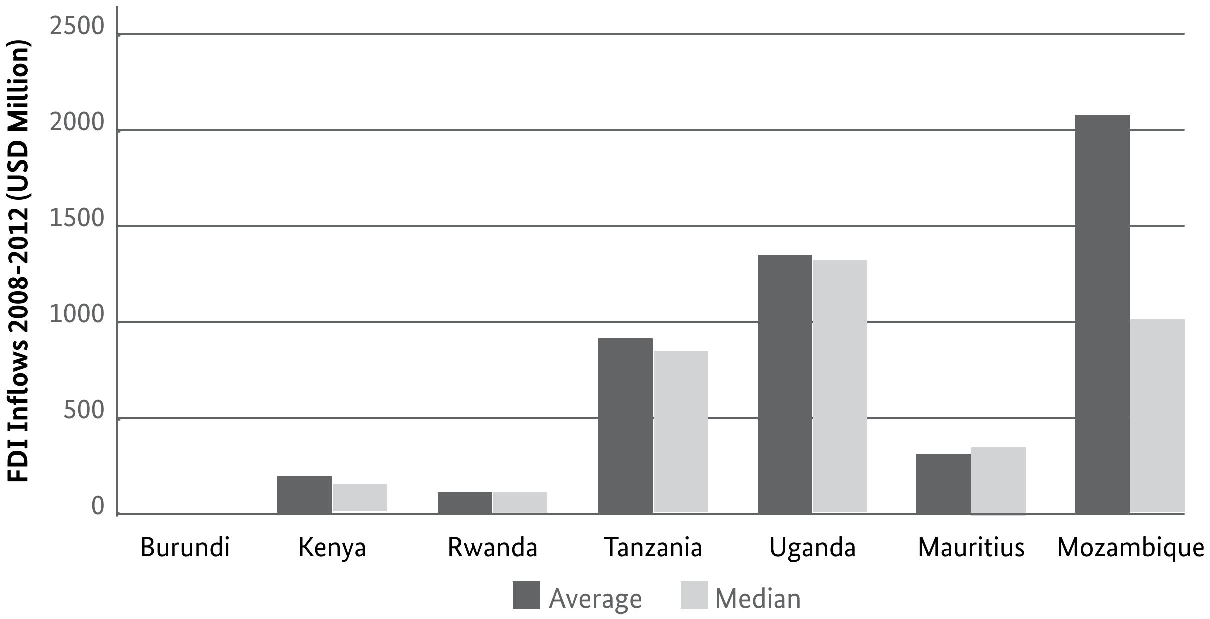
The data from WIR 2013 indicates that the overall FDI inflows to the EAC region grew by 50 percent over the period 2011-2012 from USD 2.57 billion in 2011 to USD 3.85 billion in 2012. This represented 8 percent of the total inflows of FDI to Africa. The increase in FDI flows to the EAC region was mainly attributed to recent natural resource discoveries, for example gas reserves in the United Republic of Tanzania and the oil fields in Uganda.

Figure 1: The Value of FDI Inflows into the EAC Partner States in US Dollar million (2008-2012).



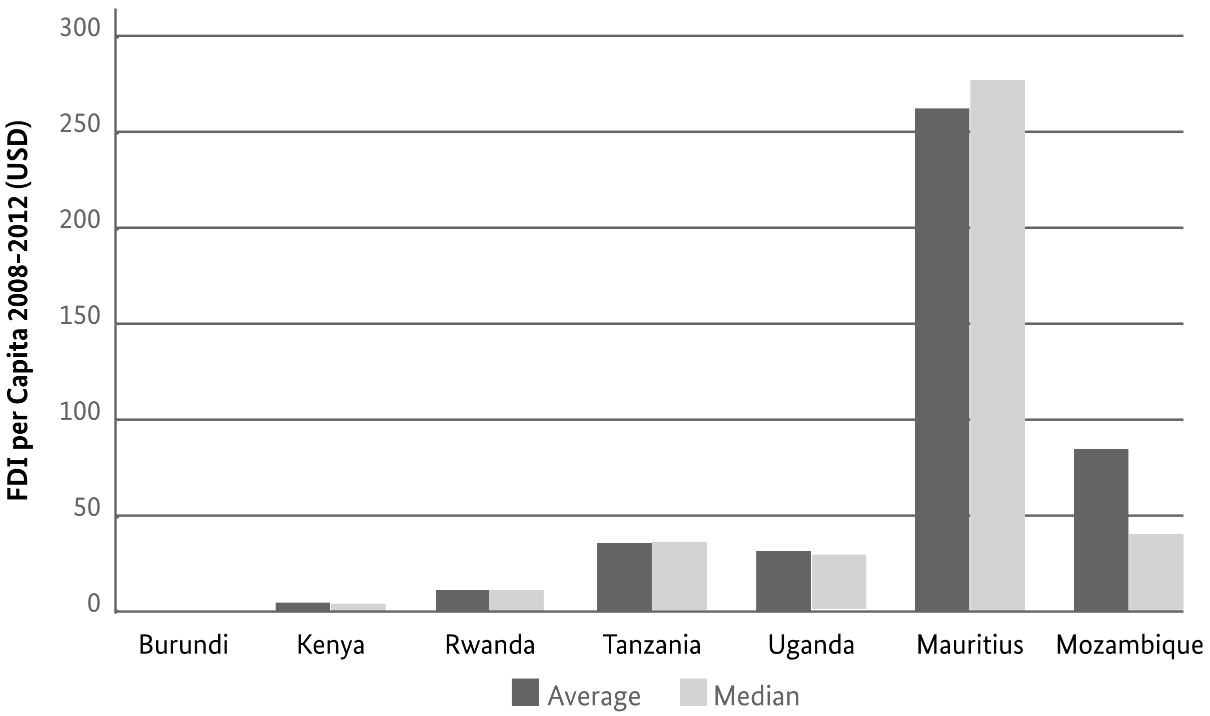
According to data from the statistical database of the United Nations Conference on Trade and Development (UNCTADStat)[1], the value of total inward direct investment inflows into the EAC region increased at an annual compounded rate of 13.5 percent over the period 2008-2012 (Figure 1). However, the increase was not equitable among the Partner States. Indeed, investment levels into Burundi were negative over the period (-16 percent per annum)[2], while the average values of investment inflows into Kenya and Rwanda were at least 80 percent lower than those into Uganda and Tanzania (Figure 2).

Figure 2: Average FDI Inflows into the EAC Partner States, Mozambique and Mauritius in USD million (2008-2012).



The data on FDI inflows into the EAC region also suggest that there are significant opportunities for growth in the value of total inward direct investment. During the period 2008 - 2012, the value of inward direct investment into Tanzania, which had the highest average FDI inflows per capita among the Partner States (USD 33), was only 75 percent of Mozambique's (USD 44) and just 12 percent of Mauritius' FDI inflows per capita (USD 275), as shown in Figure 3. Notably, Mozambique had among the highest total inflows in inward direct investment in Sub-Saharan Africa (SSA) in this period and registered a phenomenal annual compounded growth rate of 72.5 percent per annum, while Mauritius is one of the strongest economies of SSA. The data on the value of investment inflows in 2008, 2010, and 2012 also suggests that the increase in the value of investments in Tanzania was at the expense of investment in Uganda (Figure 4).

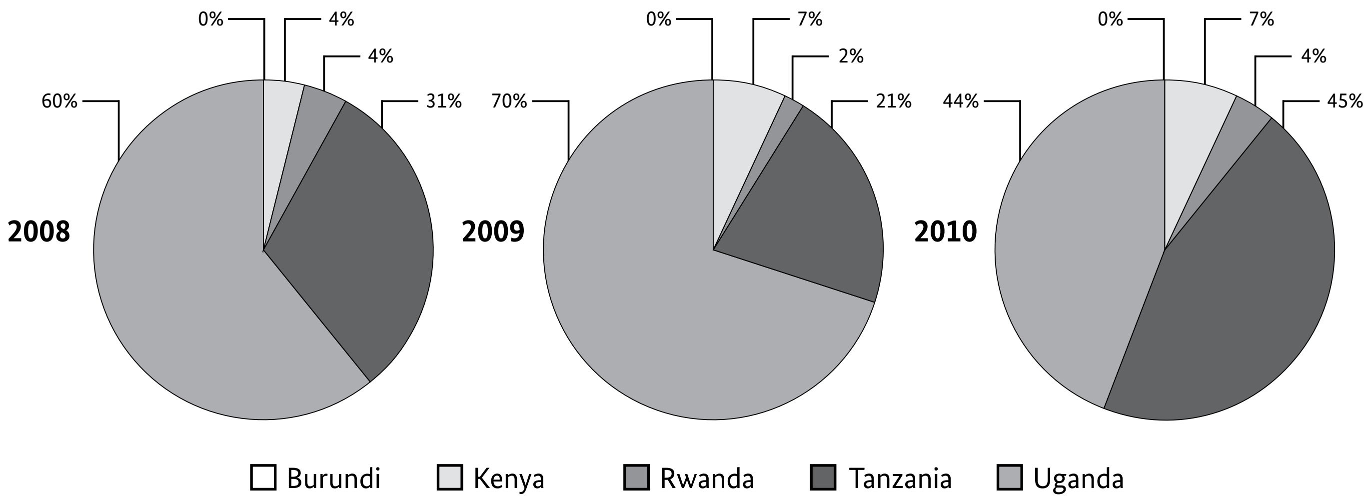
Figure 3: Average FDI Inflows per Capita into the EAC Partner States, Mozambique and Mauritius in USD (2008-2012).



[1] http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=88

[2] Due to in part to Burundi's weak institutional structures, political instability and lack of security, as presented in the Burundi Country Note, 2012, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Burundi%20Full%20PDF%20Country%20Note.pdf.

Figure 4: Distribution of the Value of FDI Inflows into the EAC Partner States in 2008, 2010, 2012.



2.2.1 Investment Flows within the EAC Region

Availability of complete and quality investment data is essential for trend analysis, monitoring and policy making. However, there is paucity of such data in the EAC region. The national data compiled by IPAs, Central Banks and National Bureaus of Statistics are incomplete (for all the countries) and may show variance with data compiled by UNCTAD.

The data on cross-border investments in the EAC region, which are based on statistics provided in the EAC Trade Reports show that Kenya is the lead regional source of FDI to the other Partner States; specifically to Tanzania, Uganda, and Rwanda.[3] The data on the individual Partner States are summarized below:

Burundi: FDI inflows from the EAC Partner States into Burundi were USD 2.3 million in 2012 as compared to USD 13.2 million in 2011, representing a decline of 82.5 percent.

Kenya: Investments into Kenya originated mainly from Tanzania and Uganda, which invested in two major projects in the transport and business services sectors valued at USD 32.1 million.

Rwanda: Just 2 percent of Rwanda's foreign investments in 2012 came from other EAC Partner States. Among these investments, Kenya contributed 81 percent of total investments while Tanzania and Uganda contributed 12 percent and 7 percent, respectively. The number of investment projects from the EAC Partner States to Rwanda decreased from 12 projects in 2011 to 5 projects in 2012.

Tanzania: Kenya was the leading source of FDI inflows in 2012 with 23 projects valued at US $ 82.2 million that were projected to create 1,558 jobs. Two new projects valued at USD 10.9 million and with the potential to create 101 jobs were registered by Ugandan investors. Investors from Rwanda and Burundi each registered one project valued at USD 3.7 million and USD 3.5 million, respectively.

Uganda: The intra-EAC investment inflow to Uganda decreased by 22.9 percent from USD 94.8 million in 2011 to USD 73.1 million in 2012. The number of projects registered also declined from 22 projects in 2011 to 16 projects in 2012 of which 14 projects were registered by investors from Kenya.

2.2.2 Distribution of Investments with the EAC Region by Sector

There is limited available data on the trends in investment in the different sectors in the EAC region. Where the data exists, it is delineated according to the general ISIC codes and not specific enough to enable categorization according to the sectors provided in the TOR of this study. Nevertheless, available data from the EAC Trade Report demonstrates that the manufacturing sector is a major recipient of FDI. Indeed, the total value of investments in the region was highest in the manufacturing sector (23 percent) - relative to transport, communication, and storage (21 percent); wholesale, retail trade, and tourism (16 percent); agriculture, fishing, forestry, and hunting (11 percent); community, social and personal services (8 percent); finance, insurance and real estate investments (7 percent); and mining and quarrying (6 percent of total investments). Utilities and water sectors as well as construction

[3] See EAC Trade Reports on www.eac.int

attracted only 9 percent of total investment in the region.

The data for individual countries demonstrated that during 2012, the manufacturing sector was among the three sectors that attracted the highest value of investment in each Partner State as follows:

Burundi: The manufacturing sector received the second highest value of investment (USD 16 million accounting for 19 percent of total investment inflows), second behind transport, communication and storage (78 percent of the total inflows).

Kenya: Inflows in the manufacturing sector at USD 75 million (13 percent) were lower than in mining and quarrying (USD 85 million, representing 15 percent), finance, insurance, real estate and business services, as well as wholesale, retail trade and tourism which accounted for 36 percent and 21 percent of total FDI inflows, respectively.

Rwanda: The manufacturing sector received the third highest value of investment inflows (USD 155 million, representing 14 percent of the value of total investment). Inflows into the mining and quarrying sector were USD 70 million (4 percent of the total). Investment inflows were highest in wholesale, retail trade and tourism sector (29 percent of the total FDI inflows) and utilities (17 percent).

Tanzania: The highest FDI inflows were in the manufacturing sector at USD 593.9 million, which represented 30 percent of the total FDI inflows. The mining and quarrying sector attracted USD 64 million (3 percent of total FDI inflows).

Uganda: The manufacturing sector received the second highest value of investment (USD 201.2 million representing 25 percent of total investment inflows), second behind transport, communication and storage (37 percent of the total inflows). The mining and quarrying sector attracted USD 48.9 million (6 percent of total FDI inflows).

2.2.3 Sources of Investment into the EAC Region

Data provided by the Investment Promotion Agencies (IPAs) in 2012 show that the leading sources of FDI inflows into the EAC region in terms of value and number of projects were China, the United Kingdom, and India. Investments from China occurred in all (five) Partner States, while those from the United Kingdom, USA, the Netherlands and India were directed towards only four Partner States. Individual Partner States attracted major investments from other countries, such as Nepal, Rwanda, and Oman for Burundi; Germany for Kenya, Singapore and Israel for Rwanda and the United Arab Emirates for Tanzania (data not shown).

2.2.4 Priority Sectors of Investment in the EAC Partner States

Each Partner State has priority sectors for investment:

Burundi: Agriculture and agro processing, manufacturing, energy and bio-fuels, and tourism.

Kenya: Agriculture and agro processing, manufacturing, tourism, wholesale and retail trade[4], information and communications technology (ICT), and finance.

Rwanda: Agriculture and agro processing, manufacturing, ICT, tourism, and construction.

Uganda: Agriculture and agro processing, mining and minerals, oil and gas, tourism, and ICT.

Tanzania: Agriculture and agro processing, manufacturing, tourism, oil and gas, mining and minerals, energy and ICT.

The effectiveness of the investment promotion activities in each Partner State was gleaned from a comparison of its priority sectors for investment with investment data showing the sectors that received the highest value of inflows in 2012. This data substantiated that the three priority sectors in Rwanda were also the largest recipients of investment inflows and therefore the targeted investment promotion activities were effective. Regarding the other Partner States, the highest value of inflows were in: three of the five priority sectors in Kenya, in three of the four priority sectors in Uganda, and in only one of the four priority sectors in Burundi (data not shown).

[4] Wholesale, retail trade and tourism are grouped together in the United Nations International Standard Industrial Classification (ISIC) of all economic activities.

2.3 The Importance of focusing on the Manufacturing Sector

The manufacturing sector is very important to the growth of the economies of all five Partner States for import substitution, contribution to employment and the growth of industries along the value chain, contribution to the tax base, and to revenue from exports. Growth of investment in the manufacturing sector is crucial to achieving the ambitious targets outlined in the EAC Industrialization Policy and Strategy (2012-2032), as demonstrated by the examples provided below.

Import substitution: Growth of investment in the six strategic manufacturing sectors will contribute to import substitution in each of the Partner States and the region. Imports in these strategic sectors account for a large percentage of the value of the total imports in each Partner State. In 2012, they accounted for 40 – 50 percent of the total value of imports in the Partner States and about 50 percent of the total value of imports into the entire EAC region. Additionally, the value of imported products in these sectors during 2011 was equivalent to 20 percent of the GDP of all the Partner States. Promotion of investment in these sectors and the manufacturing sector in general is therefore crucial to the growth in the economies of all Partner States in line with the objectives of the EAC Industrialization Policy and Strategy (2012 – 2032), as presented in Table 1.

Table 1: Value of Imports in the Six Strategic Sectors as a Percentage of Total Imports and GDP in the EAC Region (2012 – 2032)

Partner State	Value in USD (Thousands)			
	2009	**2010**	**2011**	**2012**
Burundi	87,679	159,732	620,273	399,207
Kenya	4,402,798	5,405,407	7,613,508	6,283,350
Rwanda	471,733	0	594,984	678,867
Uganda	1,922,293	2,126,315	2,761,031	2,848,892
Tanzania	2,720,759	3,748,031	5,681,475	5,913,911
Total value of imports in the six strategic sectors[1]	**9,605,262**	**11,439,485**	**17,271,271**	**16,124,227**
Total value of imports[1]	**22,437,006**	**25,174,190**	**34,326,818**	**35,445,679**
GDP[2]	75,111,018	79,942,147	84,698,815	Not available
Value of imports in the six strategic sectors as % of total imports	**42**	**47**	**51**	**50**
Value of imports in the six strategic sectors as % of GDP	**13**	**14**	**20**	**Not provided**

[1] International Trade Statistics; [2] EAC Facts and Figures

Contribution to employment: Manufacturing enterprises invest heavily into national economies and are major employers. Indeed, the enterprise surveys conducted for this study demonstrated that firms in the six sectors invested at least USD 1 million in their business and employed over 400 employees on average (see Chapter 4).

Contribution to the tax bases of the national partner states: The manufacturing sector is a main contributor to the tax base in the Partner States. For example, the manufacturing and mining and quarrying sectors were among the top five tax payers in Uganda and contributed 33 percent to the total tax revenue in the financial year 2011/2012 (Table 2).

Table 2: Revenue Collections in Uganda by Sector in the Financial Years 2008/09 to 2011/12

Sector	USH Billion			
	2008/09	2009/10	2010/11	2011/12
Manufacturing	804.77	977.21	1241.31	1590.94
Wholesale and Retail Trade , Repair of motor vehicles, motorcycles and household goods	1,140.27	1,194.58	1,244.42	1495.64
Transport, Storage and Communication	309.59	402.02	569.33	633.68
Mining and Quarrying	29.88	20.65	25.265	431.07
Financial Intermediation	251.66	286.16	278.37	415.53
Public Administration and Defense, Compulsory Social Security	106.66	130.24	149.67	304.39
Real Estate, Renting and Business Activities	98.14	118.07	92.69	181.08
Construction	42.38	75.54	98.66	135.18
Water Supply, Electricity and Gas	97.27	154.85	144.09	102.94
Other Community, Social and Personal Service	24.97	46.56	59.67	92.42
Health and Social Work	37.32	46.09	46.89	74.22
Education	19.61	32.91	52.42	72.59
Hotels and Restaurants	21.84	28.52	35.58	63.64
Agriculture, Hunting and Forestry	2.89	9.78	10.53	29.25
Unclassified	675.07	682.51	1,065.45	585.79
Sub-total from 1000 top taxpayers	**2,987.25**	**3,523.18**	**4,048.90**	**5622.56**
Total revenue collections[1]	**3,662.32**	**4,205.69**	**5,114.34**	**6208.35**
Contribution of the manufacturing and mining and quarrying sectors to total revenue	**23%**	**24%**	**25%**	**33%**

[1] The sector classifications was based on International Standard Industrial Classification and were drawn from the top 1000 URA tax payers who contribute over 80% of total revenue collections. Source: Uganda Revenue Authority.

2.4 Summary on Investment Flows in the EAC Region

The growing trend of investment flows to the EAC region, particularly in the manufacturing sector, is promising. There is significant room for growth in the value of inward investment. This requires an investment promotion strategy that attracts quality investment from new markets and new investors (in addition to expansion of current investments and attracting investment of low contestability).

The difference in value of investment flows to individual Partner States and the data that suggests possible diversion of investments from Uganda to Tanzania demonstrates the need to harmonize policies to ensure equitable investment flows to each Partner States. The harmonization of policies could be embarked upon within a regional framework to ensure sustainable collaboration on investment promotion among the Partner States.

Additionally, the differences in the effectiveness of current targeted investment promotion activities as reflected in the priority sector data for each Partner State demonstrates variations in the competencies and challenges of their respective investment promotion agencies (IPAs). The challenges need to be addressed. Available data demonstrates that the investment in the six strategic industries would be crucial to bridging the gap in FDI inflows and contribute to economic growth through import substitution, employment, substantial contribution to the tax base, and to the growth of industries along the value chain.

3

Competitiveness and Business Environment of the EAC Partner States

3.0 Competitiveness and Business Environment of the EAC Partner States

According to the Africa Competitiveness Report 2013 of the World Economic Forum, many African countries continue to feature among the least competitive economies in the world. The report recognizes that competitive economies produce higher levels of income for their citizens, provide higher rates of return on investment and contribute to a sustainable economy that is likely to grow faster over the medium-to-long-term.

The *Doing Business Indicators* of the World Bank are employed to assess the business environment of the EAC countries and the *Global Competitiveness Index* of the World Economic Forum to provide an evaluation of the relative competitiveness of individual economies.

3.1 The Environment for doing Business in the EAC Partner States

As members of EAC economic bloc, Partner States need to have a harmonized and uniform business regulatory environment. A comparison of the 2013 *Doing Business Rankings* of the Partner States of the EAC as provided in Table 3 shows that (i) Rwanda has made tremendous improvements in its business environment over a short period of four years (see Box 1 for more details); (ii) within the same period, the doing business rankings of Kenya, Uganda, and Tanzania declined; and (iii) the rankings of Kenya, Uganda, Burundi, and Tanzania are in the bottom percentile of the ranked countries. The *Global Competitiveness Rankings* similarly show that the economy of Rwanda is more competitive than that of the other Partner States.

Table 3: Rankings of the of the EAC Partner States on their Business Environment and Global Competitiveness

Partner State	Business Environment Rankings[a]			Global Competitiveness Index[b]
	2009	2013		2013
Rwanda	139	52	↑	66
Kenya	82	121	↓	96
Uganda	111	120	↓	129
Burundi	177	159	↑	146
Tanzania	127	134	↓	125

Box 1: Business Environment Reforms in Rwanda and Uganda

Rwanda's remarkable macroeconomic stability and sustained robust growth have been well documented and widely acclaimed. The country's economy has grown at an average real rate of 8.8 percent per annum during the last eighteen years (Rwanda Prosperity Ecosystem Survey; Evaluating Rwanda's Business and Investment Climate; 2013). In 2008, the economy registered its first double-digit growth (11.2 percent) since 2002, which was the highest in East Africa, mainly as result of adequate implementation of prudent economic and structural reforms. In 2012, GDP growth was estimated at 7.9 percent, compared to 8.2 percent in 2011.

Among the Development Partners, the World Bank has been instrumental in funding Rwanda's business investment environment reform programme, to enable the country seize sizeable investment opportunities in several sectors in which it has comparative advantages. At the request of the Government of Rwanda in 2008, the World Bank Group's Investment Climate Reform Programme supported the development of a robust reform agenda. The programme helped establish the Doing Business Unit within the Rwanda Development Board to spearhead Rwanda's reform initiatives and provided technical assistance and expertise to support the implementation of planned legal, regulatory and institutional reforms.

Rwanda's focus on improving the business and investment climate has yielded commendable results. In the World Bank's Doing Business 2012 and 2013 reports, Rwanda was ranked first in East Africa with respect to starting up a business, registering property, protecting investors' interests, enforcing contracts, and obtaining access to credit. The country's overall ranking in World Bank's Doing Business Reforms Reports has improved from 143^{rd} in 2009 to 52^{nd} in 2013. The Global Competitiveness Report 2012–2013 published by the World Economic Forum ranked Rwanda the most competitive economy in the East African Community (EAC) and third in sub-Saharan Africa.

Uganda established the Competitiveness and Investment Climate Strategy (CICS) in 2006. It is implemented through a CICS Secretariat, which is a small technical unit housed in the Ministry of Finance, Planning and Economic Development (MFPED) that performs the monitoring, coordinating and facilitation roles for the CICS, works closely with CICS implementing agencies both in the public and private sector, and is the focal point for coordinating and monitoring the implementation of the CICS. The CICS tracks performance indicators, benchmarks and policy actions and briefs stakeholders for appropriate actions.

The CICS Secretariat also facilitates institutions implementing reforms by convening task force teams of the relevant institutions to complete specific reform activities. A Doing Business Reform Taskforce comprising 12 institutional representatives from both the public and private sectors was convened in 2009. The CICS Secretariat reports to the Commissioner, Investment and Private Sector Department, MFPED.

The main challenge of making progress in the business reforms is the requirement for mindset changes in the officers at all levels within the ministries, departments, and agencies (MDAs), especially those that deal directly with investors. There are no performance targets in place in the respective institutions, limited oversight, and no consequences for non-performance. Additionally, the implementers do not have a stake in the process – their salaries are low and a process that is not streamlined may create opportunities for rent-seeking. Additionally, various departments are autonomous and territorial conflicts may constrain progress. Uganda's Doing Business Ranking declined from 111 in 2009 to 120 in 2013.

The World Bank's doing business indicators benchmarking the ease of doing business show that with the exception of Rwanda all Partner States have an unfavorable business climate. Nonetheless, some Partner States have performed well on specific parameters and were ranked in the top 25 out of 185 countries as follows: Rwanda was ranked 8th out of 185 countries on starting a business and 25th out of 185 countries on paying taxes, while Kenya was ranked 12th out of 185 countries on getting credit (Table 4). In order to harmonize the business environment in the EAC region, other Partner states (Burundi, Tanzania and Uganda) should address these three areas as a priority.

Another major concern is that the Partner States rank poorly in the parameters that are crucial to the establishment of a manufacturing business. The parameters include: getting construction permits, getting electricity, registering property, investor protection, trading across borders. The poor rankings of the Partner States in the above parameters could become a deterrent to prospective/new investors targeting the region as a destination for investment and trade and should thus be addressed.

Table 4: Rankings of the EAC Partner States on the Parameters Various Parameters for Doing Business in 2013

Partner State	Business environment	Starting a business	Getting construction permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a Business
Rwanda	**52**	**8**	98	**49**	**63**	23	**32**	**25**	158	39	167
Kenya	121	126	**45**	162	161	**12**	100	164	**148**	149	100
Uganda	120	144	118	127	124	113	139	93	159	117	**69**
Burundi	159	28	141	164	127	167	49	137	177	175	161
Tanzania	134	113	174	96	137	87	100	133	122	**36**	129
Countries	185	185	185	185	185	185	185	185	185	185	185

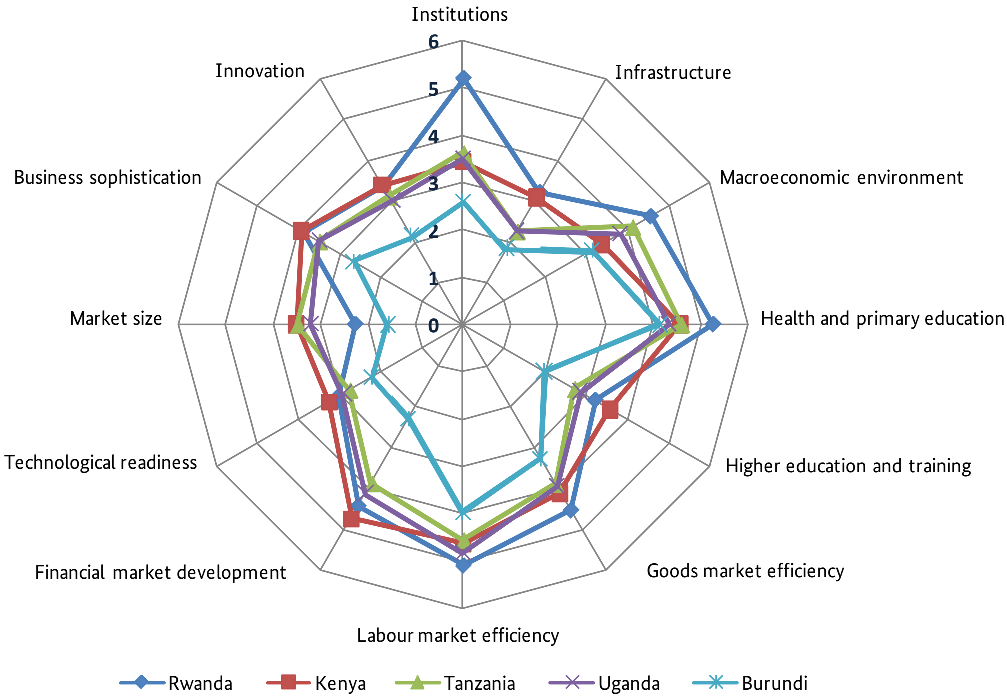
Source: World Bank Doing Business Report 2013.

3.2 Global Competitiveness Indices of the EAC Partner States

The World Economic Forum data on the *Global Competitiveness* indices of the EAC Partner States show that Burundi's economy is much less competitive than the economies of the other Partner States in the key areas of financial market development, technological readiness, market size, business sophistication, innovation, institutions, infrastructure, goods market efficiency, and higher education and training. In comparison, Rwanda's institutions and macroeconomic environment outperformed those in the other Partner States. Rwanda and Kenya had better infrastructure than the other Partner States (Figure 5).

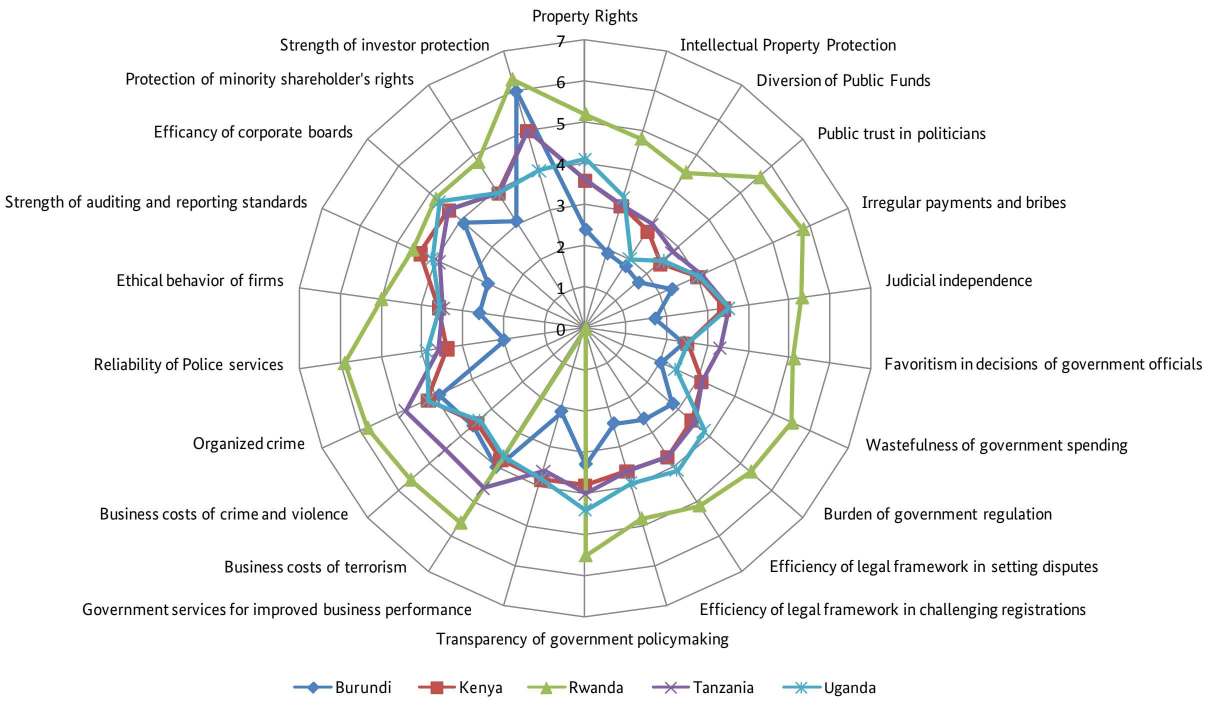
Analysis of the factors that influence the index on institutions shows that during 2013: Rwanda outperformed the EAC Partner States on all determinants of institutional strength except strength of corporate boards, strength of investor protection, and strength of auditing and reporting standards (Figure 6). Burundi has the weakest institutions among the Partner States. Additionally, the quality of the overall infrastructure, roads, and electricity supply in Kenya and Rwanda is much better than that in Tanzania, Uganda, and Burundi.

Figure 5: Global Competitiveness Indices of the EAC Partner States, 2013



Source: Global Competitiveness Report 2013-2014

Figure 6: Global Competitiveness Indices on Institutions in the EAC Partner States, 2013



Source: Global Competitiveness Report 2013-2014

3.3 Summary of the Competitive and Business Climate in the EAC

The Doing Business Rankings and Global Competitiveness Indicators demonstrate that Rwanda has stronger institutions than the other Partner States and has made great strides in improving its business environment and investment climate over a four-year period. Conversely, Burundi has the weakest institutions among the Partner States and the least favorable business environment and investment climate. Empirical studies have shown that investment climate is one of crucial factors that have a significant effect on the effectiveness of IPAs in attracting investment to their countries (UNCTAD, 2008).

Nevertheless, some Partner States have performed well on specific parameters such as: starting a business, paying taxes, and providing credit. In order to harmonize the business environment in the EAC region, other Partner States could address these three areas as a priority. The crucial parameters for the establishment of a manufacturing business are: getting construction permits, getting electricity, registering property, investor protection, and trading across borders. This could become a deterrent to prospective/new investors targeting the region as a destination for investment and trade.

4

Survey Findings on the Need for a Regional Institutional Mechanism for Investment Promotion among EAC Partner States

4.0 Survey Findings on the Need for a Regional Institutional Mechanism for Investment Promotion among EAC Partner States

4.1 Perceptions of Respondent Companies/Enterprises on the Need for a Regional Resource Centre

4.1.1 Enterprise Characteristics

A total of 15 enterprises participated in this study. The enterprises were established between 1982 and 2009. They are large companies: their average number of employees is 429 and the average value of their investment at least USD 1 million. Their investments were funded using: own funds (47 percent of respondents), shareholder equity (27 percent of respondents), international and domestic commercial bank loans (20 percent of respondents), development banks (3 percent of respondents), and financing providing by the home government (3 percent of respondents). The initial sources of information about investment opportunities in the respective countries were primarily competitors in the same line of business, international market scoping, and previous experience in the respective markets. IPAs were not primary information sources for any of the respondent enterprises. Nevertheless, close to 65 percent of the respondent enterprises are registered with their respective investment promotion agencies (IPAs) and 75 percent of respondent enterprises had knowledge about the services provided by the IPAs. None of the respondent enterprises contacted the IPAs for information, support, or other services at the different stages of their investment cycle.

4.1.2 Issues and Challenges faced by IPAs – Views from respondent Enterprises

Respondent enterprises further noted that IPAs are faced with the following challenges:

- the absence of a true one-stop centre (except for Rwanda);
- a predominantly bureaucratic mindset in contrast to a private sector mindset that is required to support businesses;
- need for training in customer service;
- lack of skilled manpower to provide information that is crucial, specific, and relevant to their sectors; and
- limited use of information communication technology (ICT) tools to disseminate information to existing and potential investors (and for investors in Burundi the need to provide information in both English and French).

As such, a regional approach would be required to provide the requisite technical support to address these challenges following a comprehensive institutional capacity needs assessment of individual IPAs.

4.1.3 Enterprise Assessment on additional Services provided by IPAs and the Need for a Regional Institution on Investment Promotion and its Functions

Private sector enterprises in the six strategic manufacturing sectors require specific services that are currently not provided by the IPAs in the Partner States. The support that these investors require includes:

- **Policy advocacy:** to improve and update laws governing respective sub sectors so that they are pro-investment, to improve the business climate, and to harmonize policies, laws, and regional incentive regimes;
- **Market intelligence:** to provide up-to-date and relevant market intelligence on the different sub-sectors to guide investment;
- **Access to affordable finance:** to provide access to affordable finance and funding sources. The manufacturing sector is high risk and capital intensive. Currently, it is difficult to establish new investments or to expand current investments due to the high risks, high cost of finance which requires investment to be funded using own resources, and the absence of good quality, up-to-date market intelligence on investment opportunities;
- **Business matching services:** to attract credible value-adding local and international partners;

- **Provision of information to investors on:** land availability, available skilled labor for the sector, available incentives, taxation on equipment, available infrastructure, alternative sources of energy, markets, potential strategic partners, required permits, and other support services;
- **Timely investor support services through a one-stop centre** for example with obtaining incentives.

4.1.4 Proposed Functions of a Regional Centre for Investment Promotion for the EAC Partner States – Views from Respondent Enterprises

According to the respondent enterprises, a regional centre for investment promotion would facilitate investment in the six strategic sectors, provided that it performs tasks that national IPAs are unable to provide. Examples of the tasks include providing up-to-date market intelligence specific to their sectors; effectively advocate for an improved regional business environment and investment climate; institute harmonized regional tax policies and incentives that are aimed at improving the competitiveness of investment in the sectors.

4.2 Assessment of IPAs in the five Partner States of the EAC

This section compares the IPAs in five Partner States, to identify gaps and challenges and potential areas of synergy to increase investment in the strategic industries, in the EAC region. The IPAs are: Burundi Investment Promotion Authority (API), Kenya Investment Authority (KenInvest), Rwanda Development Board (RDB), Tanzania Investment Centre (TIC), and Uganda Investment Authority (UIA).

This study established that the five IPAs do not have a formal system for collaboration within the region and do not perform joint investment promotion activities. Their investment promotion activities are aimed at attracting investment in all sectors, and are not specific to the six strategic sectors. Nevertheless, the study recognized that the manufacturing and agro-processing sectors were prioritized for promotion by all the IPAs. However, staff at IPAs do not have specialized skills in promoting the manufacturing and agro-processing sectors and the other sectors espoused in the EAC Industrialization Policy and Strategy.

Furthermore, IPAs do not have a uniform incentive framework for attracting investment in the six strategic industries. The differences in the incentive framework in the Partner States are summarized below:

- Kenya and Tanzania provide general incentives to all investors and not just the manufacturing sector.
- Uganda provides agricultural sector specific incentives, for example tax exemptions on agricultural machinery and agro-processing equipment, in order to promote value-addition in the sector.
- Rwanda offers tax-free imports of raw materials and capital equipment, corporate income tax of 30 percent depending on the size of employment and exports generated by the investor, a lower tax regime for investors in the rural areas (outside Kigali), as well as special provisions under the Economic Processing Zones (EPZ) legislation.
- Tanzania provides specific incentives for the mining, energy, and agri-business sectors.

Based on the above findings, IPAs are currently not equipped to intensively promote investment in the six strategic industries, but are critical partners in supporting manufacturing in the region. As a subsequent step, the study assessed their current capabilities to gauge whether the establishment of a Regional Centre for Promoting Strategic Industries would be of value. The capacity of the IPAs was assessed in the following areas: (i) management and reporting mechanisms; (ii) mandate; (iii) execution of investment promotion and facilitation mandate; partnership with other institutions; (iv) staff; (v) funding; and (vi) coordination among the IPAs in the Partner States.

Management and Reporting Mechanisms of IPAs

- **Semi-autonomous *versus* autonomous** IPAs: The IPAs of Burundi, Kenya, Tanzania, and Uganda are semi-autonomous institutions that report to a parent ministry. Rwanda's IPA, the Rwanda Development Board, is an autonomous institution whose head is a member of Cabinet and reports directly to the President. Empirical studies show that IPAs that have established reporting mechanisms to the highest policy makers in the country, specifically Prime Minister or President, are more effective than those that report to a ministry, as the former institutional setup strengthens the country's commitment to investment promotion.[5] Cases in point are the IPAs of Kenya and Uganda. Nonetheless, interviews with the Executive Directors of the IPAs of Kenya and Uganda revealed that the IPAs do not have a mechanism for driving policy implementation within the Government. Although they can make policy recommendations, they have limited control over their adoption and implementation.

- **Public-private sector representation of the supervisory body:** Boards of the IPAs in all Partner States have both public and private sector representation. Empirical studies show that active private sector participation is crucial for reinforcing IPAs' credibility and visibility in the business community.[6] Nevertheless, although the private sector is represented in the IPA boards, their responses provided in section 4.1.2 suggest that more needs to be done to improve the IPAs' credibility and visibility with the private sector both to stimulate investment and to support investment promotion efforts. This is particularly important considering that the fellow private sector was the main source of initial information about investment opportunities of respondent enterprises in the Partner States (Section 4.1.1).

Mandates of IPAs

Some IPAs are mandated to execute both investment and export promotion mandates. The mandates of the five IPAs include image building, investment promotion and facilitation, and other investment-related activities. However, the IPAs in Rwanda and Burundi have the additional mandate of export promotion, which may require different strategies from investment promotion.

Execution of investment promotion mandate

- **One-stop-centre:** All five IPAs aspire to become one-stop centres for investors. However, only the Rwanda Development Board is a one-stop institutional centre, where investors can obtain all requisite services under one roof. The rest are one-stop information centres.
- **Priority sectors for investment:** The five IPAs have identified priority sectors targeted for investment promotion in line with best practice. However, the sectors that attracted the highest value of investment were not always the priority sectors as described in Section 2.2.4, which suggests a disparity in the effectiveness of investment promotion efforts among Partner States. Among the Partner States, only Rwanda had the highest investment flows going to all its priority sectors for investment. The RDB is also the only IPA that indicated that it undertakes strategic investor targeting employing data from FDI Intelligence (http://www.fdiintelligence.com/). Other important data sources that could be utilized by the IPAs include the Euromonitor database of Euromonitor International (www.euromonitor.com/), and the Economist Intelligence Unit (www.eiu.com/).
- **Policy advocacy to improve the investment climate for businesses:** One of the tasks undertaken by IPAs is policy advocacy to improve the environment for doing business. The Doing Business Indicators and Global Competitiveness Indicators provided in Section 3 demonstrate that Burundi, Kenya, Tanzania, and Uganda have low (and poor) rankings with respect to their indices while Rwanda has been able to greatly improve its business environment and investment climate in part by strengthening its institutions as described in Section 3, and by establishing a Doing Business Unit within the RDB to spearhead its investment climate reforms with support from the World Bank's Rwanda Investment Climate Reform Programme.
- **Provision of up-to-date and useful market intelligence:** According to respondent enterprises, all the IPAs do not provide up-to-date market intelligence that could guide investment decisions.
- **Information on sources of financing for investments:** Although manufacturing and agro-processing are capital intensive (Section 4.1) and among the priority sectors for investment in each Partner State, the IPAs have not put in place measures to assist investors with mitigating their financial risks. The IPAs in Kenya and Uganda, however, refer investors to potential sources of loans, for example the East African Development Bank (EADB) and the Stanbic Bank (U) Limited.
- **Information provided on websites:** IPA websites are the first contact points for companies to identify potential investment destinations, and therefore the information provided is crucial to potential location identification. Although Partner State IPAs may provide sector-specific information, it is neither comprehensive nor up-to-date. Examples of sector-specific information provided by countries include: a two-page downloadable profile of the processed foods sector prepared by the Business Intelligence Unit of Mexico (inteligencia@promexico.gob.mx) that contains information and statistics about the global processed food industry, production in Mexico, its ranking both regionally and globally, growth, consumption, success stories, Mexico's exports data, and available support programmes for investors.

[5] Morisset Jacques (2003): Does a country need a promotion agency to attract foreign direct investment? A small analytical model applied to 58 countries. World Bank Policy Research Working Paper 3028, April 2003.

[6] Morisset Jacques (2003).

- **Use of available tools for targeting investments:** Although the United Nations Industrial Development Organization (UNIDO) and the World Association of Investment Promotion Agencies (WAIPA) have developed tools to be employed by IPAs in investment promotion, tracking and targeting, these are currently not being utilized by the IPAs in the Partner States.
- **Response to investor enquiries:** A request for information about available land by a 'prospective international investor' in the agro-processing sector submitted to all five IPAs was not responded to during a three-week period.
- **Aftercare services:** Only TIC and RDB have established an after-care unit to support investors, although all IPAs provide aftercare services to investors.
- **Evaluation of performance and development of performance targets:** Most of the IPAs do not evaluate their performance. The RDB establishes investor targets that must be met by all institutions involved in investment promotion. Successful evaluation would enable IPAs to identify the best use of the resources at their disposal and to re-align their investment promotion strategies to achieve their goals.[7]

Staffing of IPAs
Most of the IPAs reported a staff shortfall of between 10 percent and 50 percent. At least 40 percent of staff is involved in investment promotion and investor facilitation activities. The staff limitations demonstrate that the IPAs require support to perform their current tasks effectively and will require considerable assistance to improve their performance to levels that will translate into better investor facilitation and demonstrable results in increased quality of investments to the region.

	AP I	KenInvest	RDB	UIA
Required staff (number)	Not provided	150	Not provided	61
Current staff (2014) (number)	49	71	Not provided	54
Staff shortfall	Not provided	53%	30%	11%
Staff involved in investment promotion and assisting investors	40%	66%	80%	83%

Source: Investment Promotion Agencies (IPAs).

Most staff do not have specialized skills to undertake comprehensive sector studies and market studies, and yet this information is required by investors. Staff also require training on investment promotion. The training required by staff should be established from a training needs assessment review of staff in all the IPAs.

Funding of IPAs
All the IPAs are funded by their governments. The IPAs that provided data also indicated that they were underfunded by between 23 percent and 57 percent during the last calendar/financial years. The severe underfunding of these institutions in turn affects their performance and ability to effectively perform their mandates. The resources spent on investment promotion were between USD 48,800 and USD 605,600 for the IPAs that provided data. Empirical studies revealed that the effectiveness of investment promotion activities is affected by the size of the IPAs' budgets for the respective activity, whereby up to a minimum budget of about USD 64,000 IPAs seem to have no (or even negative) impact on FDI. Between a budget of USD 64,000 and USD 2 million IPAs are effective, and between USD 2 million and USD11 million the effectiveness of the IPAs is highest.[8]

Therefore above a threshold of USD 64,000 (equivalent to USD 70,740 in 2014), an increase of 10 percent in the budget for investment promotion results in a 7.5 percent increase in FDI inflows. Investment promotion activities were most effective within a budget of USD 64,000 (equivalent to USD 70,740 in 2014) to USD 2 million (equivalent to USD 2,202,000 in 2014).[9,10]

[7] United Nations Conference on Trade and Development (UNCTAD) 2008. Government bureaucracy. Evaluating Investment Promotion Agencies. Investment Advisory Series, Series A, Number 3. United Nations. New York and Geneva.
[8] Values are provided for 2008 and have not been adjusted for inflation.
[9] See footnote (5). USD figures are for 2008 and should be higher in 2014.
[10] United States Department of Labor, Bureau of Labor Statistics, at: http://www.bls.gov/data/inflation_calculator.htm.

This study therefore suggests that investment promotion efforts of the Partner States are more effective if resources are pooled to promote the region as an investment destination.

	API	KenInvest	UIA[1]
Budget in 2013 (USD)	1,074,378	5,121,244	5,292,988
Amount disbursed (USD)	697,761	3,932,584	2,258,726
Percentage funded	65%	77%	43%
Expenditure on investment promotion and facilitation	48,843	605,618	Not provided
Expenditure on supporting and assisting investors	20,932		
Expenditure on research & policy advocacy		224,157	

[1] Data are for the financial year 2012/13. Source: Investment Promotion Agencies (IPAs)

Collaboration with other institutions on investment promotion
All the IPAs collaborate with various institutions at the national level on investment promotion activities as detailed in the sections below. They include government ministries, private sector associations, and development partners. For the most part the functions of these institutions complement and greatly enhance the investment promotion efforts of the IPAs, except in the case of KenInvest which indicated that the multiple government agencies involved in investment promotion result in duplication of efforts and 'territorial' wars that have affected activities.

Collaboration among the IPAs in the Partner States
The IPAs in the Partner States do not have a formal mechanism for collaboration and seem to have limited interaction. Although all the IPAs are members of the COMESA Regional Investment Agency (RIA) and have posted information on its website, during our interviews only the API mentioned the COMESA-RIA as one of the institutions with which it collaborates, which suggests that the interactions with this regional agency is very limited.

4.3 Gaps, Issues and Challenges that could be addressed by a Regional Mechanism for Growth of Manufacturing Industries in the Partner States

To assess whether a regional institutional mechanism is required for promotion of investment in the targeted manufacturing sectors in the Partner States, it is important to examine alternatives and whether expected growth can be achieved under current conditions. Stakeholders interviewed in this study argued that instead of establishing a new institution, support should be provided to the existing IPAs to enhance their capacity. An assessment of whether improving the current situation would address key gaps identified in Section 4.1 is provided below:

- **Policy advocacy to improve the investment climate in four of the five Partner States:** In almost all Partner States, progress has not been achieved because IPAs do not have sufficient authority to ensure that recommendations are adopted and implemented. The mandates and reporting mechanisms of the IPAs are instituted in the legal framework for their establishment. It is unlikely that changes could be implemented within the short-term to provide the respective IPAs with the authority they require to ensure adoption of recommendations. It should also be noted that the public pressure provided by the annual 'report cards' of the Doing Business Rankings and Global Competitiveness Indices to improve the investment climates has had limited success. Rwanda's example, however, demonstrates that progress in improving the investment climate can be made within the short-term. An apex body with sufficient authority and direct links to the heads of Government in each Partner State and with means and resources to penalize unsupportive policy and lack of progress among Partner States would however be required to stimulate action on improving the investment climate for existing and potential investors.

- **Market intelligence and information required to guide investment decision making:** Although interventions can be made to provide staff training and recruit consultants to collect market intelligence, this activity should become mainstream and integrated within country work plans and not ad hoc, should be conducted at regional level because investors have a regional focus with respect to investment and trade, and should be accessed at a centralized location. Partner states are more attractive locations for investment when promoted as a region because some of the countries are too small to support separately activities that are subject to large economies of scale due, in part, to insufficient quantities or inputs available, or markets are too small to generate sales necessary to cover costs.
- **Staff training to improve the effectiveness of IPAs in executing their mandates:** The IPAs have common skills challenges and it is more effective to address them regionally. This would also have the added benefit of encouraging knowledge flow, sharing of good practices, and fostering close collaboration between IPAs in the Partner States.
- **Establishment of a fund to provide affordable development financing to manufacturing industries:** Such a fund would be attractive and viable when established at regional level.

Regional collaboration will foster investment if it improves the attractiveness of the regional market and improves policy credibility. Promotion of the EAC as an investment destination may signal access to a large market (as compared to the smaller Partner States). Indeed, the potential gain from having a large regional market as opposed to the small size of individual Partner States would be more efficient exploitation of economies of scale in industry. Furthermore, the removal of internal barriers within the region, as a result of harmonized policies, would allow enterprises to allocate different operations across member countries more efficiently. As such, it could stimulate vertical FDI aimed at harnessing the different endowments of individual Partner States. An apex body that supports regional investment would also enable the region to utilize available resources effectively to support investment promotion activities, and to adopt a common approach to facilitate individual countries in improving the quality of their investment promotion and facilitation services.

A more detailed assessment of individual IPAs is provided in Annex I.

5

Benchmarking the Investment Promotion Agencies

5.0 Benchmarking the Investment Promotion Agencies

5.1 Introduction

A World Bank survey[11] of 58 countries established that greater investment promotion is associated with greater FDI flows. In this regard, having a special agency for the marketing of a location and generation of investments is important. The importance of an IPA is also supported by the fact that its role is more of a public good (created to address market failures – see Table 5 below) and cannot be left in the hands of the private sector.

Table 5: Market failures that can underpin the rationale for an IPA[12]

Market Failure	Description
Public goods	It may be impossible to exclude non-clients from consuming IPA services. If for example an IPA carries out an advertising campaign that improves the country's image abroad, all inhabitants may benefit as a result. But if it were left up to the clients to pay for the services, the funding would only reflect their benefit from the IPA. The benefit of its services to others would not be taken into account. In such a case, the IPA may become underfunded. If, on the other hand, the IPA is publicly funded, non-clients benefiting from the IPA's work would also be paying for the services (through taxes). In theory at least, the greater supply of IPA services would then better reflect the total benefit to society.
Externalities	Positive externalities occur when benefits accrue to those not involved in a transaction. In the case of inward FDI, a foreign company may bring e.g. new technologies or management techniques to the host country. The establishment of a foreign firm can also contribute to the development of suppliers, better training, and transfer of skills. In some cases, other companies and individuals in the host country can also benefit from these.
Information problems	Insufficient (or incorrect) information can lead to inefficient markets. This means that people may be better off if these information gaps can be filled. An IPA can act as an information provider to foreign investors. There are several situations in which the IPA can fulfill this role, including: • Smaller firms or individuals rarely have resources to acquire knowledge about location decisions; • Larger firms do not always have access to knowledge or know where to find it, even if they have resources; • International perceptions of a region may not reflect business realities; the business sector rarely has sufficient knowledge of the public sector to find its way around. Especially for foreigners, an IPA providing a "road map" may be very useful; there is a role for a "trusted intermediary" to introduce the foreigner to the domestic business and private sector networks.
Coordination problems	Coordination problems may prevent market participants from overcoming the above-mentioned problems or their consequences. Market-driven initiatives to solve these may not be forthcoming (e.g. to reduce or coordinate sub regional competition for FDI). The IPA can act as a centre for dealing with coordination between economic agents.

[11] Morisset J (2003). "Does a Country Need a Promotion Agency to Attract Foreign Direct Investment? A Small Analytical Model. Applied to 58 Countries", Policy Research Working Paper 3028. FIAS, World Bank. Washington, DC.
[12] Adapted from UNCTAD (2008). "Evaluating Investment Promotion Agencies", Investment Advisory Series A, Number 3, United Nations Publication. Page 11.

5.2 Benchmarking with Best Practices

Benchmarking is important as it draws a reference point against which performance can be assessed. The purpose of applying the same in this study is to compare and learn by studying performance and best practices of other institutions i.e. IPAs in competitor countries. A study undertaken by World Bank - *Global Investment Promotion Benchmarking Study (GIPB 2012)*[13], highlighted a number of the challenges faced by IPAs trying to promote investment in a particular sector. The study made the following recommendations to help IPAs overcome challenges and attain a strong competency in promoting sector specific investments:

- Understand competitiveness and capacity to attract sector specific investment;
- Understand in detail in which sectors and sub-sectors your location is competitive for investment;
- Gather relevant benchmarked data to illustrate the sector's competitiveness vis-à-vis other competing locations; For example, perhaps undertake a SWOT analysis of the sector specific sector to determine promising subsectors; Narrow the list of subsectors to no more than 10, and focus on the most promising three;
- External specialist expertise may help the IPA staff understand these subsectors and the key factors that investors need during site selection;
- Identify and gather key information to illustrate and promote for investment;
- Assess internal staff capacity, identify weaknesses in sector specific knowledge and train or recruit staff with sector expertise;
- Gather and analyze information on relevant topics, such as land availability (ownership, transfer, titling and leasing), labour force, infrastructure and power, among others;
- Consult relevant external data sources for help in understanding the social and environmental issues that must be factored into land decisions;
- Partner with national, regional, and local governments and communities to find appropriate land and ensure that proper procedures are followed for land transfers or leases;
- Ensure that you have partnerships in place, in both government and the private sector, to get investors the information and contacts they need;
- Implement best practice investment facilitation - apply general best practice standards to every aspect of promotion; Any promotion activity deemed critical for the IPA's work overall must be implemented with the highest standards; Consider adapting what worked for GIPB 2012's best practice IPAs to your own operations;
- A good example of this is the Rwandan horticulture taskforce. It put in place a simple mechanism to track communications with interested investors and record the next steps required to move the project forward; This mechanism helps the task force manage the pipeline of investment prospects more effectively and maximize efforts to convert some of these leads into actual investments;
- Look for ways to increase the linkages between foreign investment projects and local producers and service providers in order to maximize the project's positive impact on local development and further anchor the investor in the location. Foreign companies need to know that sector specific investments are valued as highly as investments in high-tech sectors. Enthusiastic promotion will encourage investors to deepen their ties to the country by expanding production and employment over time.

The *Global Investment Promotion Benchmarking Study* also established that focusing investment promotion on a few sectors has been proved to attract more FDI. Most IPAs in EAC region do not have sector focused investment promotion mechanisms.

Other studies have shown that IPAs that target sectors attract more FDI than those that do not. One study[14] established that sector-targeting increased the growth rate of FDI inflows into that sector by 41 percent and that in developing countries targeted sectors received 155 percent more FDI than non-targeted sector specific sectors.

IPAs need sector expertise to generate information of high value to investors, but it is difficult for any IPA to excel in all sectors. It is therefore necessary to identify a few sectors of priority to national development and focus on those. The Global Investment Promotion Benchmarking Study found that most IPAs have ostensibly taken this step, articulating a list of priority sectors, but in practice have done little to accumulate sector-specific research and staff expertise, or even to ensure that all priority inquiries receive replies.

[13] World Bank (2012), Global Investment Promotion Best Practices.
[14] Torfinn Harding and Beata S. Javorcik, "Roll out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows," The Economic Journal, vol. 121, Issue 557 (December 2011).

5.3 Assessment of Industrial Resource Centres

This section assesses existing industrial resource centres with a view to underscoring their roles, success factors and lessons that could be applied in the proposed regional centre that will be dedicated to promoting investment in the six strategic industries in the EAC Region. From the review of the existing resource centres the study reviewed SADC Development and Finance Resource Centre (SADC-DFRC); the Africa Caribbean Pacific Centre for Development of Industries (ACP-CDI); The Pennsylvania Industrial Resource Centre Programme; the ANIMA Investment Network and East Invest Project. The study also reviewed the proposed COMESA – Regional Investment Observatory.

5.3.1 South Africa Development Community (SADC) Development Fund Resource Centre

The SADC Development Finance Resource Centre (SADC-DFRC) was established in July 2003 to serve as a sub-regional centre of excellence to strengthen the SADC Development Finance Institutions (DFIs) Network and to enhance the capacity of the SADC DFIs to achieve their mandates. The Centre is collectively 'owned' in trust by the network of SADC DFIs and provides capacity building, policy research, and advisory services to members of the network. Both the network and the Centre are recognized by the Finance and Investment Protocol of SADC as a subsidiary institution of SADC.

The objectives of the network of DFIs include but are not limited to: collaborate on cross-border and in-country financing of projects in SADC, pool resources to mobilize intra and extra-regional funds for development projects, share experiences and develop common best practices in risk management, corporate governance, project appraisal etc. And, where viable, take equity in each other's institutions and collaborate on appropriate institutional mechanisms to facilitate cooperation and development finance in SADC.

The DFIs cover a wide range of sectors, including: agriculture, housing, small, micro and medium enterprises (SMME), infrastructure and industrial sector. Through the Centre, the DFIs network has forged partnerships and collaborated on various projects and activities, including taking equity and lending to each other, joint support to projects and capacity building (training and secondment) as well as mutual technical assistance.

The Centre is mandated to provide technical and capacity building support, policy research and advisory services to promote effective mobilization of resources in the financial sector in particular DFIs, for investment in key areas with the potential to stimulate growth, generate employment and alleviate poverty.

Specifically, the DFRC is mandated to undertake the following tasks:

- Facilitator and coordinator of cooperation in DFI Network;
- Initiate fund raising strategies, both project oriented and across the board;
- Institutional strengthening in core and support areas of development finance, such as corporate governance, investment appraisal, ICT, restructuring, project preparation, risk management, etc. and strengthening systems, policies and procedures;
- Capacity building, mentorship, training and technical assistance for staff skills upgrading;
- Policy research into the policy and regulatory environment for development finance and investment in general; and
- Advisory services to assist DFIs identify and diagnose the operational problems they face, and to recommend appropriate remedial action.

Capacity Building

In fulfilling its mandate, the Centre has undertaken a wide variety of capacity building programmes covering training and development of human resources, placements, staff attachments and secondment with over 1,500 executives attending training programmes. These addressed critical skills gaps in corporate governance, investment appraisal, public-private partnerships, and project management and negotiation skills, among others. In addition the Centre, in partnership with other institutions, has also initiated the regional technical assistance facility. Through this facility experts are deployed to DFIs to advise on specific challenges and issues facing them and to recommend appropriate systems, policies and procedures which enhance the performance of participating DFIs.

Policy Research and Advisory Services
In the area of policy research and advisory services, the DFRC has promoted debate and engagement on a wide range of issues of contemporary interest to the development finance community including:

- The role of national DFIs in development and;
- Public-private partnerships: the Centre supported development of the SADC PPP Capacity Development Strategy, as well as development and agency management of the SADC PPP Network, as a basis for strengthening capacity building, business development, knowledge and awareness, policy harmonization and institutional development of PPPs in the SADC region among others.

The DFRC is a lean organization manned by a small highly qualified group of staff. In order to achieve its mandate effectively, the Centre has adopted a collaborative approach which involves utilization of strategic partners in all its areas of focus. Supervision of the DFRC is through a Board of Trustees appointed by the Network and provides leadership and oversight to the DFRC and ensures good corporate governance. Also, the DFRC has a functional relationship with the SADC Secretariat, and works through the Secretariat's Directorate for Trade, Industry, Finance and Investment (TIFI). The Centre's administrative budget is funded through contributions by DFI Network members and these are on the basis of an agreed formula. The Centre's work programmes activities in the areas of research and advisory services, SMEs, infrastructure/PPPs and capacity building are funded from donor sources.

One of the key success factors of SADC-DFRC has been ability to provide path-breaking and innovative capacity building programmes and policy research and advisory services to both SADC DFIs and governments. Courses offered cover areas, but not limited to: Economic and Financial Investment Appraisal and Risk Analysis; Corporate Governance Practice and Policy; Management Development Programmes. Secondly, SADC-DFRC has developed strong relationships with the SADC Governments and International Cooperating Partners such as the World Bank, African Development Bank (ADB), German Development Agency (GIZ), European Union (EU), Japanese International Cooperation Agency (JICA), Industrial Development Corporation (IDC) of South Africa, and the Development Bank of Southern Africa (DBSA). This has resulted in the DFRC accessing financial and technical support for programmes that have benefited various development stakeholders but principally the DFIs, Member State Governments and State-owned Enterprises (SOEs)

Lessons from SADC Development Finance Resource Centre

- Undoubtedly, the most daunting challenge facing the majority of small and medium enterprises in developing countries is the limited access to capital due to underdeveloped capital markets which inhibit flow of long-term finance to economically viable projects and high lending rates by the commercial banks. Thus, there is a need to turn to DFIs to mobilize additional resources to finance large-scale projects.
- Strengthening capacity of IPAs and any other institutions involved in investment promotion of each partner states to be able to provide technical information to potential investors.
- Participate in regional development projects through cooperation in pooling of funds, project identification and project management.

5.3.2 African Caribbean Pacific Centre for Development of Enterprises (ACP-CDE)
Created in the framework of the Cotonou Agreement (previously the Lome Convention), the ACP-CDE is an ACP/EU joint institution for the promotion of private sector enterprise development in ACP countries. The Centre provides non-financial services targeting activities/sectors with the highest potential for economic and social development in ACP countries. The operation of the Centre revolves around three pillars namely; facilitating access to finance, facilitating access to markets and business competitiveness enhancement.

The strategic aim and focus of the sector programme approach is to improve the overall competitiveness of ACP enterprises at the "micro" level, in conjunction with the economic reformers aimed at addressing structural imbalances of the ACP business environment. Its main roles include:

- Facilitating and promoting business cooperation and partnerships between ACP and EU enterprises;

- Assist in development of business support services by supporting capacity building in private sector owned organizations or for providers of technical, professional, management, commercial and training support services;
- Assist in investment promotion activities, such as investment promotion organization, organization of investment conferences, training programmes, strategy workshops and follow-up investment promotion missions;
- Support initiatives that contribute to foster innovation and transfer of technologies, knowhow and best practices on all aspects of business management;
- Inform the ACP private sector about the provisions of the Cotonou Agreement; and
- Provide information to European companies and private sector organizations on business opportunities and modalities in ACP countries.

Under the CDE's statute, the supervisory authority is the Joint ACP-EU Committee of Ambassadors. The work of the Centre is supervised by an Executive Board appointed by the Joint Committee of Ambassadors. The composition of the Board is board, and it draws membership from both EU and ACP. The European Commission, the European Investment Bank, the EU Council Secretariat and the ACP Secretariat have observer status on the Board. The Centre is managed by a Director supported by a Deputy Director with the holders of the two posts alternating between EU and ACP nationals.

The functions of the Centre are decentralized with a regional field office in each of the six ACP regions namely Nairobi, Kenya for Eastern Africa; Gaborone, Botswana for Southern Africa; Dakar, Senegal for Western Africa; Yaoundé, Cameroun for Central Africa; Santo Domingo, for the Caribbean and Suva, Fiji for the Pacific. The regional offices have delegated authority to approve projects up to a certain level. Moreover, CDE has a wide network of Technical Intervention Officers in many ACP countries where CDE does not have a regional presence. The Centre's financial resources for supporting its operation mainly come from the European Development Fund (EDF).

Success factors

- Decentralization of its offices to all six regions of the ACP - Each office is composed of a head officer (a member of the personnel of the Centre), a local expert and administrative staff member.
- Permanent institution with broad mandate.
- Autonomy in decision making.

Lessons from the ACP-CDE

- Supporting SMEs at all stages of enterprise development; pre-investment support (*financial diagnostic, feasibility study, business plan and credit proposal preparation*); post-investment support (*including training, implementation of adequate information & management systems, technical and marketing assistance*) and capacity building (training, improvement of credit appraisal processes, portfolio management, etc.) of financial intermediaries in ACP countries
- Industrial development at SME level in unfavourable business environment is quite challenging
- Adopting an extended mandate without the corresponding resources is quite detrimental - CDE's mandate was substantially enlarged but its allocated resources have dramatically diminished in real terms.

5.3.3 The Pennsylvania Industrial Resource Centre Programme

This programme was established in 1998 to help Pennsylvania manufacturers compete more effectively through the adoption of modern manufacturing philosophies, techniques, and technologies. The programme, backed by an Act, supports seven centres as resources for technology implementation in every region of the Pennsylvania state serving its small and medium sized manufacturing industries. The services provided by the centres include but not limited to:

- Manufacturing Process Improvement e.g. Environmental Compliance, Supply Chain Management, Operations Assessments and Material Engineering, among others;
- Quality management;
- Information Technology Improvement;
- Human Resource Development - technical training, HR Systems Consulting, Training within industry;
- Business Growth Services and Market Development - Business Plan Development, Strategic Plan-

ning, Market Analysis and Development, Financial Assistance and Export Assistance Partnering, among others;
- Product Development and Innovation - Product development, design and engineering, Product packaging, and new product development processes and assistance among others.

The Pennsylvania's Department of Community & Economic Development runs the programme through its Technology Investment Office and it is overseen by a Strategic Advisory Board which is made up of the Department Secretary, four general assembly members, six manufacturers, and one representative from organized labor. The role of the Board is to develop and implement strategies aimed at enhancing the impact of the centre as well as facilitating communication among manufacturers in the Centres' jurisdiction. Furthermore, the Board makes recommendations to the Department and Centres.

Each Centre has a full-time technical staff and access to expertise in a variety of manufacturing areas including but not limited to: new product development, business strategy, market analysis, performance improvement, quality systems, engineering, supply chain management, automation/IT, talent development, and sustainable business practices. Centres also maintain an active list of private sector consultants to be utilized to provide technical assistance to client companies. All of the Centres' financial resources for personnel and administrative expenses are provided for, partly by the Pennsylvania's Department of Community & Economic Development, and from project management and consultancy fees charged to businesses.

The key success factor of the programme has been regionalization of the Centres. This has enabled the programme to remain responsive to the needs of its constituents; to innovate programmes and services; to foster collaborations among companies with similar objectives and requirements; and to partner with other regional organizations and resources to ensure that clients receive the full range of support available from both the public and private sectors.

5.3.4 East Invest Project

East Invest is a regional investment and trade facilitation project for the economic development of post-Soviet states, launched in the framework of the European Eastern Partnership initiative. It targets business support organizations and SMEs from the six countries (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine), who have potential for developing mutual cooperation and investment relations with the European Union. The main objective is to promote and facilitate investment and economic cooperation at large between the EU and Eastern Partnership countries and also between the six target countries. The project is run by a Project Management Committee (PMC) which comprises of EUROCHAMBRES, EU Strategic Partners and the 6 Focal Points. The committee reviews the implementation of all actions and suggests corrective action where necessary. The European Commission is the main sponsor of the project.

The activities/roles consist of:

- The identification of the priority sectors to drive exports in each of the EIP countries and for the region;
- Six country Investment Maps (investors guides) on the economic and investment opportunities, locations and strategies;
- The development of a strategy for further investment intelligence activities for East Invest;
- Mobilization of different stakeholders involved in the investment promotion process, resulting finally in enhanced ownership, information dissemination and participation during the investor conferences.

5.3.5 Anima Investment Network[15]

ANIMA Investment Network is a multi-country cooperation platform for economic development in the Mediterranean, particularly in relation with Europe and the neighboring countries (Black Sea, Gulf States, etc.), established in 2002. The ANIMA network (www.anima.coop) gathers 65 governmental agencies and international business, innovation and financing networks. The objective of ANIMA is to contribute to a better investment and business climate and to the growth of capital flows into the Mediterranean region. The ANIMA network is operated from Marseille (France) by a team of 12 people. The majority of its funding comes from the management of European Commission's programmes.

[15] See http://www.animaweb.org/uploads/Ain_note%20Presentation%20EN.pdf

ANIMA, in association with a network of public and private, national and international stakeholders, participates in the development of investments and business partnerships, of innovation and entrepreneurship, and to the internationalization of enterprises, in order to contribute to the creation of added-value and jobs, to an increased awareness of the environmental and social stakes, to the balanced partnership between North and South and to the economic integration of the countries in the region. Financing of the network is via memberships (3 percent); EU projects (70 percent); local projects and subsidies (24 percent); and sponsorship (3 percent).

The ANIMA network has developed two key activities since mid-2002:

- A platform for linking economic actors from Europe and the Mediterranean around targeted sectors and themes;
- A resource centre, which is a set of tools to help actors interested in the development and financing of SMEs in the Mediterranean.

ANIMA tools include:

- MIPO, www.anima.coop: The MIPO observatory (Mediterranean Investment Project Observatory) registers every foreign direct investment (FDI) and partnership project, which involve the Southern Mediterranean countries;
- Med Maps, www.medmaps.eu: Online mapping system to view and position in real-time the attractive economic activity zones in Mediterranean countries and all the FDI and partnership projects registered in the ANIMA-MIPO observatory;
- Document database, www.anima.coop: A series of documents to help enterprises and business support organizations: sectors studies to identify opportunities, guides to facilitate the establishment in the South of the Mediterranean, economic data, directories of key actors, etc;
- Agenda Med, www.agendamed.biz: The Mediterranean business events calendar is a free and unique tool which enables users to identify, plan and promote business events in the Mediterranean;
- Link in Med www.linkinmed.biz: Link in Med is an online Mediterranean business community. It is an online directory bringing together companies registered in the ANIMA-MIPO observatory, companies involved in the Invest in Med programme and new candidates. Each organization has a fact sheet that contains, in addition to its profile, its recent investments and its latest business opportunities.

Projects for the Euro-Med economic stakeholders

ANIMA participates in various European projects and programmes, for example:

- Faro, www.faro-um.org: the seed capital, development and orientation fund, was launched for the Mediterranean to boost the development of innovation on both sides of the Mediterranean. The Faro fund enables European entrepreneurs to study the feasibility of innovative projects undertaken in collaboration with partners from the South of the Mediterranean.
- EUROMED and Change: ANIMA is the leader of a consortium which has been selected by the European Commission to manage a pilot project on SME and Cluster internationalization between Europe and 4 targeted Mediterranean countries (Egypt, Lebanon, Morocco and Tunisia).
- The Lactimed project aims to foster the production and distribution of typical and innovative dairy products in the Mediterranean by organizing local value chains, supporting producers and promoting their products in the local and international markets.
- The EDILE project aims to increase the economic spillovers of investment in the Mediterranean territories. This project focuses on improving the analysis frameworks for investment projects (implementation of a referential evaluating the inclusiveness of investment projects and the experimentation of pilot local governance to improve the public-private negotiation.

Targeted sectors and themes

- Promotion of the territories: ANIMA produces several studies each year in addition to its Mediterranean Investment and Partnership Observatory (MIPO). Several seminars are organised for the different stakeholders of the economic development to be able to share their experiences and strengthen their skills.
- Contribution to a new industrial environment in the Mediterranean: ANIMA implements pilot

actions, either directly or through its network, to strengthen the value created by investments and business partnerships in strategic sectors for the Mediterranean region. These initiatives generally imply a "clustering" process between the different countries (mapping of competences/ value chain, business partnerships, co-innovation) on major sectors for which the region can rely on historical expertise (agriculture and agri-food, energy, logistics, tourism) or future-oriented sectors (green economy, health, ICT).
- Promotion of innovation and entrepreneurship: ANIMA pilots several initiatives aiming to help Mediterranean innovators and start-ups in their internationalization process.

Lessons from the ANIMA Network

- Assess properly the situation and understand stakeholders' expectations, for example: analyze main actors, understand expectations, and formalize alliances e.g. Memorandum of Understanding (MOU), partnership agreements.
- Be realistic, ask reasonable things.
- Adopt a flexible learning process –mix of tests, small/easy measurements, symbolic operations, novel concepts, long-term value added.
- Use productive mechanisms (e.g. pioneer groups, project promotion, systematic contributions, online meeting reports, membership and financial contribution for special services, flexible partnership agreements).
- Create leverage (partnerships, powerful sponsors/brands, and become an information hub).
- Use media: develop an image strategy, present clear objectives.
- Measure and disseminate information about short-term, medium-term, and long-term impacts of the different initiatives.

5.3.6 COMESA Regional Investment Observatory

There is a proposal to establish a Regional Investment Observatory - also referred to as the COMESA Investment Observatory (CIO) within COMESA Regional Investment Agency (COMESA RIA). RIO will have the following roles: to act as a reliable database for COMESA (CBI) statistics, up-skill human resources, namely in research and technology, deepen and expand the business environment reforms, promote regional networking and knowledge sharing and assist COMESA countries in terms of advisory and advocacy, amongst others.

The establishment of a CIO will be of great importance in supporting Member States IPAs in the collection, processing, analysis and dissemination of harmonized data and information on investment, which will enable the countries to play a more proactive role in the development of their countries. In turn this will allow for timely provision of systematic, focused and speedy information on the economic and business situation aggregated from investor responses, and to conduct evidence based policy advocacy for an efficient and effective investment promotion initiative to the benefit of the Member States economies. It is foreseen that the CIO function within RIA will significantly enhance the agency's capacity to respond effectively to specific needs of members.

The main activities of the CIO function will include: investment opportunity identification; promotion of investments, through networking Member States IPAs; facilitating Public Private Partnerships (PPPs); undertaking policy review, redesign, monitoring and evaluation; conducting sector competitiveness analysis and performance bench-marking and fostering collaboration in investment promotion with other regional blocs and international organizations.

The RIA, through previous studies, has identified major gaps that militate against the attainment of the goal of making COMESA a top destination for private foreign and local investment flows and their subsequent retention for economic growth. Severity of a lack of information flow from governments and IPAs to investors and the absence of vigorous advocacy campaigns across the COMESA region, presented formidable challenges to making COMESA a region of choice for FDI.

In view of the many challenges identified, the proposal is develop a one-stop Solution Reference capable of addressing all identified and identifiable information gaps. The establishment of the CIO therefore becomes a suitable and lasting solution within RIA.

The overarching mandate of the CIO will be to monitor, analyses and benchmark investment flows into and out of the COMESA Region and Member States, and within the COMESA region, by type, source, sector, subsector, size and country of origin/destination or location to feed into activities including promotion of the region as an attractive investment destination. CIO is also expected to undertake the following:

i. COMESA Competitive Positioning - conduct regular analysis on the competitiveness of member states. The analysis will identify how each of the member states compares as a location for investment, relative to key competitors, taking into account key qualitative features of the business environment, such as skills availability, infrastructure, the regulatory framework and the cost of doing business.
ii. Monitoring and Analysis of Investment Trends - develop a database, periodically updated with relevant information on investment opportunities, and the business environment in the 19 COMESA member states. The database will capture data on existing and new investment projects according to FDI and local investment typologies as described below that will be used to inform and guide analysis of investment in individual sectors, business functions and countries.
iii. Survey of National IPAs and Investors - annual surveys, in collaboration with National Investment Promotion Agencies, on the types of projects undertaken in member states, over a specified period of time, and also on the investor community "perceptions" to ascertain their expectations and their level of satisfaction with services provided to them by the IPAs. Work closely with UNIDO and UNCTAD, to among others, gather data on FDI on the global scene, and the general global environment.
iv. Projects Profiling - Reliable information is a critical factor in making investment decisions. Many Transnational Corporations (TNCs) move faster to exploit opportunities when they are well informed on the investment opportunities. The information guides them to conduct feasibility studies and detailed financial analysis, from which realistic business plans are drawn.
v. Analysis of the Performance of Capital Markets in the Region - regular monitoring and in-depth analysis of the performance of the listed companies on the local COMESA bourses should also be undertaken. The returns on these stocks can be benchmarked against the performance of other listings in Africa, or globally, so as to showcase their attractiveness to investors. Up-to-date information on the latest Initial Public Offerings (IPOs) in the region, as well as government and corporate bond issues, should be readily available on the CIO website.
vi. Monitoring and Benchmarking - monitoring and benchmarking function will constitute the following:
   - Assessment of IPAs' comparative performances, and
   - Evaluation of Member States Investment Climates.

It is proposed that in order to ensure the full commitment from the Member States IPAs and other institutions with which the CIO team will network, Memoranda of Understanding will be signed between the CIO and IPAs and relevant public, private and international institutions.

Lessons from the proposed COMESA Investment Observatory
The proposed CIO comes very close to the envisaged Industrial Resource and Investment Centre of East Africa (IRICEA). From the reviewed institutions it provides the most relevant thinking, and being drawn from COMESA region where most of the EAC partners are also members, it should be easy to assimilate the thinking. The CIO unit will be supervised by a sub-committee of the RIA Board comprising of a representative from the COMESA Secretariat, the COMESA-RIA and 6 IPAs, rotated on three year term basis.

6

The Need for a Regional Mechanism to promote Investment in Manufacturing in the EAC Region

6.0 The Need for a Regional Mechanism to Promote Investment in Manufacturing in the EAC Region

Interviews were conducted with public and private sector institutions, business enterprises, and development partners on the need for an institutional mechanism for the EAC Partner States. Their responses are summarized below:

6.1 Is a Regional Institutional Mechanism needed to Promote Investment in Manufacturing?

6.1.1 The Challenge

There is need to prioritize the promotion of investment in the manufacturing sector, initially focusing on six strategic sectors that are considered important for structural transformation of the economies of the EAC Partner States. The growth of investments in these sectors is aimed at achieving the ambitious targets that have been outlined in the EAC Industrialization Policy and Strategy (2012-2032) with respect to increasing growth of manufacturing and its contribution to GDP as well as increasing employment in the manufacturing sector.

A major transformation in promotion of investment in these sectors will be required to in order to attract both quality investment, which at the minimum contributes to the economic development of the Partner States, and sustainable FDI, which at the very least contributes to the sustainable development of the host country through the following four dimensions: economic development (linkages, technology transfer, training, etc.); environmental sustainability (minimizing the adverse environmental impacts of investments, mobilizing environmental technologies for conservation, etc.); social development (labor and employment standards, community health, education, training, etc.); and good governance (fair and efficient negotiations, contracts, etc.).[16] Attracting sustainable FDI and cross-border investment in the six strategic sectors is the only viable mechanism for attaining the objectives of the EAC Industrialization Policy and Strategy.

6.1.2 The Importance of the Manufacturing Sector to achieving the Objectives of the EAC Industrialization Policy And Strategy (2012-2032)

Growth of investment in the manufacturing sector is crucial to achieving the ambitious targets outlined in the EAC Industrialization Policy and Strategy (2012-2032). It has also recognized that the manufacturing sector is very important to the growth of the economies of all five Partner States by contributing to: import substitution, employment, the tax base, revenue from exports, and the growth of industries along the value chain.

The importance of the six strategic sectors to economic growth

Potential for driving growth through import substitution: Imports in these strategic sectors account for a large percentage of the value of the total imports in each Partner State. In 2012, they accounted for 40 – 50 percent of the total value of imports in the Partner States, and about 50 percent of the total value of imports into the entire EAC region. Additionally, the value of imported products in these sectors during 2011 was equivalent to 20 percent of the GDP of all the Partner States.

Contribution to employment: The manufacturing enterprises invest heavily into national economies and are major employers. Indeed, the enterprise survey conducted, as part of the Terms of Reference for this study, established that firms in the six strategic regional industries had invested at least USD 1 million, and employed over 400 employees on average.

Contribution to the tax bases of the national partner states: The manufacturing sector is a major contributor to the tax base in the Partner States. For example, the manufacturing and mining and quarrying sectors were among the top five tax payers in Uganda, and contributed 33 percent to the total tax revenue in the financial year 2011/2012.

[16] Investment Promotion Agencies and Sustainable FDI: Moving toward the fourth generation of investment promotion. Report of the findings of the Survey on Foreign Direct Investment and Sustainable Development undertaken by the Vale Columbia Centre on Sustainable International Investment (VCC) and the World Association of Investment Promotion Agencies (WAIPA) June 25, 2010.

EAC regional integration: It is important to start promoting and profiling the region as a common bloc for investors targeting manufacturing rather than a single country because individual markets are too small to be attractive to an investor. A regional approach to promotion of strategic sectors would also assist towards rational use of scarce resources availed to IPAs.

Challenges that would affect investment growth in the six strategic industries

Current investors in the six strategic sectors are facing several policy and institutional challenges that could inhibit growth of their investments and also deter potential new investors in these sectors. The challenges are summarized below:

i. **Policy issues**
- Unfavorable and deteriorating business environment and investment climate in most of the Partner States.
- Unfair competition practices among Partner States because the tax policy and incentive regime in the Partner States are not harmonized.

ii. **Lack of services critical to the investors in the six strategic industries in the following areas:**
- Up-to-date, comprehensive, and useful market intelligence.
- Access to affordable long-term finance.
- Business matching services.
- Information to investors at a regional level on land availability, available skilled labour for the sector, available incentives, taxation on equipment, available infrastructure, alternative sources of energy, markets, potential strategic partners, required permits, and other support services.
- Timely investor support services through a regional one-stop centre.

iii. **Low capacity of IPAs to effectively embark on targeted investment promotion activities.** The low capacity of the IPAs is borne from poor funding, inadequate staff, and limited staff skills in undertaking sector- specific studies, and providing sector-specific investment promotion activities.

6.1.3 Do the existing Regional and National Investment Promotion Institutions have the Capacity to intensively promote Investment in the Six Regional Strategic Industries?

The scale of the challenge that needs to be addressed to achieve the targets provided in the *EAC Industrialization Policy and Strategy* require that the institutions tasked with achieving this mandate fulfill three criteria:

(i) have the mandate, skills, and resources to fully concentrate on implementing the designated functions of the institution;
(ii) must focus on the six strategic manufacturing industries to avoid dissipating scarce resources; and
(iii) can implement investment promotion activities at a regional level.

National IPAs

At national level, IPAs are mandated to perform investment promotion activities. They all have priority sectors targeted for investment. The priority sectors include both manufacturing and service sectors; though, they do not encompass all the six strategic regional industries. The IPAs are however inadequately staffed. Staff training on investment promotion is also inadequate. Furthermore, the IPAs do not use investment promotion tools to target investment. The IPAs' investment promotion activities to target priority sectors have had mixed and mostly unimpressive results, which, coupled with their funding and staffing challenges demonstrates that they do not have the capacity to implement intensive investment promotion activities targeted at the six strategic regional industries. From the above assessment, the IPAs do not fulfill the criteria provided above. Additionally, the IPAs do not collaborate or conduct regional investment promotional activities at a regional level; they focus on only national activities. In this regard, it is plausible to conclude that the national IPAs are not capable of undertaking the regional investment promotion activities in the six strategic manufacturing industries.

Regional Institutions
At regional level, there is the East African Business Council (EABC). The mission of the EABC is to be an effective change agent for fostering an enabling business environment and promoting the private sector's regional and global competitiveness in trade and investment. Since the EABC is mandated to advocate for the needs of its members (estimated at more than 100 members), who are spread in all sectors of the economies of Partner States, it will be necessary for the institution to first revise its mandate, if it is to focus on only promoting investment in the six strategic regional industries. **The institution that should lead efforts in promoting investment in the six strategic industries should only focus on those industries, if the targets of the EAC Industrialization Policy and Strategy are to be met in the medium to the long term.** As such, the EABC does not meet the three criteria required to intensively promote investment in the six strategic sectors, and therefore cannot be tasked with this function.

At regional level, there is also the EAC Department of Industrialization and SME Development. The mission of the EAC Department of Industrialization and SME Development is to steer the industrialization process embedded in the EAC Industrialization Policy and Strategy at regional level. Based on the criteria for undertaking the function of investment promotion of the six strategic industries at regional level, this department has the mandate to support the function of investment promotion of the entire manufacturing sector at regional level, and can establish a unit or legal entity to focus on regional investment promotion in the six strategic manufacturing sectors. **As such, a separate unit or a centre is required to focus on regional investment promotion in the six strategic manufacturing sectors within the EAC Department of Industrialization and SME Development.**

6.1.4 Proposed Benefits of a Regional Centre for Promotion of Investment in the Six Strategic Sectors
This study established that the potential benefits of the regional centre would include:

- Harmonized capacity building of the five IPAs in investment promotion through training, and coordination, among others, which would utilize limited resources effectively and harness a uniform approach to investment promotion in the EAC region. This initiative may also reduce the resources spent on investment opportunities by individual Partner States.
- The Centre would facilitate and enhance access of companies to regional markets and foster trade between Partner States.
- The Centre would help minimize cannibalistic competition practices among Partner States after the implementation of a harmonized tax policy regime.
- The large population of East Africa of more than 100 million people provides a huge potential for demand for new goods and hence the need for a common investment promotion approach to harness EAC regional investment opportunities.
- The regional centre would facilitate a coordinated approach, able to highlight key investment opportunities across East Africa in a timely manner.
- This Centre will save regional investors time and money as they will be able to gather regional information from a single source.
- The Centre may foster a regional standardized, positive, business environment.
- The regional Centre will plug the information gap by providing information on sources of raw materials for the strategic regional industries, and available markets. The centre will also contribute to shorter investment procedures, if recent efforts embarked upon by Partner States to improve the environment for doing business, continue to score significant improvements.

6.1.5 Areas for Consideration while Establishing the Regional Centre
The Regional Centre should address matters that are not being covered by existing regional institutions, and it should ensure that it does not compete with the mandates of existing IPAs; however work with them in an innovative manner, to strengthens their roles.

The Regional Centre should not be a "talking shop", without the clout and influence to support individual IPAs and Partner States to implement pragmatic changes that will improve the business environment and attract and retain quality domestic and foreign investments, at national and regional levels. A major problem in the five Partner States of the EAC is the inadequate capacity to effectively implement various excellent strategies and initiatives, on investment and socio-economic development. Indeed, several excellent national strategies have been published over the years. However, the evidence shows stagnation or even a decline in progress on these indicators in all the Partner States.

Therefore, the credibility of the institutional mechanism will be contingent on its ability to contribute to the growth in quality investments in the six sectors, while operating in a dysfunctional political and economic environment. Indeed, the following questions must be addressed: *How will this institution be established to implement changes that may infringe on the vested interests of key personnel in individual Partner States? How will the institution facilitate the implementation of required initiatives in an environment where the political and economic priorities may not be aligned? How will the institutional mechanism operate in an economic environment where investors with clout may thrive on political patronage? How will the institutional mechanism work effectively in an environment where there is no retribution for inadequate implementation of decisions that are agreed upon at regional level?* The regional institution should, therefore, have a direct link to the highest levels of the respective governments, for example, through the Secretary General of the EAC, and to the IPAs in the respective Partner States.

6.1.6 Funding of the Regional Institutional Mechanism

Funding determines ownership. As such, the regional institutional mechanism must be owned and funded by the respective governments to guarantee ownership, and ensure its sustainability. The regional mechanism would then be able to effectively implement programmes initiated by the EAC Partner States. Currently, several excellent programmes that relied on funding support provided by development partners have lost momentum upon cessation of the funding. Examples include: (i) the *Plan for National Statistical Development (PNSD)*, which is Uganda's strategy for strengthening statistical development that was managed by the Uganda Bureau of Statistics (UBOS), and (ii) the *Subcontracting and Partnership Exchange (SPX)* centre in Uganda that was developed at the UIA with financial support mobilized by UNIDO.

Development partners should be actively engaged to provide financial and technical support during the establishment of this institution, and programme support to enable both the regional institution and individual IPAs in the Partner States to address specific challenges that have clear and measurable performance targets. The role of development partners in regional economic development in the EAC region is crucial and they have continued to provide critical technical and financial support to individual IPAs. Examples of technical assistance would include: staff training, developing regional investment databases, evaluation of quality investment projects, developing market intelligence reports, addressing problem areas identified by the *Doing Business* report of the World Bank and the **Global Competitiveness Index** of the World Economic Forum, among others.

Interviews with the management of IPAs established that the IPAs are underfunded. As such, the regional institutional mechanism must be proactive in generating its own resources to supplement the funding it will receive from the government, for example: as a resource centre for producing quality market intelligence reports in each of the six strategic sectors for which interested companies would pay a subscription fee; proposal writing; and management of specific projects consistent with its mandate. All the investors interviewed indicated that they would be willing to pay for quality market intelligence reports on their respective sectors.

6.1.7 Proposed Functions and Mandate of the Regional Institutional Mechanism

Respondents proposed that the mandate of the regional institutional mechanism is "*Supporting and Contributing to Sustainable and Equitable Economic Development and Investment in the Industrial Sector, within the EAC Region*". Respondents proposed the following functions of the regional institutional mechanism in order to address key challenges encountered by investors in the region and by IPAs on policy and institutional efficiency issues. The functions include:

Policy advocacy on issues that affect investors at a regional level: Under this function, the regional institutional mechanism should develop harmonized strategies to growing investments in specific sectors and ensure a level playing field for investors. The regional mechanism should also be tasked with advocating for the harmonization of investment incentives, and investment policies in the region (See Box 2). Interviews with stakeholders (in both the public and private sectors) revealed that minimal progress had been made to harmonize the different regulatory frameworks at both national and regional level. This will require a comprehensive review of the investment regimes in the five Partner States.

In order to promote sector specific industries, it is also important that the investment policies in Partner States are analyzed and a rational framework developed to promote value addition industries in the region.

Box 2: Federation of East African Pharmaceutical Manufacturers (FEAPM) Position Paper - Support for Local Pharmaceutical Manufacturing

The FEAPM proposes in its position paper that the EAC should use the 'Ghana Model' as tactical evidence for the strategic EAC Regional Pharmaceutical Manufacturing Plan of Action (RPMPOA) in order to strengthen and promote local production of pharmaceutical drugs. The EAC and its Partner States can promote local pharmaceutical manufacturing through a balanced mix of similar policy measures regarding procurement, taxation, and import control. Specifically:

- 20 percent price preference should be awarded to local manufacturers within the region.
- All raw materials used in pharmaceutical manufacturing should be zero rated for tax purposes.
- Partner States should restrict importation of key finished products that can be produced locally in the right quality and quantities.

In the context of the EAC Common Market, these measures need to be developed and enforced in a harmonized and coordinated manner.

According to FEAPM, since the implementation of this policy in Ghana in 1989, there has been significant reduction in the prevalence of sub-standard and counterfeit in Ghana; the share of local products has increased to around 30percent of the total medicines used in Ghana; the number of companies manufacturing pharmaceutical drugs has increased from 9 to 35 companies, three pharmaceutical companies have been listed on the Ghana Stock Exchange; several local pharmaceutical companies formed joint venture partnerships with multinational companies, three companies are in the process of attaining approval from the World Health Organization (WHO), among other successes.[17]

Provision of comprehensive market intelligence on domestic and regional markets in the various sectors: Currently, prospective investors operate 'in the dark'. The investors cannot readily access available data on their of interest sectors in the Partner States, and/or in the region to, among others, guide investment decision making. Investors surveyed had investments ranging from USD 250,000 to USD 18.5 million. The investors relied on international intelligence reports or professional consultancy services to obtain investment data. The investors however noted that they would have willingly subscribed to or purchased market intelligence had it been available, comprehensive, and of high quality, at the IPAs, and/or from the EAC Secretariat.

Additionally, analysis of the investment data collected by EAC for this study was incomplete. The EAC data is sourced mainly from IPAs and complimented by statistics from Central Banks, and National Bureaus of Statistics. One of the most credible sources of investment data internationally has been the UNCTAD's annual World Investment Report. However, a comparison of the EAC data with that provided by UNCTAD revealed discrepancies, and demonstrated the need to develop expertise in national data collection methods. Moreover, the data collected by IPA is not disaggregated by subsectors, which would be more useful for market targeting. Also, not all the data/information is publicly available. In some cases it took several weeks to obtain the data/information. Therefore, there is need to enhance the capacity of the IPAs, to collect and disseminate reliable, quality, and timely data for planning by both the public and private sectors.

To accelerate progress in improving the environment for doing business and the investment climate in the Partner States: All IPAs in the region participate in, or are implementing programmes to improve the environment for doing business, in their respective Partner States. However, only Rwanda has made substantial progress in improving its business environment. Burundi too, is showing progress, though substantive efforts are still required. Without a conducive environment for doing

[17] Source: Federation of East African Pharmaceutical Manufacturers (FEAPM) Yearbook 2012

business, the EAC region will not ably complete for investment with other Regional Blocs that are endowed with similar natural resources and also have a business-friendly operating environment. Furthermore, the Partner States may continue to encounter difficulty in attracting and retaining quality foreign investment, or nurturing domestic investment.

Identification, profiling, and promotion of investments along the value chain in the strategic sectors that take into account investment saturation; and the need to promote industries providing inputs, and upstream and downstream industries along the value chain. For example, the demand for electricity by the steel industry is very high. Electricity suppliers in Rwanda do not have sufficient capacity to meet the demand should a new investor enter the steel market. However, there is demand for electricity and oxygen for the sector. As such, new investments in commercial electricity generation and oxygen production (to be employed to produce high tensile steel rods) would support existing steel production. This approach could also be employed to stimulate cross-border investments to support the growth of the six sub-sectors.

Capacity building in the IPAs of the Partner States: The IPAs of the individual Partner States have different capacity levels. They should be supported e.g. through various capacity building initiatives to ensure uniformity in the level of service provision to investors and in the quality of the data provided to the regional resource centre.

Collaborating with appropriate institutions to provide skills training to ensure that skilled and trained people are available to work in the strategic sectors in the medium to long-term: Currently, most of the highly skilled personnel employed in the pharmaceutical sector in the EAC region are expatriates from overseas because the training provided by the institutions of higher education, for example, Makerere University, are not aligned with the needs of the sector.

Working with private sector associations and manufacturers to identify needs and lobby for initiatives to develop industry-specific expertise – Industry players, especially manufacturers expressed dissatisfaction with the quality of skills in the market – most tertiary syllabuses are not aligned to the needs of industry. The process of aligning the tertiary syllabus with industry requirements is long and arduous in each country. In addition, the training provided should be uniform at the regional level. A regional institutional mechanism would therefore be necessary in further advocating and fast-tracking progress in implementing such programmes.

Mobilizing financial resources or a fund for investors in the strategic sectors and related industrial clusters: Manufacturing industries in the six strategic industries in the region require heavy initial capital investment, and operate in a high risk environment.[18] About 6 out of 10 investors surveyed financed their investment using either personal funds or shareholder equity. About 2 out of 10 investors financed their projects using a local (or regional) commercial bank or development bank loan. The total investments reported by the respondents ranged between USD 200,000 and USD 18.5 million. These companies employed about 550 staff on average (median number of staff was 300). Regional commercial bank interest rates are high; they range from 12 percent to 21 percent per annum. As such, sector specific funds providing affordable finance should be employed as financing vehicles for investment or expansion in the region. Additionally, the Fund could be employed to develop feasibility studies, market studies, and sector specific studies (See Box 3 and 4 for an illustration).

Box 3: Malaysia-Singapore Third Country Business Development Fund

In Malaysia and Singapore, a fund has been established - Malaysia-Singapore Third Country Business Development Fund. The Fund allows Malaysian and Singaporean enterprises to cooperate and jointly identify investment and business opportunities in "third countries". The fund is a matching grant that can be used for joint missions, joint feasibility studies (target specific due diligence studies or pro-active searches) and joint market research in third countries prior to committing an investment.

[18] As an example: Kenya, Burundi and Uganda are classified as fragile states. Burundi and Uganda are also classified as least developing countries (LDCs). According to the OECD, "a fragile region or state has weak capacity to carry out basic governance functions, and lacks the ability to develop mutually constructive relations with society. Fragile regions or states are also more vulnerable to internal or external shocks such as economic crises or natural disasters'. Fragile States 2014: Domestic Revenue Mobilisation in Fragile States – OECD 2014.

In Singapore, manufacturing companies are encouraged to adopt more capital-intensive modes of operation and upgrade to higher skilled and higher value-added activities. To assist, the The Economic Development Board (EDB) of Singapore has set up the EDB Investments Pte Ltd (EDBI), wholly owned investment arm of EDB, to make investments into companies that will grow key industry clusters and promote emergent technologies and innovations. Through the EDBI, the EDB seeks to catalyze growth in various new growth areas. For example, in the area of private equity, it has set up the Technopreneurship Investment Fund (TIF), wholly owned by EDBI, to draw more venture capital activities to develop a venture financing industry in Singapore, and grow locally based companies with high growth potential.

Box 4: Developing the Clean Air Industrial Sector in Singapore

In order to develop the clean energy industry, in 2007, Singapore allocated nearly S$ 700 million to develop five key pillars: research and development (R&D), developing manpower, grooming Singapore-based enterprises, branding the industry internationally and growing a vibrant industry ecosystem. The Energy Innovation Programme Office (EIPO), formerly known as Clean Energy Programme Office (CEPO), is Singapore's key inter-agency workgroup responsible for planning and executing strategies to develop the energy sector in Singapore. Since its inception in 2007, EIPO has launched several key initiatives, including the establishment of public sector R&D centres, competitive funding and talent development programmes.

Key Strategies of EIPO

Cluster Development	Technology	Internationalization
• Attract & anchor major international companies • Groom local_based companies to be world class players • Proliferate startup companies	• Initiate research programmes in Clean Energy • Build R & D competence centers & global linakges • Making Singapore a global testbed and site of early adoption • Grooming talent & manpower	• Exporting Clean Energy products and solutions by Singapore-based companies • Marketing & branding of singapore's Clean Energy industry

Source: http://www.edb.gov.sg/content/dam/edb/en/industries/Alternative%20Energy/downloads/Clean-Energy(Alternative-Energy).pdf

6.1.8 Management of the Regional Institutional Mechanism

In order to make demonstrable improvement in the manufacturing sector, in line with the EAC Industrialization Policy and Strategy (2012-2032), the regional institutional mechanism must address: policy, funding, and data issues as discussed in the previous section. Therefore, the regional institutional mechanism cannot be a simple virtual centre. The institutional mechanism should be housed in bricks and mortar with a team and a management structure. Respondents emphasized that in order for the institution to be effective; it must have a lean structure and it must report to the highest levels of Government in the five Partner States and at regional level.

6.1.9 Potential Challenges of establishing a Regional Institutional Mechanism

The following challenges were envisaged by respondents, in establishing the Regional Institutional Mechanism:

- Resistance from established institutions due to perceived territorial infringement, and vested interests. Some personnel in institutions may benefit from the status quo and may therefore resist implementing the proposed changes. It is well acknowledged that employees in government institutions are poorly remunerated and some may therefore be unwilling to implement streamlined procedures that would close their avenues for rent seeking.
- The institution would need to demonstrate its value at the outset and deliver several quick wins to ensure its relevance and its position as the go-to centre on matters relating to developing the manufacturing sector in the region both domestically and internationally.
- The mandate and functions of this institution have to be clear and well managed to prevent duplication of roles and responsibilities with existing institutions.

'*There is no need for a regional centre; Kenya is globally recognized not only as an investment hub but also with other aesthetic offers attached. Various institutions have invested in branding the country and if a regional institutional mechanism is set up, the region will not be as recognized as Kenya is at the moment*' – Interview with a respondent Kenya Association of Manufacturers (KAM)

- Implementation of programmes at the EAC Secretariat is perceived to be slow and therefore the regional mechanism may take considerable time to become a reality, and yet the challenges it should address are urgent and important.
- The EAC Secretariat is not perceived to have overriding influence over individual Partner States and thus its recommendations may be non-binding.
- Conflicts may arise among the Partner States if investments appear to be skewed to specific Partner States and not perceived to be distributed equitably.
- Conflicts may arise due to ideological differences among Partner States.
- Partner States may have country specific challenges, such as national conflicts, that could affect implementation of agreed plans and strategies.
- Institutions tasked with implementing actions to improve the environment for doing business and facilitate investment have not performed because they do not have performance targets.

7

The Industrial Resource and Investment Centre of East Africa (IRICEA)

7.0 The Industrial Resource and Investment Centre of East Africa (IRICEA)

7.1 Rationale

This study has identified several gaps that militate against the attainment of the goal of the EAC region becoming a top destination for private foreign capital and local investment flows in manufacturing and their subsequent contribution to sustained economic growth. The study highlights the scope and magnitude of the interventions required to address the challenges and gaps identified in current investment promotion activities. Furthermore, these challenges and the best practice case studies suggest that a paradigm shift in the approach to investment promotion, facilitation, and aftercare, of both foreign and domestic enterprises is required if the growth in the manufacturing sector projected in the EAC Industrialization Policy and Strategy (2012-2032) is to be realized. Additionally, an assessment of the existing institutions demonstrates that they do not have the mandate nor the technical, financial, and human resources required to adopt this ambitious and challenging task, especially at regional level. As such, an institution at regional level dedicated to stimulating the growth and competitiveness of the manufacturing sector in the EAC Partner States should be established.

The regional institution, the Industrial Resource and Investment Centre of East Africa (IRICEA) should have the mandate, leverage, and resources to fast-track the process of addressing the following challenges: attracting and anchoring quality FDI investment[19] in manufacturing into the EAC region; grooming local-based manufacturing companies to become major regional players; growing small and medium enterprises along the value-chain of the strategic manufacturing industries; and linking the IPAs of the EAC Partner States with the COMESA-RIO and other similar international institutions. The establishment of the IRICEA is expected to institutionalize the sustainable development of manufacturing industries at regional level and within the Partner States.

7.2 Proposed Functions of the Industrial Resource and Investment Centre of East Africa

The IRICEA is not aimed at attracting investments of low contestability.[20] Although investment decision making is a complex process that is influenced by several factors, the decision to invest or to expand is influenced by the following factors: natural resource endowments, the existence of credible market intelligence about the target countries, and a conducive environment for doing business in those countries.[21,22] The *Doing Business Indicators* and *Global Competitiveness Indicators* are international benchmarks and objective measures of a country's attractiveness for investment and are integral to the online promotion by the IPAs of countries that are performing well; and indeed they are attractive destinations for investment.[23]

As such, although it is critical that the regional institutional mechanism - IRICEA - provides specialized information required by investors in the manufacturing sector, specifically in the six strategic sectors, as envisaged in the TOR of this study, the current operating environment demands that this cannot be its sole function. At the same time, the lessons from regional and international best practices, presented in the Section 5, should inform the functions of this institution. They include:

- The importance of establishing a mandate for this institution that corresponds to available resources, which may necessitate a phased implementation approach.
- The importance of improving the business environment and investment climate.
- The importance of harmonization of policies, incentives, and tax frameworks within the region.

[19] Quality investments are high performing enterprises that have a positive net effect on the domestic economy. See: Africa Investor Report (2011).
[20] UNCTAD defines investments of low contestability as investments that would come to the region anyway, even without changes to the operating environment.
[21] The following factors have been identified as major determinants of FDI to Sub-Saharan Africa (SSA): availability of large local markets, natural resource endowments, good infrastructure, low inflation, an efficient legal system and a good investment framework. In contrast, corruption and political instability have the opposite effect. Asiedu, E. (2006). Foreign direct investment in Africa: The role of natural resources, market size, government policy, institutions and political instability. The World Economy, 29(1), 63-77.
[22] The research by Asiedu E (2006) also suggested that 'FDI in SSA is not solely driven by some exogenous factors, and that small countries and/or countries that lack natural resources can obtain FDI by improving their institutions and policy environment'.
[23] The website of the Singapore Economic Development Board (EDB) shows that Singapore, which had a *Doing Business* ranking of 1 in 2012, is the best country to do business in the world. http://www.edb.gov.sg/content/edb/en/why-singapore/about-singapore/facts-and-rankings/rankings.html: ProMexico Trade and Investment's website shows that Mexico, which had a *Doing Business* ranking of 48 in 2013, is the best country to do business in Latin America. http://www.promexico.gob.mx/en_us/promexico/Por_que_Mexico. The website of the Investment Board of Mauritius: http://www.investmauritius.com/why-mauritius/benchmarks.aspx, shows that Mauritius, which had a *Doing Business* ranking of 20 in 2014, is the best country to do business in Africa.

- The importance of providing information that is useful to prospective and current investors.
- The need to strengthen the capacity of IPAs and other institutions involved in investment promotion to provide quality technical information to prospective and potential investors.
- The importance of identifying priority sectors to support, as is the current practice.
- The importance of pooling funds, project identification and project management resources.
- The importance of providing access to affordable long-term financing for large-scale projects.
- The need to develop partnerships with chambers of commerce, sector associations and private sector consultants committed to business development.

The IRICEA will serve therefore three principal roles:

- **A platform for intensive, targeted, promotion of the EAC region as a potential destination for quality investment** in manufacturing, focusing on the six strategic industries in order to increase the quality of foreign direct investment, to stimulate domestic investment, and to promote cross-border investments in these industries
- A support centre for IPAs and a gateway for new and existing investors with aiming to invest regionally.
- A **resource centre**, with a set of tools to provide up-to-date, useful market intelligence to guide the investment decisions of new and existing domestic and foreign investors in the six strategic industries, and to promote the region using various tools.

The specific functions of the IRICEA that are modelled on the COMESA-RIO will include:

i. Policy research and evidence-based advocacy aimed at:
   a. **Fast-tracking implementation of reforms and accelerating progress on improving the business environment and investment climate** in each Partner State, in partnership with relevant organization, private sector organizations, and IPAs.
   b. Implementation of a **harmonized incentive regime consistently** among Partner States.
   c. A harmonized approach to implementation of agreed evidence-based strategies that will promote the growth of the six regional industries, at a regional level within specified timelines.

ii. A Regional Resource Centre for Market Intelligence
   a. To manage a resource centre that **provides comprehensive up-to-date regional and global market intelligence reports** on each sector in partnership with private sector consultancy firms. As such, the institution should subscribe to internationally renowned databases e.g. FDI Intelligence, Euromonitor, and Economist Intelligence Unit, among others. The database would capture data on existing and new investment projects according to FDI and local investment to be used to inform and guide investment decisions in the respective manufacturing sectors nationally and regionally. The data would be available for purchase by interested investors.
   b. Provide a one-stop regional centre for **information to investors** including legal procedures, sector regulations and sector profiles.
   c. Create and manage an **up-to-date database of investors** in the manufacturing industry in the EAC region.
   d. An **economic observatory for monitoring and analysis** of investment trends – working in partnership with IPAs of the Partner States to develop up-to-date, comprehensive databases with information on investment inflows, concentration, and clustering, in each Partner State. The database should capture data on existing and new investment projects according to FDI and local investment typologies. The database would be employed to measure progress and inform and guide analysis of investment in individual sectors, business functions, and countries, and to develop appropriate strategies to develop industry clusters, and industries along the manufacturing value-chain per sector, per country and per region.
   e. Commission **sector specific studies** for the six strategic sectors at a regional level.
   f. **Benchmarking** the Partner States on quality of services important to the manufacturing sectors.

iii. To undertake intensive, targeted, investment promotion of the six strategic sectors regionally and globally, in support to the national IPAs

iv. Support to national IPAs: To identify and implement regional capacity building initiatives for the Partner State IPAs to:
   a. Employ a coordinated and strategic approach to investment promotion activities in partnership with national institutions with a similar mandate that builds upon the strengths of each institution, and to conduct periodic performance evaluation on their investment promotion activities.

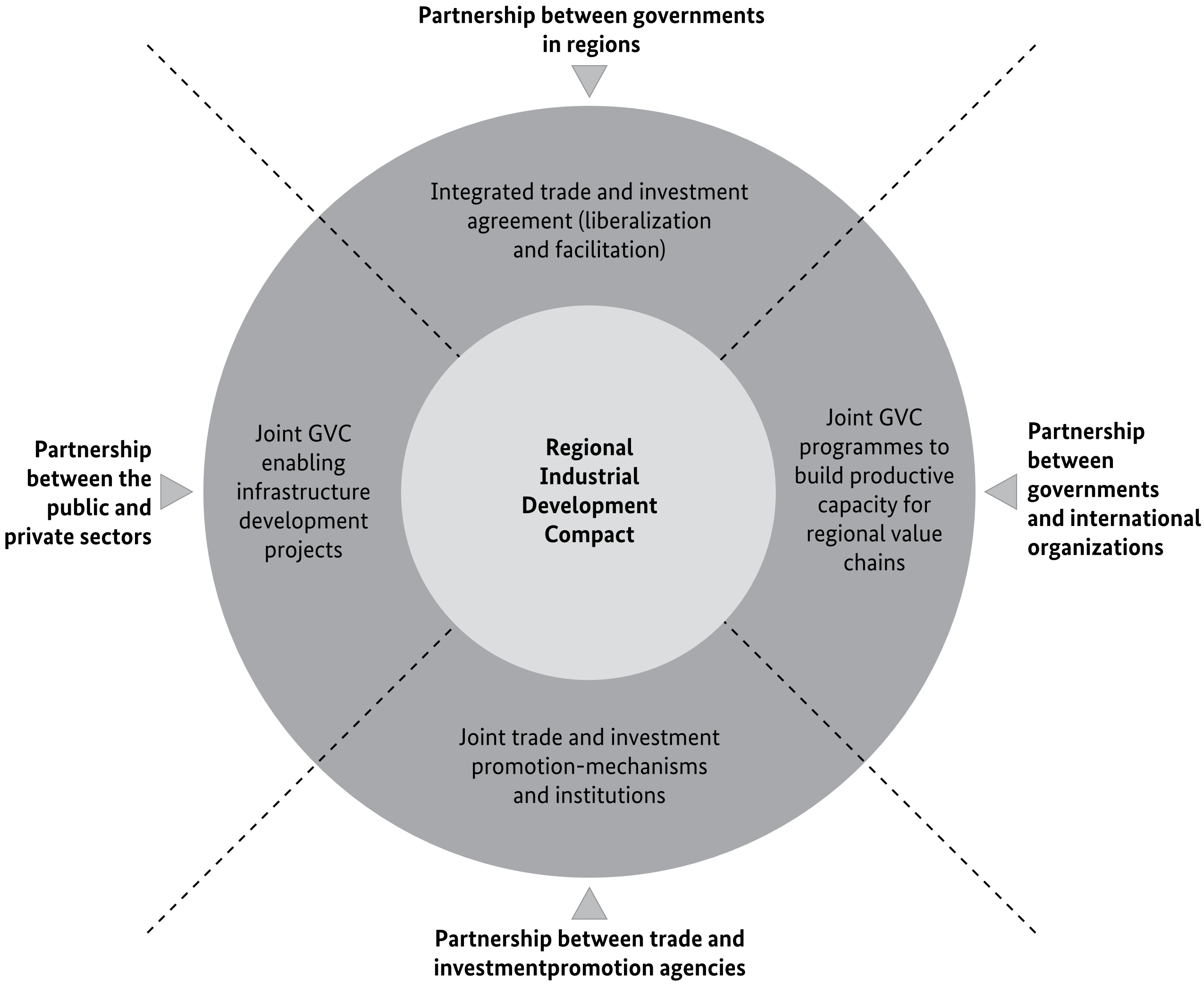
b. To undertake grassroots advocacy in their respective agencies, ministries and countries
c. Capacity building on policy research for regional comparisons and advocacy, investment promotion, general and sector specific research, and investor arbitration procedures,
d. To target quality investments that are evaluated to have a net positive benefit on the economies of the Partner States.
e. To nurture and support the growth of domestic enterprises in the strategic sectors in manufacturing within individual Partner States.
f. To prepare and provide up-to-date country-specific profiles online in each of the six strategic sectors that would be useful for investment decision making. These would be prepared according to an agreed standardized presentation format (with selected investors and the IPAs).
g. To respond to enquiries by investors promptly and effectively.
h. To provide reasonable aftercare services to domestic and foreign investors in partnership with local business associations.
i. To identify clusters and areas for investment along the value chain for the strategic sectors in partnership with private consulting firms.
j. To transition into establishing virtual one-stop-shops for information and services on investments.

v. To monitor and evaluate the performance of individual Partner States, identify areas for improvement, and provide the required support and feedback to the IPAs.
vi. To act as: (i) the facilitation and networking hub for IPAs in the EAC region to foster cooperation and knowledge sharing, and (ii) the link of IPAs with regional and international IPA networks and resource centres.
vii. To work with IPAs and various institutions to identify the services required to support the strategic industries in the six sectors e.g. skilled manpower.
viii. To mobilize different stakeholders involved in the investment promotion process, resulting finally in enhanced ownership, information dissemination and participation during the investor conferences.
ix. Mobilize long-term affordable financing for large projects in the six strategic sectors
a. To initiate fund raising strategies for the establishment of a seed capital and investment development fund for investments in the regional strategic sectors. Examples of sources of financing may include: regional development banks, private equity firms, sovereign wealth funds, and national social security funds, among others.
b. To mobilize resources to support some of its activities, for example from development partners, and other mechanisms.

An ICT common platform should also be created to link the IPAs; development partners such as GIZ, UNIDO, UNCTAD or World Bank would be requested to assist in the creation and maintenance of the ICT platform. Furthermore, the IRICEA team would need to organize annual meetings of the CEOs of the IPAs/relevant departments to agree on the strategic plans to promote intra-EAC investment. To ensure full commitment from the IPAs and other institutions with which the IRICEA team will network, the partnership should be formalized through Memoranda of Understanding signed between the IRICEA and IPAs and relevant public, private and international institutions.

The UNCTADs model of "Regional industrial development compacts" aims to create cross-border industrial clusters through joint investments in global/regional value chains (G/RVC)-enabling infrastructure and productive capacity building. Establishing such compacts implies working in partnership, between governments of the region to harmonize trade and investment regulations, between investment and trade promotion agencies for joint promotion efforts, between governments and international organizations for technical assistance and capacity building, and between the public and private sector for investment in regional value chain infrastructure and productive capacity. The functionality of IRICEA could therefore borrow from the UNCTAD's regional industries development compact in Figure 7, to coordinate partnerships, between Member States; IPAs; private sector, and international organizations, and significantly enhance the EACs capacity to respond effectively to specific needs of Partner States with respect to industrialization.

Figure 7: Regional Industries Development Compact for Regional Value Chain



Adapted from: World Investment Report, 2013

7.3 Proposed Location of the Regional Centre for the Development of Manufacturing Industries

At a regional level, the IRICEA could be located at either the East African Business Council (EABC) or at the EAC Secretariat. Each institution's suitability as a location for the IRICEA is assessed below.

7.3.1 The East African Business Council

The East African Business Council (EABC) is the apex body of business associations of the private sector, and corporations from the five East African Partner States. It was established in 1997 to foster the interests of the Private Sector in the integration process of the East African Community. The EABC has 54 associations and 102 corporate members. Amongst the associations are all the national private sector apex bodies; four manufacturers associations; five chambers of commerce, three employer associations; two women associations, two bankers' associations and the Confederation of Informal Sector Associations of East Africa. Within the context of this study, membership includes three of the five Partner State IPAs: Kenya Investment Authority, Tanzania Investment Centre, Uganda Investment Authority; the Kenya Association of Pharmaceutical Industry, East Africa Cement Producers Association, and Federation of East Africa Pharmaceutical Manufacturers.

EABC's overarching objective is to be an effective change agent for fostering an enabling business environment and to promote private sector's regional and global competitiveness in trade and investment. This is realized through: representing and promoting the interests of the EAC business community by providing value-added services that create new business opportunities, enhancing the global competitiveness of EAC businesses, and actively influencing government policies to improve the business environment. EABC therefore provides a regional platform through which the business community can present their concerns at the EAC policy level, with the overall aim of creating a more conducive business environment through targeted policy reforms.

Additionally, EABC also works towards promoting private sector's regional & global competitiveness in trade and Investment through addressing challenges experienced by members at organizational and firm level; and through provision of tailored market intelligence.

EABC has an "Observer Status" at the EAC, which enables it to attend and participate in all relevant EAC activities and deliberations at the Secretariat and in other organs and institutions.

As a strategy to achieve its objectives, EABC engages members in aggregating policy positions and lobbies for policy change through a structured dialogue with EAC organs. This strategy is accompanied by information dissemination to various stakeholders and the media.

The EABC is managed by a 22-member executive committee, headed by a Chairperson, elected from the 5 Partner States on an annual rotational basis. A Secretariat based in Arusha and headed by an Executive Director and limited Staff serves the day-to-day needs of the Members. Additionally, as the Secretariat is based in Arusha, EABC's structure includes National Focal Points (NFPs) – who are all currently the national private sector apex bodies.[24]

Services provided by the EABC
EABC delivers services to members through the following four pillars:

Policy advocacy: by providing a regional platform through which the EAC private sector can provide input into the process of diagnosing the business climate problems; undertake research to support evidence based policy proposals, policy reforms and implementation; and maintain regular interactive dialogue with EAC policy makers, members and other stakeholders among other advocacy functions.

Knowledge management: through providing members with information on key legislative and regulatory developments in the EAC; provide regular and up-to-date trade information and other business intelligence that can help members do business/make decisions; and develop useful communication tools – website, electronic newsletter, issue and policy briefs; directory, among others.

Business development services: through organizing cost-effective business interaction forums; provide business to business linkages locally and internationally; market East African businesses through a single tool-the annual East African Business Directory, published both on CD and hardcopy, as well as on the EABC website (www.eabc.info); and train and advise members on legislative and regulatory developments in East African Community.

Strategic partnerships: with stakeholders whose objectives are geared towards private sector growth and development.

Can the EABC host the Centre for the Regional Development of Manufacturing Industries?

Option 1: Provide the EABC with the additional function of investment promotion of the strategic sectors
The services provided by the EABC complement the requirements of potential and existing investors in the six strategic industries. However, the staff of the EABC would need to invest significant time and resources to effectively meet the ambitious targets outlined for the manufacturing sector in the EAC Industrialization Policy and Strategy, to implement intensive promotion efforts required for the strategic industries, and to provide the additional services required to accelerate growth in investment in the strategic industries for example, providing training to IPAs, which would detract from their current activities and responsibility to its over 120 members. Indeed, by hosting a centre focusing on just the manufacturing sector and, specifically on the six strategic industries which would be pre-requisite, may imply that the other member institutions are not designated equal importance, whereas the EABC's success is derived, in part, from its wide membership and its activities are partly supported by membership fees.

[24] **The following are the NFPs:** Burundi Chamber of Commerce, Industry, Agriculture & Handicrafts (CCIB); Kenya Private Sector Alliance (KEPSA); Private Sector Federation of Rwanda; Tanzania Private Sector Foundation (TPSF); and Private Sector Foundation Uganda (PSFU).

Additionally, among its functions, the EABC conducts policy advocacy to improve the business climate. Although it has performed this function for at least 10 years, progress is not evident as shown by the data presented in Section 2. This could suggest in part, that although the EABC is a strong and effective institution, its set-up, whereby its management and board are comprised of private sector members, constrains its ability to influence policy reforms. As such, it would require partnership with an institution anchored in both the public and private sectors that is: (i) mandated to undertake evidence-based policy advocacy to improve the business climate; (ii) has strong public sector representation in order to directly influence the public sector whose function it is to implement policy reforms; and (iii) also has high level support to ensure that policy proposals are implemented as agreed.

Option 2: Provide a platform at the EABC for the regional centre for the promotion of investment in the strategic manufacturing industries

The EABC provides platforms that address key issues of the private sector that relate to regional integration (http://www.eabc.info/platforms/category/what-are-they) and, the promotion of investment in the strategic manufacturing industries is aligned with the functions of these platforms. The tasks of the proposed institution and the challenges it should address, however, far exceed the capabilities of the platform at the EABC. Indeed, the platforms appear to be entirely for information purposes, and would be an important avenue for an independently instituted centre to provide information related to the promotion of the investment in the strategic manufacturing industries.

As the options presented above demonstrate, the EABC is well-positioned to support the activities of a proposed regional centre for the promotion of manufacturing industries. However, the tasks and responsibilities that should be implemented by the proposed centre would overwhelm the EABC and may negatively impact on its ability to successfully implement its principal functions.

7.3.2 The EAC Secretariat – Department of Industrialization and SME Development

The EAC Department of Industrialization and SME Development is mandated with steering the industrialization process embedded in the EAC Industrialization Policy and Strategy. The department's coordination function aims to ensure full involvement of all Partner State stakeholders in the industrialization process through steering and overseeing consultative processes and workshops, conceiving and overseeing sectoral studies, and championing the advocacy for the funding and implementation of study findings, and specific sector policy recommendations.

The EAC Department of Industrialization and SME Development's functions would enable a proposed centre to effectively engage all Partner State stakeholders and to ensure that its policy recommendations are channeled through, and championed by the EAC Secretariat for implementation. A proposed centre should therefore be anchored within this department in order to harness the advantages from being positioned within the EAC Secretariat, but should have autonomy to ensure that activities can be implemented without the constraint of the bureaucracy of the EAC Secretariat. **As such, the Centre should operate as a specialized, independent, institution within the EAC Secretariat in Tanzania in order to have the autonomy needed to undertake its functions in a timely manner and at the same time benefit from the institutional support of the EAC Department of Industrialization and SME Development. The Centre should work closely with the EABC as their functions are closely aligned.**

7.4 Structure of the Industrial Resource and Investment Centre of East Africa

The structure of the IRICEA will need to support the efficient and effective implementation of its mandate and progress with its activities. In addition, based on best-practice examples from Rwanda and internationally, the IRICEA should have autonomy in its operations. The Chief Executive Officer (CEO) of the IRICEA should therefore report directly to the highest office in the EAC Secretariat, for example the Secretary General or Deputy Secretary General, to ensure that the institution's activities are firmly anchored at the highest level of the EAC Secretariat.

The IRICEA should be supervised by a Board that reflects the public-private partnership required to provide leadership, oversight, leverage, ownership, and to drive progress in implementation of key activities. It is important that the IRICEA has evident and strong government support that is translated into the operating institutional framework—a one-stop, pro-business, specialized, independent institution with resources for implementation.

It is proposed that the Board of the IRICEA is headed by the Secretary-General or Deputy Secretary General. Other members of the Board would include the heads of the IPAs of the five Partner States (5 members), the Chairperson of the East African Business Council (EABC) (1 member), and two nominated representatives from any of the private sector associations of the six strategic industrial sectors. The board would therefore comprise 3 private sector representatives and 6 public sector representatives. It is also proposed that an Advisory Committee is put in place to provide strategic guidance to the Board whenever necessary. The Advisory Committee would comprise Prime Ministers or the Heads of Government Business of the five Partner States and Ministers responsible for Investment Promotion in each of the five Partner States.

7.5 Staffing of the Regional Institution

The IRICEA should ensure that it attracts highly motivated, excellent human personnel in the market and nurture their expertise, as this is critical to its success. Employing high calibre staff would also facilitate innovation and dynamism in generating new ideas and solutions. The position of the CEO should be merit-based and the staff should be recruited from among the Partner States. The other staff members should also be recruited from the region, while taking into account that the staff should not all be recruited from one Partner State.

The IRICEA should operate as a lean organization manned by a small highly qualified group of staff. As such, it would need to adopt a collaborative approach and harness institutional synergies by utilizing strategic partners and institutions in all its areas of strategic focus so as to implement its mandate effectively.

It is proposed that the organizational structure of the IRICEA is based on industrial sectors (and not countries) and thus the staff recruited should have expertise in one of the six sectors. The personnel would therefore have the competence to facilitate investors in the sector, and to support IPA staff in individual Partner States.

The IRICEA would initially comprise ten specialist staff as follows:

- The CEO of the Centre.
- A Sector/Cluster Specialist, for each of the six strategic sectors. Each of the six specialists will be supported by a staff member specially recruited by the IPA of each Partner State. The staff member will not be a sector specialist but will have excellent technical and presentation skills.
- A Fund Specialist to coordinate the funding mechanisms for the strategic sectors, and to mobilize financial support for the operations of the IRICEA
- A Resource Centre Specialist within IRICEA who will also have responsibility for all required communication activities online and in the print media
- A Team Assistant

The IRICEA would also need to maintain an active list of private sector consultants that could be commissioned to provide specialized, sector-specific, technical assistance to client companies.

7.6 Linkages between the IRICEA, the IPAs, the EABC, and the EAC Secretariat

The IRICEA will be linked with the IPAs of the Partner States through representation on its Board by the heads of the IPAs in the five Partner States, and focal point persons in the IPAs in each Partner State who will work directly with the sector/cluster specialists at the Centre. The collaboration will be formalized through a legally binding Memorandum of Understanding between the Centre and each IPAs. The IRICEA will be linked with the EABC through representation of the Chief Executive of the EABC on its Board, and one of its Staff, who will work with the Sector/Cluster Specialists.

The Centre should be a legal entity located within the EAC Secretariat's Department of Industrialization and SME Development. It will operate as a specialized, independent institution.

7.7 Proposed Financing Mechanisms of the Regional Institution

The IRICEA should be funded as follows:

- Partly by the Governments of the Partner States to ensure ownership.
- **Donor funds:** Funds for the Centre's work programmes activities in the areas of research, advisory services, capacity building, etc. will be mobilized from development partners.
- **Management fees of projects on investment promotion and facilitation:** for example, ANIMA Investment for Network manages the European Commission's programmes and receives most of its funding through this activity. IRICEA could consider entering into a partnership agreement with development partners to manage their investment related projects for a fee.
- Project management and consultancy fees charged to businesses.
- **Membership Fees:** The IRICEA can mobilize funds through membership fees paid by investors within the EAC and other interested stakeholders to join the IRICEA membership network.
- **Subscription fees:** to access market intelligence online.
- Fees from companies that advertise or maintain a platform on the IRICEA.

8

Conclusions, Recommendations and the Way Forward

8.0 Conclusions, Recommendations and the Way Forward

8.1 Conclusions

The functions of the proposed institutional mechanism fall under the following four broad themes that are aligned with the technical gaps and challenges identified in the report: (i) provision of specialized market intelligence to investors in the six strategic sectors; (ii) mobilization of financing for large-scale projects and for the IRICEA; (iii) provision of support to IPAs to improve the quality of investment promotion and facilitation services; and (iv) policy advocacy to improve the environment for doing business in the EAC Partner States. Among these challenges, the provision of specialized market intelligence to investors through a well-equipped resource centre has the lowest level of implementation difficulty as it would not require endorsement by the Governments of the Partner States at the highest levels. The resource centre could therefore be established within the short-term to improve the information flow to prospective and current investors in the region. The more complex processes required to establish a fully-fledged IRICEA would be initiated and implemented later (in the medium to long-term). Two major considerations should drive the implementation process of this institutional mechanism: first, that progress should be initiated in the short-term to generate momentum in attracting and fostering quality investment in the six strategic sectors in the region, which can be accomplished through the resource centre; and second, this progress must be sustained in the medium-to-long-term in order to support the sustainable growth of foreign and domestic investment in manufacturing in the EAC Partner States. This will be achieved only if, in addition to provision of market intelligence, the Centre is mandated and supported to: mobilize funding for projects, provide support to IPAs to improve the quality of investment promotion and facilitation services, and to undertake effective lobbying so that Partner States can prioritize the improvement of the environment for doing business in their respective countries in the medium-term.

8.2 Recommendations

A regional framework should be established to co-ordinate and support the Investment Promotion Agencies (IPAs) in the Partner States to develop value chains with regional dimensions in the six strategic industries.

This study demonstrates that: (i) the IPAs in the Partner States lack the resources required to implement investment promotion activities that will stimulate investments in the six strategic industries to the levels required; (ii) a support mechanism at the regional level does not exist, and is required; and (iii) a harmonized approach to addressing common challenges and bottlenecks may improve the performance of national IPAs in fulfilling their mandate.

The regional institutional mechanism should be located at the EAC Secretariat.
The proposed functions, management structure, and regional coverage of the institutional mechanism necessitate that it should be firmly embedded within the recognized EAC regional framework – the EAC Secretariat.

The highest levels of Government both at regional level and in the Partner States should be actively engaged in the process of monitoring progress in addressing key policy areas that affect Partner States if progress is to be made, for example, improving the business operating environment. As such, the Board of the institutional mechanism should include the heads of IPAs in each Partner State, guided, whenever necessary by an Advisory Committee of Heads of Government Business (Prime Ministers) and Ministers in charge of Investment.
The dismal indices of business environment performance for Burundi, Uganda, Kenya, and Tanzania, and the lack of evident progress in improving these indices in Uganda, Kenya, and Tanzania over the past four years demonstrate that a coordinated, top-down approach is required to monitor progress in these areas and to support current middle-level efforts to address the constraints identified in each Partner State.

The sustainability and effectiveness of the regional institutional mechanism will depend on establishing public-private partnerships constituting government institutions, the private sector, and development partners.

The Centre should ensure that a Memorandum of Understanding is signed to initiate collaboration and partnership with the various institutions, including the IPAs in the five Partner States and the various institutions.

It is recommended that the regional institutional mechanism that is established have autonomy in decision making, and that staff are appointed on the basis of their proven high competence for the task.
Regional and international best practice examples presented in this study demonstrate that autonomous Government institutions that directly report to the highest levels of Government are able to achieve concrete results as compared to semi-autonomous institutions.

The function of the regional institution should include supporting the harmonization and implementation of consistent investment policies that take into consideration the economic integration agenda of the EAC region, and the need to have a sustainable approach to investment promotion among Partner States.
The ad hoc changes to the policy regime for investment incentives (e.g. the scrapping of import duty in Rwanda), as part of efforts to buffer aid cuts from development partners, demonstrates inconsistency, and inadequate review of the performance of investment policies.

The regional institution would need to collaborate with appropriate institutions to provide skills training to ensure that skilled and trained people are available to work in the strategic sectors in the medium to long-term. The objective of job and wealth creation from the manufacturing sector will not be realized without the availability of local skilled and trained manpower in the EAC region.

It is recommended that the establishment of a fund or financing mechanism for domestic and international private sector companies is integrated into the investment promotion activities of the regional institutional mechanism.

8.3 Next Steps

The recommendations presented in this report require the approval and endorsement of the five Partner States. As such, the EAC Secretariat should be tasked with ensuring the approval and ownership of this report by their respective Governments.

Implementation of the recommendations presented in this report will require technical and financial assistance from development partners and non-governmental organizations such as the United Nations Industrial Development Organization (UNIDO), and thus GIZ, which has funded this study, has a pivotal role in seeking the commitment of other development partners to support the initiatives presented in the report.

It is imperative that progress is made in implementing the recommendations presented in this report, and more importantly in establishing the regional institutional mechanism. As such, a pragmatic roadmap for establishing this mechanism should be established at the earliest opportunity. This roadmap should take into consideration various implementation mechanisms, such as a gradual roll-out to ensure that current and prospective investors in the six strategic industries can access support even in the short-term. During our interviews with investors for this study, their frustration with the lack of action to provide crucial services such as comprehensive market intelligence that they would even be willing to buy, and their skepticism about the commitment to make improvements in investment promotion and facilitation services, were evident. It is therefore important that this is not just another study, and that indeed, it will inform decision making to stimulate the growth of investment in manufacturing by both domestic and foreign enterprises.

A proposed roadmap to the establishment of the IRICEA and its initial operations is provided in Table 6.

Table 6: Roadmap to a Decision on Establishing the EAC Regional Centre for the Development of Manufacturing Industries

No	Tasks	Date	Responsibility
1	Review of the draft report by the meeting of the experts from the Partner States	May 21-22, 2014	GIZ EAC Secretariat
2	Submission of the updated draft report to the EAC Secretariat	May 28, 2014	DCDM Management Consultants Limited
3	Submission of the updated draft report to the EAC Partner States	May 30, 2014	EAC Secretariat
4	Validation of the draft report by the EAC Partner States	June 27, 2014	GIZ EAC Secretariat
5	Presentation of the draft report to the Sectoral Council of Ministers	To be determined	EAC Secretariat
6	Decision by the Sectoral Council of Ministers on the need to establish a Regional Centre for the Development of Manufacturing Industries	To be determined	Sectoral Council of Ministers of the EAC Partner States

The establishment of the IRICEA will require implementation of the following preparatory activities (See Table 7 below for more details):

Table 7: Preparatory activities

Activity	Responsibility
Development of the profiles for the Chief Executive Officer (CEO) of the Centre, a Resource Centre Specialist, and a Personal Assistant	EAC Secretariat Recruitment company
Recruitment of personnel to manage and run the Centre	Recruitment company
Identification of funding sources for the Centre	EAC Secretariat, GIZ CEO of the IRICEA
Development of two-year costed work plans for the Centre	CEO of the IRICEA Resource Centre Specialist EAC Secretariat IPA representatives
Presentation of costed work plans to potential funders and mobilization of resources	CEO of the IRICEA Resource Centre Specialist EAC Secretariat GIZ
Establishment of the IRICEA and implementation of the two-year work plan	CEO of the IRICEA Resource Centre Specialist EAC Secretariat

Proposed components of the two-year work plan

The following would be important components of the two-year work plan:

i. Tasks that would be categorized as quick-wins to kick-start and build momentum for the Centre, and provide immediate benefits to the private sector to highlight its important function. These are activities that could have high impact/value-addition to investors in the six strategic industries, would yield results within a short-time frame e.g. 12 months, and implemented within a limited budget. They may include but not be limited to:
   a. The resource centre: (a) commissioning and providing detailed market intelligence on the six strategic sectors that can be accessed and paid for by potential investors through the resource centre; (b) providing online information that is clear, complete, useful, and well presented.
   b. Intensive targeted promotion activities of the region as an investment destination using innovative techniques, for example in partnership with international best practice resource centres such as the ANIMA Investment Network or Chambers of Commerce, IPAs, the EABC, and private sector and manufacturer associations in the Partner States to organize road shows in each of the Partner States to showcase the potential investment opportunities in each Partner State (in contrast with organizing missions overseas).
   c. Use of the international media: to profile and build on success stories of investors in each of the six strategic industries. Media efforts would need to be targeted and focused on the business-oriented media. The RDCMI must have high visibility, must be shown to be effective, so that it can attract support from the private sector and potential funders.
   d. Identifying and utilizing private sector champions: successful, high-profile investors who have operated in the region with positive results. Many of the investors indicated that their initial source of information about investment opportunities in the region was competitors in the same line of business.
   e. Developing and providing training for IPAs on effective investment promotion and a forum for networking and knowledge sharing.
   f. Mobilizing affordable long-term financing for quality investments in the six strategic industries. This activity will be a major positive signal to investors that the EAC region is focused on promoting sustainable investment in these sectors, and is consistent with best practices.

Summary of the proposed two year work plan

The challenges that potential and current investors in the manufacturing sector have with the EAC region require that quick action is taken to improve their operating conditions. However, a phased-approach is required to ensure that the Centre achieves demonstrable results in the short-term in order to attract support from the various stakeholders and funding for its activities, as it will require both government and donor support. This approach will require implementation of high impact, relatively low cost activities and innovative approaches to demonstrate benefits of the Centre to potential and current investors in the six strategic industries within the short-to-medium term.

9

Proposed Models for Operationalizing the IRICEA

9.0 Proposed Models for Operationalizing the IRICEA

The Proposed Models for operationalizing the IRICEA are premised on views expressed by stakeholders at a workshop that was held in Kigali, Rwanda, towards the end of June 2014.

Stakeholders proposed three models on how the IRICEA should be operationalized. The models are:

a) **Model One:** Establishing a fully fledged IRICEA at the EAC Secretariat; staffed and equipped with the requisite infrastructure to adequately and effectively implement its mandate: "*Supporting and Contributing to Sustainable and Equitable Economic Development and Investment in the Industrial Sector, within the EAC Region*";
b) **Model Two:** Instead of establishing a fully fledged IRICEA, it was proposed that at least two staff from the EAC Department of Industrialization and SME Development, and the East African Business Council, are trained on how to implement the functions of the IRICEA (see Section 6.1.7). Staff will be trained on how; (i) to operate a resource centre that has a set of tools to provide market intelligence to inform the decision making process by investors in the region; and (ii) to monitor and analyze investment trends, and (iii) implement intensive, targeted investment promotion of the six strategic sectors regionally and globally.
c) **Model Three:** Instead of establishing a fully fledged IRICEA, it was proposed that a regional portal, with a centralized ICT database is set up at the EAC Secretariat. The regional portal will be uploaded it with requisite information on the six strategic industries, and other relevant investment information that will guide investment decisions of new and existing investors.

Below is description of the three models, their merits demerits and proposed budgets.

9.1 Establishing a fully fledged IRICEA at the EAC Secretariat

This section delineates activities that will be embarked upon to establish the IRICEA, and the activities that the IRICEA will implement during the first two years (2015 – 2017), after it is established.[25] Below are the activities.

Activities for establishing the IRICEA

- Recruit staff (Section 7.5 presents the staff descriptions in details) that will implement the functions of the IRICEA.
- Equip the IRICEA with requisite infrastructure, including setting up a resource centre, with a set of tools to provide up-to-date, useful market intelligence to guide the investment decisions of new and existing domestic and foreign investors in the six strategic industries. The resource centre will be a one-stop regional hub for information on legal procedures, sector regulations and sector profiles of the six strategic regional industries

Activities the IRICEA will embark upon in the first two years after it is established

- The IRICEA will conduct detailed studies on the six strategic regional industries.[26] The studies will provide new, reliable and detailed information to influence investment decisions of new and prospective domestic and foreign investors. The studies will be updated on an annual basis.
- The IRICEA will train designated staff at IPAs on how to conduct sector specific studies and how to use the information gathered from the studies to attract both domestic and foreign investment. This will ensure uniformity in the level of service provision and in the quality of the data provided to domestic and foreign investors.
- The IRICEA will conduct evidence-based advocacy aimed at fast-tracking implementation of reforms and accelerating progress in improving the business environment and investment climate in each Partner State. The IRICEA will also advocate for harmonized incentives for investment in the region.
- The IRICEA will prepare and market fundable proposals to sustain its operations.
- The IRICEA will design, market and create a manufacturing bond that will avail affordable long-term finance to investors in the six strategic industries.

[25] One major assumption is made: the structures which will house the IRICEA will be available.
[26] In the medium term, the IRICEA should be able conduct studies and promote investors on sectors that are not delineated in EAC Industrialization Strategy and Policy (2012 – 2032).

Table 8 below presents the advantages and possible risks of the establishing a fully fledged IRICEA.

Table 8: Advantages and Possible Risks of the establishing a fully fledged IRICEA

Evaluation Criteria	Advantages	Possible Risk
The Concept and its Effectiveness	The IRICEA will be able to address several gaps that have militated against promoting the EAC region as the top destination for private foreign capital and local investment flows in manufacturing and their subsequent contribution to sustained economic growth.[27]	The process of setting up of the IRICEA at the EAC Secretariat may take considerable time, and yet the challenges it should address are urgent and important.
Efficiency	The effective demand for comprehensive up-to-date regional and global market intelligence in the manufacturing sector is huge, among both domestic and foreign investors.	The cost of conducting regional studies on the manufacturing sector on annual basis will be too high.
Sustainability	Adequate implementation of programmes and projects of the IRICEA is expected to institutionalize the sustainable development and promotion of manufacturing industries at EAC regional level and within the Partner States.	Financial commitment from Partner States is perceived as a risk in sustaining the operations of the IRICEA. If the Partner States do not commit enough resources to sustain the operations of the IRICEA, there is a risk of over relying on donor funding.

[27] Assumptions: (i) The economic and political stability of the EAC region will remain stable, if the IRICEA is to position the EAC as a top destination for private foreign capital and local investment; (ii) Partner States will demonstrate stronger commitment in instituting even competitive environments; and Investment incentives will be harmonized.

Table 9 below presents in detail the activities of the IRICEA, and the proposed budget to implement them.

Table 9: IRICEA Operationalization and Two-Year Activity Plan

Programme	Activities	Outcome Indicators	Means of Verification	Timeframe	Implementing Agency	Indicative resources in USD	Assumptions
Recruit Human Resource for the IRICEA	Prepare job description for Chief Executive Officer (CEO), experts and other staff	Job descriptions prepared	Job descriptions approved by the EAC Secretariat and National IPAs	September 2014	EAC Secretariat, the EABC in collaboration with national IPAs	10,000	Required competent personnel will be available within East Africa
	Run adverts in local and international print media for recruiting staff at the IRICEA	Candidates that bid for the positions are evaluated and the best candidate is offered the job	All positions at the IRICEA are filled	September 2014	EAC Secretariat, the EABC in collaboration with national IPAs	20,000	
	Remunerate staff	Staff remunerated well and retained	Staff pay roll lists	Start January 2015, continuous	EAC Secretariat and Development Partners	1,500,000	Availability of resources
Set up a Board that will govern the activities of the IRICEA	Terms of Reference for the Board designed Board Members nominated and approved	Minutes of quarterly Board meetings and resolutions documented and implemented	The operations of the IRICEA are strategically guided by the Board	Board formed in October 2014, and Board meetings are held from March 2015, for two years	EAC Secretariat, the EABC in collaboration with national IPAs	100,000 (Board meetings for two years)	Availability of resources
Set up a Resource centre for providing market intelligence to domestic and foreign investors	Procure a set of tools that will be installed in the resource centre to provide market intelligence	Equipment for the resource centre is procured and installed	A one-stop regional resource centre for information on legal procedures, sector regulations and sector profiles of the six strategic industries	December 2014	EAC Secretariat and Development Partners, and Resource Centre Specialist	800,000	Availability of resources to set up the resource centre Premises that will house the resource centre are available

Programme	Activities	Outcome Indicators	Means of Verification	Timeframe	Implementing Agency	Indicative resources in USD	Assumptions
Launch the IRICEA to, among others, publicize its importance to the EAC Region	Inaugurate the IRICEA	The IRICEA is formally launched	The IRICEA is publicized at national, regional and international level, and stakeholders appreciate its importance to the EAC	January 2015	EAC Secretariat, the EABC in collaboration with national IPAs	50,000	Availability of resources
Understand the Six Strategic Regional Industries in detail	Conduct detailed studies in the six manufacturing sectors in all partner states, and prepare sector profiles	Detailed studies conducted and sector profiles prepared	Information on the studies and sector profiles uploaded on the website in the Resource Centre	March to July 2015	The CEO, the Six Sector Specialists, with support from the EAC Secretariat, the EABC and national IPAs	1,500,000	Information required will be readily available
	On an annual basis update sector studies	Regular updated sector profiles produced	Updated sector studies uploaded on the website in the Resource Centre	Annually	The CEO, the Six Sector Specialists, with support from the EAC Secretariat, the EABC and national IPAs	150,000	
Partner with Industrial Resource and Investment Centres in other Regional Blocs (Europe, SADC, Asia-Pacific)	Establish formal collaboration Industrial Resource and Investment Centres in other Regional Blocs (Europe, SADC, Asia-Pacific)	Legally binding MOUs are signed with the Industrial Resource and Investment Centres in other Regional Blocs	Easier access to international best practices and information on investment from other Regional Blocs	July 2015	The CEO, the Six Sector Specialists, the Resource Centre Specialist, with support from the EAC Secretariat, the EABC and national IPAs	200,000	Industrial Resource and Investment Centres in other Regional Blocs are willing to partner with the IRICEA

Programme	Activities	Outcome Indicators	Means of Verification	Timeframe	Implementing Agency	Indicative resources in USD	Assumptions
Build the capacity staff at national IPAs	Conduct a Capacity Needs Assessment of IPAs with regard to promoting investment in the manufacturing sector	Capacity gaps identified	Capacity needs training programme designed and approved	August 2015	The CEO, the Six Sector Specialists, the Resource Centre Specialist with support from the EAC Secretariat, the EABC	60,000	Availability of resources
	Train IPA staff on how conduct sector studies and how to promote targeted investment in the sectors	Capacity of staff enhanced to conduct detailed sector specific studies and promote targeted investment in the sectors	A 50% increase in cross-border investment in the six strategic industries on annual basis	October 2015	The CEO, the Six Sector Specialists, the Resource Centre Specialist with support from the EAC Secretariat	300,000	
	Expose IPAs to global best practices	Staff exchange programmes with other international agencies designed and operationalized	IPAs adhere to internationally recognized best practices in promoting investment in the manufacturing sector	September 2015	The CEO, the Six Sector Specialists, the Resource Centre Specialist with support from the EAC Secretariat, the EABC	80,000	
Investment Promotion	Monitor and analyze investment trends and conduct targeted investment promotion of the six strategic sectors regionally and globally	Inward and outward investment promotions initiatives designed and operationalized	A 50% increase in cross-border investment in the six strategic industries on annual basis	October 2015, continuous	The CEO, the Six Sector Specialists, the Resource Centre Specialist with support from the EAC Secretariat, the EABC and national IPAs	200,000	Investment promotion will translate into increased investments in the manufacturing sectors in EAC region

Programme	Activities	Outcome Indicators	Means of Verification	Timeframe	Implementing Agency	Indicative resources in USD	Assumptions
Policy Advocacy	Conduct evidence-based advocacy aimed at fast-tracking implementation of reforms and accelerating progress on improving the business environment and investment climate in each Partner State	Lobby national and regional institutions to sustain a conducive business and investment climate in the region	Even progress in instituting business environment and investment climates in the Partner States Harmonized incentives for investment	October 2015, continuous	The CEO, the Six Sector Specialists, with support from the EAC Secretariat, the EABC and national IPAs	100,000 annually, for two years	Availability of sufficient resources to undertake the planned activities Development partners are willing to implement projects at regional level
		Lobby Development Partners to implement programmes related to the six strategic industries at regional level	At least one programme that is related to the strategic regional industries is implemented through the IRICEA				
Mobilizing Finances for Sustaining the Operations of the IRCEA and financing Investors in the Industrial Sector	Formulate and market fundable proposals for short to medium term projects to sustain the operations of the IRICEA	Short to medium term proposals developed	At least USD 500,000 is internally generated by the IRICEA annually	Start March 2015, continuous	The CEO, and the Fund Specialists with support from the EAC Secretariat, the EABC and national IPAs	150,000	Development partners are willing to fund short to medium term projects
	Design and market a manufacturing bond to avail affordable long term financing for investments in the six strategic industries and value chains	Manufacturing bond designed and an IPO is issued at one of the Stock Exchanges in the Regions	At 100 SMEs are availed affordable finance from funds generated from the manufacturing bond	July 2015	The CEO, the Six Sector Specialists, with support from the EAC Secretariat, the EABC and national IPAs	250,000	The manufacturing bond is attractive to both domestic and foreign investors
Total Budget						**5,470,000**	

9.2 Train Staff at the EAC Secretariat to implement the Functions of the IRICEA

As highlighted above (Section 9.0) in this model, it is proposed that at least two staff from the EAC Department of Industrialization and SME Development, and the East African Business Council, are trained on how to implement the functions of the IRICEA. Staff will be trained on how to;

- Operate a resource centre that has a set of tools to provide market intelligence, including comprehensive, high quality, timely information to inform the decision making process by investors in the region.
- Conduct sector specific studies on the six strategic sectors at a regional level to increase the quality of foreign direct investment, to stimulate domestic investment, and to promote cross-border investments in these industries.
- Monitor and analyze investment trends – working in partnership with IPAs of the Partner States; and implement intensive, targeted investment promotion of the six strategic sectors regionally and globally, with support from national IPAs.
- Conduct evidence-based advocacy aimed at fast-tracking implementation of reforms and accelerating progress on improving the business environment and investment climate in each Partner State.

Table 10 below presents the advantages and possible risks of the training staff at the EAC Secretariat to implement the functions of the IRICEA.

Table 10: Advantages and Possible Risks of staff at the EAC Secretariat to implement the functions of the IRICEA

Evaluation Criteria	Advantages	Possible Risk
The Concept and its Effectiveness	It will be cheaper to train staff at the Secretariat to address several gaps that have militated against the promoting the EAC region as the top destination for private foreign capital and local investment flows in manufacturing and their subsequent contribution to sustained economic growth.	Staff at the EAC Secretariat have very busy work schedules, some of which involve travelling round the region. It is very unlikely they will be able to commit enough time, to be trained on the concepts of the IRICEA, and also devote substantial efforts towards the adequate implementation of the functions of the IRICEA. Staff are not senior enough to influence policy decisions that will sustainably improve the competitive environments in the EAC Partner States.
Efficiency	The effective demand for comprehensive up-to-date regional and global market intelligence in the manufacturing sector is huge, among both domestic and foreign investors.	It is unlikely staff at the Secretariat has enough time to adequately conduct comprehensive sector studies and avail up-to-date regional and global market intelligence in the industrial sector. Presently, the practice at the EAC Secretariat is to outsource studies, because the staff do not have the time to conduct them. The cost of conducting regional studies on the manufacturing sector on annual basis in high.
Sustainability	Adequate implementation of programmes and projects of the IRICEA is expected to institutionalize the sustainable development and promotion of manufacturing industries at EAC regional level and within the Partner States.	Commitment of staff at the Secretariat to sustain the operations of the IRICEA is perceived as a risk.

Table 11 below presents in detail how the staff at the Secretariat will implement activities of the IRICEA, and how much it will cost to implement the activities.

Table 11: Detailed Activities and their Budgets for Staff at the Secretariat to implement the functions of the IRICEA

Programme	Activities	Outcomes	Means of Verification	Timeframe	Implementing Agency	Indicative Resources (USD)	Assumption
Recruitment of Training Agency, to train staff in the EAC Department of Industrialization and SME Development, and the East African Business Council in implementing the functions of the IRICEA	Develop Terms of Reference for the Training Agency and run Adverts in local and international print media for Training Agency Recruited	Training Agencies that bid are evaluated and the best bidder is offered the tender	Training Agency is recruited	December 2014	EAC Secretariat, the EABC in collaboration with national IPAs	80,000	Competent training agencies on industrial investment promotion will be available within East Africa and internationally
	Training Agency develops manuals that will guide training on how to implement functions of the IRICEA	Training manuals developed and tested	Training manuals approved by the EAC Secretariat, the EABC in collaboration with national IPAs	December 2014	EAC Secretariat, the EABC in collaboration with national IPAs Training Agency	-	Resources are readily available to train staff
	Train staff at the Secretariat on how to adequately implement the functions of the IRICEA	Training Venue is booked and available Staff at the EAC Secretariat are trained on how to implement the functions of the IRICEA	Staff at the EAC Secretariat understand how to adequately implement the functions of the IRICEA	January to February 2015	EAC Secretariat, the EABC and the Training Agency	50,000	Resources are readily available to train staff Staff are the EAC Secretariat commit time to take part in the training
Set up a Resource centre for providing market intelligence to domestic and foreign investors	Procure a set of tools that will be installed in the resource centre to provide market intelligence	Equipment for the resource centre is procured and installed	A one-stop regional centre for information on legal procedures, sector regulations and sector profiles of the six strategic industries	December 2014	EAC Secretariat and Development Partners	800,000	Availability of resources to set up the resource centre

Programme	Activities	Outcomes	Means of Verification	Timeframe	Implementing Agency	Indicative Resources (USD)	Assumption
Staff at the Secretariat implement functions of the IRICEA	Conduct detailed studies in the six strategic industries in all Partner States and prepare sector profiles	Detailed studies conducted and sector profiles prepared	Information on the studies and sector profiles uploaded on the website in the Resource Centre	March to July 2015	The EAC Secretariat, the EABC and national IPAs	1,500,000	Information required will be readily available Staff are the EAC Secretariat commit time to conduct the studies
	On an annual basis update sector studies	Regular updated sector profiles produced	Updated sector studies uploaded on the website in the Resource Centre	Annually	The EAC Secretariat, the EABC and national IPAs	150,000	Staff are the EAC Secretariat commit time to update the data
	Monitor and analyze investment trends and conduct targeted investment promotion of the six strategic sectors regionally and globally	Inward and outward investment promotions initiatives designed and operationalized	A 50% increase in cross-border investment in the six strategic industries on annual basis	October 2015, continuous	The EAC Secretariat, the EABC and national IPAs	50,000	Investment promotion will translate into increased investments in the manufacturing sectors in EAC region
	Conduct evidence-based advocacy aimed at fast-tracking implementation of reforms and accelerating progress on improving the business environment and investment climate in each Partner State	Lobby national and regional institutions to sustain a conducive business and investment climate	Even progress in instituting business environment and investment climates in the Partner States Harmonized incentives for investment	October 2015, continuous	The CEO, the Six Sector Specialists, with support from the EAC Secretariat, the EABC and national IPAs	60,000 annually, for two years	Availability of sufficient resources to undertake the planned activities
Total Budget						**2,690,000**	

9.3 Set up a Regional Portal with a centralized ICT Database at the EAC Secretariat

As highlighted before (Section 9.0) it is proposed that a regional portal is set up with a centralized ICT database uploaded with requisite information on the six strategic industries and other relevant investment information to guide investment decisions of both new and prospective domestic and foreign investors. The information will be collected by national IPAs and periodically sent to the EAC Secretariat, where it will be uploaded on the portal.

Table 12 below presents the advantages and possible risks of the setting up the Portal.

Table 12: Advantages and Possible Risks of setting up a portal with a centralized ICT Database

Evaluation Criteria	Advantages	Possible Risk
The Concept and its Effectiveness	It will be cheaper to set up a regional portal with a centralized ICT Database to enable investors easily access information on the six strategic regional industries, and other relevant investment information.	The portal will only be able to avail information on the six strategic industries and other relevant information, from a centralized location. Other issues that are pertinent to positioning the EAC as top destination for investment will not be able to be addressed by the portal. Examples including improving the business environment in the Partner States and harmonizing incentives for investment, among others.
Efficiency	The effective demand for comprehensive up-to-date regional and global market intelligence in the manufacturing sector is huge, among both domestic and foreign investors.	The provision of comprehensive up-to-date regional and global market intelligence in the manufacturing sector is huge, among both domestic and foreign. And yet, as this study established, the National IPAs do not have the capacity to collect the information. The National IPAs will need to be trained first. After training them, there is a perceived risk of committing time and resources to collect the requisite information.
Sustainability	Timely availability of comprehensive information of the six strategic industries and relevant investment information is expected to institutionalize the sustainable development and promotion of manufacturing industries at EAC regional level and within the Partner States.	Commitment of staff at National IPAs to avail information that will be uploaded on the portal is perceived as a risk. Commitment of staff at the Secretariat to upload the Portal with relevant and up-date information is perceived as a risk.

Table 13 below presents in detail how the process and budget of setting up the portal.

Table 13: Detailed Activities and their Budgets for setting up the Regional Portal

Programme	Activities	Outcomes	Means of Verification	Timeframe	Implementing Agency	Indicative Resources (USD)	Assumption
Develop a regional Portal or Information Management System, including requisite information and communication infrastructure content and services	• Undertake a study to establish National IPAs' readiness in industrial data/ information collection and management • Design and approve a framework, benchmarked against best practices, for setting up the Portal • Build and approve a standard framework for data collection, sharing and management across the Region • Build capacity of IPAs on data collection and management of industrial/ manufacturing data • Set up the Portal	• Data management systems of National IPAs assessed, and areas of improvement identified • Regional Data management systems harmonized, based on international best practices • Framework for data collection, sharing and management across the Region • Capacity of RTOs built on how to manage, collect, and share data • A portal is set up and upload it with comprehensive data on the six strategic industries and other relevant investment information	• Improved data management on the manufacturing and industrial sector in the region • A 50% increase in investment in the six strategic industries on annual basis	One Year	EAC Secretariat; the EABC and National IPAs	1 Million	Commitment from the EAC Secretariat and National IPAs Availability of sufficient resources to undertake the planned activities Activities Implemented Premises that will house the regional portal are present

Annex I: Detailed Assessment of the IPAs in the Partner States

A. Burundi Investment Promotion Authority (API)

Burundi Investment Promotion Authority (API) was established by the Presidential Decree No. 100/177 of 19 October 2009. API's mission is to promote the development of investment and exports in Burundi. Its functions include:

- To inform investors about investment opportunities;
- To assist and support investors and exporters in obtaining the documents and/or in carrying-out the procedures required by law;
- To devise the reforms required to improve the business climate; and
- To engage government institutions/administration in cases of non-application or misapplication of any law or regulation related to the promotion of investment and export.

The legal framework for direct investment into Burundi is the Investment Code no. 1/24 of 10 September 2008 that became effective on 1 January 2009.

Reporting Structure of API

API is governed by a Board of Directors comprising representatives from the private and public sectors including representatives from the Ministry of Finance and Economic Planning, the Ministry of Trade, Industry, Post and Tourism, the Burundian Revenue Office, the Office of the Federal Chamber of Commerce, and Investment of Burundi, the private sector, and API. The composition of the Board of Directors provides an opportunity for the private and public sectors to work jointly to promote investments and to improve the investment climate in Burundi.
The Board of Directors is responsible for the overall administration of the Authority and is authorized to: a define API's strategy; (b) approve the budget; (c) approve the Authority's internal operations; (d) control the execution of decisions by API management; (e) ensure the proper application of the Investment Code; (f) set the employment guidelines at the Authority; and (g) approve the annual accounts and activity reports.

Functions of API

The core functions of API are:

- Informing investors on investment and export related matters
- Assisting and supporting investors and exporters to obtain documents and formalities required by law
- Designing reforms required to improve the business environment
- Ensuring compliance or correct application of any law or regulation in connection with investment and exports promotion
- API is also responsible for application of the Investment Code, and various tax incentives, and custom exemptions.[28]

Within API, the various departments and their tasks include:

Investment Promotion and Communication Department comprises two units:

- **The Investment Promotion Unit:** advises the government on policies and programmes aimed at improving Burundi's investment climate, promotes legal and institutional reforms that should be implemented by the Government, promotes investment opportunities in Burundi, ensures implementation of the Investment Code, and registers all certificates of approval and related documentation
- **The Communications Unit:** informs and distributes information on investment opportunities to investors, organizes fairs and other events to promote investments in Burundi, publishes reports and periodical magazines related to business opportunities in Burundi, and collect, process and produce information related to investment opportunities in Burundi.

[28] Edic du Burundi, Burundi Mise-à-jour de l'Etude Diagnostique sur l'Intégration du Commerce (EDIC), July 2012.

Export Promotion Department: This department is responsible for informing and raising awareness of anything related to the exports of goods and providing support and assistance in the exportation of goods.

Support and Assistance to Investors Department: The department provides investment related support to investors and ensures that they have access to the incentives granted to them by the Investment Code.

Administrative and Finance Department: responsible for financial, administrative and accounting management.

API's Collaboration with other Institutions

Ministry of Trade, Industry, Post and Tourism

One of the functions of the Ministry of Trade, Industry, Post and Tourism is to promote an environment conducive to business development, including legislation to attract investment. The Ministry is able to achieve this objective through the General Directorate of Industry which is responsible for:

- Collaborating with regional and international organizations in the industrial and African and global organizations of intellectual property field;
- Participating in activities to promote investment in the industrial sector;
- Monitoring industrial enterprises.

Support Provided by the General Directorate of Industry to Investors

Domestic and foreign investors usually contact the General Directorate of Industry about investing in Burundi and often inquire about corporate taxation rates. However, they are quickly referred to the API. The support that the General Directorate of Industry provides is limited to providing permits to investors that want to start operations. These investors first visit the Investment Promotion Agency to obtain a certificate of eligibility. After obtaining the certificate, the investor writes a letter to the Directorate requesting for authorization to implement their investment project. It is mandatory for the investor to attach a copy of the feasibility study of their investment project to the letter. The letter and feasibility study are analyzed by the Director General of Industry who either grants the investor a permit or indicates gaps or areas that will need to be reviewed before the permit is granted. In 2012, 11 permits were granted by the Directorate, which increased to 12 permits in 2013.

The General Directorate of Industry's Collaboration with API

- The Directorate shares data with API pertaining to approval of permits and the API submits investment related data to the Directorate.
- The Ministry of Trade collaborates with API by granting permits to investors to begin operations after they submit API certificate of eligibility.

The Burundi Federal Chamber of Commerce and Industry (CFCIB)

The CFCIB is the main umbrella body for the private sector in Burundi. The CFCIB represents 13 sectoral chambers, comprising, for example, agri-business, trade, ICT, hotel and tourism, mining, transportation, industry, women's entrepreneurship, provinces, services, handicrafts, building and public works, financial services. Key members of CFCIB are: Association des Industriels du Burundi, Association des Banques et Etablissements, and Financiers du Burundi.

The main function of the Chamber of Commerce and industry is to initiate and support actions to improve the business climate and develop the private sector in Burundi. Other functions of the CFCIB are:

- Representing the interests of the private sector at meetings with government on matters related to the private sector;

- Promoting investment opportunities in Burundi to other countries. For example in 2013, the CFCIB together with the Chamber of Commerce in Gabon organized a workshop to promote opportunities that exist in their countries;[29]
- Networking opportunities for their members. In 2013, the CFCIB jointly with the Netherlands African Business Council organized a meeting of traders in Bujumbura together with the so that Burundian traders could establish contacts with Dutch Companies to boost their businesses;[30] and
- Facilitating business training.

Support Provided by the CFCIB to Investors

The investors who visit the CFCIB receive information on: taxation, available infrastructure, markets, strategic partners, finance, regulations related to labour, and labour costs and availability. However, the CFCIB is unable to provide them with statistical information (for example on markets). In such cases, the Chamber refers the investors to the relevant institution such as API.

Collaboration between CFCIB and API

CFCIB and API have collaborated on policy issues related to Burundi's investment climate and the World Bank *Doing Business* indicators.[31]

The CFCIB and API have hosted joint business delegations to increase foreign direct investment in Burundi. For example in 2013, API and CFCIB hosted companies from the Netherlands who were investigating investment opportunities in Burundi. In 2012, the Federal Chamber of Commerce and Industry representative and API organized and participated in the Kenya-Burundi joint Business Forum aimed at strengthening Kenya-Burundi trade relations by highlighting effective investment opportunities in both countries.

CFCIB in collaboration with API has attended international conferences to showcase investment opportunities in Burundi. For example in 2013, both CFCIB and API attended an international conference in Oslo, Norway, which was organized by the International Action for Burundians in the Diaspora (AIDBU) to link entrepreneurs from Burundi with investors in the Scandinavia.[32]

The Burundi Manufacturers Association (AIB)

The Burundi Manufacturers Association (AIB) was established in 1999. The AIB is a member of the Federal Chamber of Commerce and Industry and represents the interests of the manufacturing sector in Burundi. It currently has membership of 32 companies in various sectors including agri-food, chemicals, textiles, pharmaceuticals, wood and articles of wood, paper and printing, and metal construction. The vision of AIB is to accelerate the industrialization process in Burundi and its mission is to promote a competitive industrial sector. Members consist of 32 industrial companies.

AIB's Support to Investors

The AIB is not directly involved in promotion activities but it has supported investors that contact it as follows:

- Providing information about the corporate taxation rates and custom regulations
- Providing information about investment opportunities that exist in the industrial sector
- Referring them to the API for information
- Advocating for improvement in Burundi's investment climate in partnership with API. For example, API is advocating for the harmonization of Burundi's tax system with the EAC Partner States.

[29] Gabon – Burundi : les opérateurs économiques gabonais et burundais vont développer des partenariats, 2013, http://www.iwacu-burundi.org/gabon-burundi-les-operateurs-economiques-gabonais-et-burundais-vont-developper-des-partenariats
[30] Les Opérateurs Économiques des Pays-Bas et du Burundi réunis à Bujumbura, 2013, http://fr.igihe.com/actualite/les-operateurs-economiques-des-pays-bas-et-du.html
[31] Environnement de l'Investissement Privé au Burundi: Groupe de la Banque Africaine de Développement - 2012.
[32] "In Oslo:" Burundi ready for business, 2013, http://www.iwacu-burundi.org/a-oslo-burundi-ready-for-business/

AIB's Collaboration with API

The AIB collaborates with API on investment related matters at public-private sector meetings. AIB represents its members at these meetings. For example in 2011, the AIB, CFCIB, and API attended a workshop organized by the Ministry for the Presidency in Charge of Affairs of the East African Community. The aim of the workshop was to inform the private sector on the challenges and opportunities related to the EAC Common Market and to encourage dialogue between the public and private sectors.[33]

Ministry for the Presidency in Charge of Affairs of the East African Community

The Ministry is not directly involved in investment promotion activities. However, it collaborates with API in the following ways:

- Promoting investment opportunities that exist in Burundi and other EAC Partner States. For example the 2011, the Ministry organized workshop "private sector awareness on the integration of Burundi in the EAC."
- Sharing reports with API, for example the Regional Validation Workshop Draft Industrialization Development Policy and Strategy; the draft concept note on Proposed Institutional Framework for the Development, Promotion, and Investment in Regional Industry.

Centrale Nationale de Technologie Alimentaire (CNTA-Institute of Food and Technology)

CNTA's main objective is to promote research and development in food technology with the aim of increasing productivity in the agricultural sector.

The CNTA's role in promoting investment is limited to

- research and/or development of food technology to be applied by domestic and foreign investors in the agro-processing sector.
- Ensuring that investors in the agro-processing sector implement the required quality control methods when processing agricultural products.

CNTA's research findings on new technologies in food processing and quality control measures are shared with API which disseminates the information to investors. Investors contact CNTA for technical support on food processing and quality control.

API collaborates with the following regional and international institutions:

The Common Market for Eastern and Southern Africa-Regional Investment Agency (COMESA-RIA): COMESA-RIA has provided training to API staff on investment promotion best practices and how to use the investment tracking system that was developed at the COMESA-RIA. API staff have also attended and participated in COMESA-RIA meetings.

The International Finance Organization (IFC): The IFC collaborates with API on improving the investment climate in Burundi by advocating for reforms highlighted in the World Bank Doing Business Reports.

The World Bank: The World Bank provides training to API staff. In 2012, the World Bank conducted a three-day training workshop on monitoring and evaluation tools with API. The objective of this workshop was to strengthen the capacity of the staff to establish a system of monitoring and evaluation of reforms.

[33] Pour un secteur privé burundais compétitif au sein de l'EAC, 2011, http://www.eac.bi/index.php?option=com_content&view=article&id=242:pour-un-secteur-prive-burundais-competitif-au-sein-de-leac&catid=35:communiques&Itemid=54

API's collaboration with Private Sector Associations/Organizations

API and the Burundi Federal Chamber of Commerce and Industry have jointly organized exhibitions and road shows as part of efforts to help investors broaden the market for their goods and services. The exhibitions have also enabled networking among investors. At the exhibitions, API showcases priority sectors in Burundi and educates exhibitors (foreign and local investors) on advantages of investing in Burundi. For example in 2012, the Federal Chamber of Commerce and Industry representative and API, represented organized and participated in the Kenya-Burundi joint Business Forum aimed at strengthening Kenya-Burundi trade relations by highlighting effective investment opportunities in both countries.

API's collaboration with Development Partners

Among the Development Partners, the World Bank has been instrumental in funding API to reform the business investment environment to attract FDI in selected sectors in Burundi. In 2010, the Government of Burundi requested assistance from the World Bank Group's Investment Climate Advisory Services to help spur investment and create jobs. As continued support to Burundi's economic reforms in November 2011, the World Bank Group signed a Cooperation Agreement with the Government of USD1.7 million to ensure support of the Investment Climate Advisory Services programme until mid 2014.[34] Burundi has made significant progress in reducing unnecessary regulations and establishing a legal framework that is conducive for doing business. In fact in 2010, Burundi was ranked the 7th most improved nation in the world.

API Services to Investors

Domestic and foreign investors interested in investing in Burundi have contacted API for information, support, and related services. The range of services that API provides investors depends on the investors' cycle of investment. See Table 14 for more details.

Table 14: Business Support Services Provided by API Burundi to Investors

Investment Stage	Services
Exploratory Phase	General information on business investment climate[35] • Availability of markets • Corporate taxation rates • Availability of infrastructure
Decision phase/ Pre-investment stage/ Pre-expansion stage	Information on markets Information on taxes and incentives Information on infrastructure Information on strategic partners
Entry stage	Information on procedures and regulations Facilitating registration and licenses Introducing investors to professional services Providing information on soft landing services like schools, houses to rent and safety
Implementation stage	Finding suitable sites Facilitating construction permits Facilitating access to utilities and infrastructure
Operation/ After-care stage	Complaint resolution pertaining to tax credit, incentives and exemptions

Source: Interview with API, Burundi

[34] IFC Factsheet- Burundi, July 2012.
[35] Based on interviews with CFCIB, General Directorate of Industry, and AIB.

In some cases, investors have contacted API to resolve tax related problems such as obtaining a PIN number for taxation purposes. Some investors that have interacted with API have noted the unavailability of statistical data on Burundi's market. Consequently, these investors end up data mining, which should be API's responsibility.[36] Additionally, the provisions of the Investment Code such as tax credits, discounts, and exemptions are not implemented, which makes the investment experience frustrating for investors.[37]

Investment Promotion Tools of API

API uses the following tools to communicate investment opportunities to prospective investors:

Website: The Invest Burundi website (www.investburundi.com) provides the reasons for investing in Burundi and the existing investment opportunities in the country. Most of the information is in French without an English translation, which limits its functionality to only investors who read French (or are willing to invest the time to translate the available information). The website also needs updating to include missing information such as reports and information on services available to investors.

Sector profiles about investment opportunities: API has general profiles on investment opportunities in the different sectors including: mining, agriculture, transport, energy, construction, manufacturing, real estate, health, services, financial services, infrastructure, education, tourism, and ICT. However, these profiles do not have the analysis required to guide investment decisions.

Private Sector Associations: The Federal Chamber of Commerce and Investment collaborates with API to promote investment opportunities in Burundi.

General promotional brochures and investment guides: I-GUIDE Burundi, an electronic promotional tool, was developed in collaboration with United Nations Conference on Trade and Development (UNCTAD) as a tool that provides both foreign and local investors with up-to-date information on the legislation, regulations, economic conditions, infrastructure, procedure, business costs, and investment opportunities.

Local and international media: periodically, the European Times and East African Times feature profiles on investment opportunities in Burundi.

International embassies in the country: API collaborates with foreign embassies in the country such as the British High Commission and the embassies of Belgium, and the United States of America (USA).

Government Ministries: For example, in 2012 the Ministry of Energy and Mines published a report on investment opportunities that exist in the energy sector especially renewable energy.

United Nations Industrial Development Organisation (UNIDO): API receives invitations to participate in training on monitoring and evaluation of investments

United Nations Economic Commission for Africa (UNECA): In 2013, API staff attended the 17th session of the Intergovernmental Committee of Experts (ICE) that organized by UNECA under the theme "Enhancing Energy Access and Security in Eastern Africa".

Embassies of Burundi: Burundian embassies provide information about investment opportunities and the investment climate in Burundi to prospective investors.
API's ability to undertake promotional activities is, however, contingent on the availability of financial resources. Some activities such as conducting investment missions are not considered an avenue for investment promotion because they are expensive yet API's promotional budget is small.

[36] Interview with Kobil Kenya Country Manager.
[37] Interview with Delta Petroleum, Kobil Kenya, Bucafe Coffee Processing and Sapir Pharmaceuticals.

Staffing at API Burundi

API currently employs a total of 49 staff, including 13 staff that were recruited at the end of 2013. The staff are distributed among its four departments. Before the most recent recruitment, 40% of the staff were involved in investment promotion activities. The staff breakdown during 2013 is provided in Table 15.

Table 15: Staff Breakdown at API Burundi During 2013

Department/Unit/Activities	Number of employees in 2013
Management	5
Administration and Finance	12
Promotion of Investments in Burundi	4
Assisting Investors	8
Export Promotion	2
Human Resources	4
Total	**35**

Source: API Burundi

During 2013, the four staff involved in investment promotion participated in the following activities:

- Conducting market studies on priority sectors for investment
- Preparing profiles on priority sectors for investment
- Preparing articles, bulletins on country investment opportunities for regional or international media
- Conducting seminars, workshops, on investment-related matters with the private sector in the country and internationally
- Sharing information with embassies based in the country like the Belgian embassy
- Sharing information with consultancy firms
- Share information with Investment Promotion Agencies in the region: Uganda Investment Authority, Kenya Investment Authority, and Rwanda Development Board
- Sharing information with international investment promotion agencies such as COMESA-RIA.
- Participating in investment forums regionally and internationally.
- Using the online tools provided by international investment agencies such as World Association of International Investment Promotion Agencies (WAIPA) or UNIDO.
- Updating information on the institution website
- Sharing information with government institutions such as Burundi Institut de Statistiques et d'Etudes Economiques (ISTEEBU), Burundian Revenue Authority and Bureau of Standards
- Applied for funding or support from agencies such as COMESA-RIA.

It is evident that the staff involved in investment promotion is inadequate. The CEO of API expressed a desire to hire more staff but is limited by budget constraints. API has conducted in-house training for the staff focused on investment promotion techniques, monitoring and evaluation, and customer service. Staff require training to enable them to conduct in-depth analyses of sectoral performance, respond to investors' inquiries about the different sectors, conduct feasibility studies, and collect market intelligence.

Financing of API Burundi

API's budget is funded solely by the Government of Burundi. The Authority's annual budget increased at a compounded rate of 15 percent from USD 790,883 in 2011 to USD 1,074,378 in 2013 (Table 16). Over the same period, the amount allocated by the Government decreased from 88 percent (2011) to 65 percent (2013), of the budget. In 2013, most of the funds received (81 percent) were spent on staff salaries and operating costs. Just 13 percent of the financial resources were spent on investment-related activities. Overall, the amount (and percentage) of funds spent on investment promotion activities has declined since 2011.

Table 16: Budget and Expenditure (2011-2013) of API Burundi

Item	2011	2012	2013
Annual budget (USD)	790,883	922,411	1,074,378
Amount allocated (USD)	696,250	775,290	697,761
Percentage of budget funded	88	84	65
Major activities funded			
Salaries	38%	53%	61%
Operating costs	15%	16%	20%
Promotion of investment and communication	14%	13%	7%
Supporting and assisting investors	9%	9%	3%
Export promotion	5%	5%	3%
Human resources	3%	3%	3%
Equipment	15%	0%	4%

Source: API Burundi

API's Challenges

The following challenges show the formidable task faced by API in promoting investment:

- **Political instability:** In March 2014, there were violent confrontations between the police and members of opposition in Burundi which more than likely cast doubts in investor's mind about investing in Burundi.
- **API's broad mandate:** Of major concern is API's broad mandate. The Authority is supposed to promote investment and to promote exports. These two areas have challenges of their own. In addition, although the programmes designed to promote these areas have the same objectives such as job creation, they require different strategies. The challenge is further compounded by the limited financial resources available to the API.
- **Inadequate infrastructure:** There is limited supply of power in Burundi. Currently Burundi produces 32 megawatts and imports 15 megawatts from the Democratic Republic of Congo (DRC). Burundi's limited infrastructure especially of roads decreases the country's attractiveness in attracting foreign direct investment.
- **Limited access to credit for investors:** Obtaining loans is a serious problem for investors, as investors interviewed substantiated.

B. Kenya Investment Authority (KenInvest)

Kenya Investment Authority (KenInvest) succeeded the Investment Promotion Centre (IPC), which was established in 1986 to attract and retain local and foreign direct investment in Kenya. KenInvest is the lead investment promotion institution in Kenya. It is a semi-autonomous institution established through the Investment Promotion Act No. 6 of 2004.

Functions of KenInvest

The Authority is tasked with promotion, facilitation, and policy advocacy for local (DDI) and foreign investments (FDI). Its core functions include assisting foreign and domestic investors in the following areas:

- Issuing Investment Certificates;
- Obtaining necessary licenses and permits;
- Obtaining incentives or exemptions under various Acts and other regulations;
- Providing information on investment opportunities and sources of capital;
- Promoting both locally and internationally the opportunities for investment in Kenya;
- Reviewing the investment environment and making recommendations to Government and other stakeholders with respect to changes that would promote and facilitate investment, such as changes on regulatory, administrative and licensing requirements; and
- Facilitating and managing investment sites, estates or land together with associated facilities on the sites, estates, and land.

Other functions of KenInvest include

- Appointing agents within the country and in foreign countries to carry out certain functions on its behalf as it may consider necessary; and
- Carrying out other activities which, in the Authority's opinion, will promote and facilitate investments. These include policy advocacy with key government agencies to address issues raised by investors to ensure a favorable investment climate and providing aftercare services to investors to ensure that all issues affecting their investments are addressed.

Box 5: Kenya's Experience with the One-Stop Centre

Implementation of the one-stop centre in Kenya went through several attempts between the 1990s and 2004 but failed. It was only in 2008 that Kenya Investment Authority went on benchmarking tours to some of the best practice IPAs around the world. Following these benchmarking tours, a concept note on the OSS was prepared. In September 2009, a presentation of the findings was made to the Permanent Secretary of the Ministry of Finance who recommended a Cabinet Memo to be drafted. The Board approved the OSS concept and the Cabinet memo. In February 2010, the Cabinet memo was prepared and presented to the Ministry of Finance. In June 2010 letters were drafted for the Permanent secretary's signature to request other Permanent Secretaries in different ministers to facilitate the seconding of officers to Kenya Investment Authority. In June 2011 meetings were held with the Ministries of Lands, Immigration, Office of the President, KRA and State Law Office.

Following a discussion with the organizations requested to second officers to the One Stop Shop (OSS), a recommendation was made that focus be shifted from a physical OSS to a DOSS (i.e. digital OSS). In this regard, Kenya Investment Authority was already in the process of digitalizing their services and in July 2010, its Board of Directors recommended the establishment of a DOSS. The progress that has been made so far towards the DOSS included the signing of a Memorandum of Understanding with Seven Seas Technologies, a local ICT firm, to undertake project conceptualization and design. So far the first prototype is ready.

The Kenya Investment Authority envisages the following outcomes in its automation process through the DOSS: increased economic growth, improved investment performance, increased employee satisfaction, Kenya's improved rating on the World Bank's Ease of Doing Business Index and cutting on costs through streamlining processes and collaboration with key government agencies.

Reporting Structures of KenInvest

The Managing Director of KenInvest reports to the Board of Directors, which reports to the Permanent Secretary, Ministry of Industrialization and Enterprise Development.

Investment Promotion Activities of KenInvest

KenInvest is currently engaged in several investment promotion activities that include:

- Image building to brand Kenya as an attractive place for investment
- Promoting and attracting foreign direct investment and domestic investment
- Holding investment promotion forums and match-making forums
- Investor facilitation to assist the analysis of investment decisions
- Policy advocacy
- Providing after-care services to registered investors
- Providing information to investors about the incentive regime.

KenInvest Priority Sectors for Investment

KenInvest investment promotion activities are general and not directed to a specific sector. Nevertheless, the manufacturing sector has been identified in the Kenya Vision 2030[38] as one of the six sectors of focus in investment promotion. These six sectors include: agriculture and agro-processing, manufacturing, tourism, wholesale and retail trade, finance, information and communication technology (ICT). Further areas include: energy, infrastructure, and education, training and health. The sectors are broad and present a wide scope of investment promotion work for KenInvest. For example, the International Standard Industrial Classification (ISIC) of the United Nations Statistics Division lists 34 major sectors under manufacturing.[39]

Activities of KenInvest during 2013

During 2013, KenInvest staff participated and performed the following activities:

- Conducted market studies on priority areas of investment
- Prepared sector profiles on priority sectors for investment such as manufacturing and agriculture
- Prepared articles and bulletins on Kenya investment opportunities for regional and international media
- Conducted and participated in seminars and workshops on investment-related matters with the private sector players in Kenya
- Shared information with the embassies of Malaysia and Italy in Kenya
- Shared information with Deloitte & Touche international consulting firm
- Shared information with IPAs in other East African states through their annual meeting
- Shared information with institutions such as the Export Promotion Centre Kenya, United Nations Industrial Development Organisation (UNIDO) and the British-American Investment Company in Kenya
- Conducted seminars and workshops on investment-related matters with the private sector internationally
- Participated in investment forums regionally and internationally
- Used online tools provided by UNIDO
- Interacted and shared information with the Common Market for East and Central Africa (COMESA)-Regional Investment Agency (RIA)
- Shared information with international investment organizations such as the Oxford Business Group, Kenya
- Updated KenInvest website information
- Shared information with the Kenya Association of Manufacturers (KAM)
- Provided information to government institutions such as the Ministry of Trade, and Ministry of Industrialization among other government agencies

[38] Kenya Vision 2030 provides the blueprint for growing the country into a newly industrialized nation with a high quality of life by the year 2030. Growth in investments is core to achieving this vision. Indeed, in order to achieve the vision objectives, investments should grow to 32% of GDP by/2017.
[38] http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27

- Received data from government institutions such as Kenya Revenue Authority (KRA) and the Ministry of Industrialization
- Applied for funding from UNIDO, Kenya Market Trust, African Development Bank, and the United Nations Conference on Trade and Development (UNCTAD).

Staffing at KenInvest

According to KenInvest, a minimum number of 150 staff is required to effectively implement its mandate under the *KenInvest Strategic Plan 2013-2017*. However, KenInvest currently has a staff ceiling of 86 personnel and employs 71 staff. KenInvest also has 3 staff dedicated to providing investors with support on the three areas that greatly influence their decisions to invest in Kenya, namely: land allocation and environment issues, work permits, and infrastructure. The staff shortage is a severe constraint to the institution because of the broad range of its investment promotion activities, which are currently implemented by close to 70 percent (47) of its staff. The institution requires sector specialists as currently the available staff undertake general promotion activities. KenInvest did not have the resources to train staff in *Investment Promotion and Economic Development* at the Edinburgh Napier University, Edinburgh, Scotland, which is the only institution that offers such a programme.

Funding KenInvest

KenInvest is funded solely by the Government of Kenya. KenInvest has been underfunded since 2011 due to the increase in its budget by at least 44 percent in contrast to an increase in the amount allocated of just 19 percent between 2011 and 2013 (Table 17). At least 70 percent of the institution's budget is used to fund salaries and overheads. The amount of funds used for investment promotion and facilitation activities ranged from 8.1 – 18.5 percent between 2011 and 2013. Notably, the budget increase between 2011 and 2013 was used to fund investment-related activities, while the funds used for salaries and overheads declined slightly over the same period.

Table 17: Budget and Expenditure (2011-2013) of KenInvest

Item	2011	2012	2013
Annual budget (KSH)	252,624,811	669,336,769	455,790,730
Amount allocated (KSH)	285,000,000	285,000,000	350,000,000
Percentage of budget funded	113	43	77
Major activities funded			
Salaries, personal emoluments, and administration	91.9%	81.5%	74.07%
Investment promotion and facilitation	8.1%	18.5%	15.4%
Research and policy advocacy	-	-	5.7%
Corporate social responsibility	-	-	1.4%
Information, communication, technology (ICT)	-	-	3.41%

Source: KenInvest

Office Technology and Equipment at KenInvest

KenInvest has a website: http://investmentkenya.com/. The website provides general information on starting a business in Kenya and a link to the Export Processing Zones Authority website (http://www.epzakenya.com/). According to KenInvest, the information available on the internet and printed literature is not up-to-date and therefore not a good guide for investment decision making.

Kenya Investment Authority currently uses the Digital One-stop Shopping (DOS) online interaction tool to connect and share investment information with other Investment Promotion Units in EAC. The same software and tool is employed to connect and work with international investment promotion units outside of the EAC.

KenInvest has outlined additional tools and software required to improve its investment promotion activities:

- The Customer Relationship Mechanism (CRM) software to enable instant connections and interactions with individual investors.
- Data Consolidation Module to update investment data and provide up-to-date analyzed information to investors.
- Subscription to the Foreign Direct Investment intelligence (FDI) database of the Financial Times and Euromonitor database of Euromonitor International in order to access international market intelligence, which is required for targeting niche investments.

KenInvest's Challenges

The many initiatives and programmes to grow investments that have been implemented by KenInvest have not yielded commensurate results. For example, although Kenya has the largest economy in the EAC, the value of FDI inflows to Kenya over the past 5 years has continued to decline, compared to Tanzania and Uganda, as discussed in Section 2. This could be attributed to insufficient capacity in areas of investment promotion, facilitation and ability to influence policy changes to improve the business environment. For instance, the Authority does not have a proper mechanism to drive policy implementation within the Government. The Authority can only make policy recommendations but has limited control over their adoption and implementation. Although the Authority has been at the forefront of provision of investment information to investors, in most instances investors have complained that the level of information is generic and lacks technical data that could enable an investor make concrete immediate decision about Kenya. The above is symptomatic of an inadequate framework for the Authority to exercise its mandate, coupled with poor funding to adequately address issues of human and technical capacity. The annual funding to the Authority over the last five years has averaged about Kshs.300 million compared to other marketing institutions with sectoral responsibilities such as the Kenya Tourism Board, whose budget has averaged over Kshs. 0.5 billion. The Authority estimates that it requires annual funding levels of about Kshs. 1 billion in order to provide high quality services and to fully execute its mandate.

Other challenges include

- Unpredictable regulation in some sectors such as immigration, and mining
- Insecurity and political stability, especially during general elections
- High cost of electricity
- Lack of synergy among government departments involved in investment promotion
- Lengthy procedure in establishment of companies
- Inadequate funding for promotion and facilitation

In addition to these challenges, investors through the KenInvest feedback mechanism have often complained of lack of follow-up on issues raised by investors to ensure that they are solved by the relevant authorities, and a long response time to requests and complaints relating to the services provided by other regulatory bodies.

Other Institutions Involved in Investment Promotion Activities in Kenya

Regional Development Authorities (RDAs)

Kenya has six Regional Development Authorities (RDAs) established under specific Acts of Parliament. The RDAs were established with the objective of creating desired regional balance in development through complementing multi-sectoral programmes and projects. Their mandate is to plan, implement, and coordinate development programmes in regions under their jurisdiction to ensure development through integrated planning and management. These Authorities include Kerio Valley Development Authority (KVDA), Lake Basin Development Authority (LBDA), Tana River and Athi River Development Authority (TARDA), Ewaso Ngiro South River Basin Development Authority (ENSDA), Ewaso Ngiro North River Basin Development Authority (ENNDA), and the Coast Development Authority (CDA).

The RDAs have great potential in attracting investments to achieve sustainability and complement the government's efforts in wealth and employment creation. However, a number of constraints inhibit RDAs from achieving its objectives. Some of these constraints include: dependence on the exchequer for their recurrent and capital requirements, enactment of overlapping Acts of Parliament such as Water Act, Irrigation Act, Power Act, etc. that dilute the mandate of RDAs, and diversion of funds for activities meant to be implemented by RDAs to other institutions; poor staff remuneration; lack of autonomy, and absence of a regional development policy.

Box 6: Tana and Athi Regional Development Authority

Tana and Athi River Development Authority (TARDA) is a State Corporation established in 1974 through Act of Parliament CAP 443 to undertake integrated planning, development coordination, and management of the resources within the Tana and Athi River basins. The Tana and Athi River basins covers an area of 138,000 km^2 or 24% of Kenya's land mass including areas covered by the two biggest rivers in the country (Tana and Athi) and Mt. Kenya. TARDA is one of the six regional development authorities.

The Authority's mandate includes: formulation of integrated regional development plans in consultation with other stakeholders, conducting comprehensive resource mapping, establishing resource data banks and identifying resource based investment opportunities in the region; promoting resource-based investment and conservation of resources in the region; acting as a clearinghouse for integrated resource-based investments in the region, as well as monitoring and documenting the levels of development in the region and disseminating the information to various stakeholders. In furtherance of its mandate, TARDA collects and provides investment information relating to the jurisdiction of the Tana and Athi River basins, as well as promotion of investment into these areas. In so doing, the Authority conducts and/or coordinates feasibility studies used to profile bankable investment project for private sector uptake. The Authority's notable achievements include development of feasibility studies and proposals for various projects, and implementation of Vision 2030 flagship projects under its jurisdiction.

Nevertheless, although the basin is richly endowed with a huge natural resource base covering water, land, minerals, forests, mountains, hills, rangelands and a diverse fauna and flora of scenic beauty and attraction, there are a varied number of constraints that has curtailed TARDA capacity to fully exploit them. In the past, the core activities of the Authority (planning, research and development roles) seemingly diminished over the years due to inadequate funding and lack of an appropriate empowering policy for the regional authorities. Progressively, the staffing composition has become increasingly skewed in favour of bottom-heavy support services such that the technical staff complement in the Authority has continued to be drastically reduced over time as a result of natural attrition and inability to attract and retain qualified personnel due to poor remuneration.

Export Processing Zones Authority (EPZA)

The Export Processing Zones Authority (EPZA) is one of the institutions set up to promote investments in Kenya. It was established in 1990 through the Export Processing Zones Act (Cap 517) for the promotion and facilitation of export-oriented investments and the development of enabling environment for such investment.

Specifically, the EPZA's core functions include:

- The development of all aspects of the export processing zones with particular emphasis on provision of advice on the removal of impediments to, and creation of incentives for, export oriented production in areas designated as export processing zones;
- The regulation and administration of approved activities within the export processing zones, through implementation system in which the export processing zones enterprises are self-regulating to the maximum extent; and
- The protection of government revenues and foreign currency earnings.

The scheme sought to facilitate economic growth through increased productive capital investment, jobs generation, technology transfer, backward linkages development, and diversified exports. One of the services offered by the Authority is general management of public land earmarked for export processing zones, which it implements through zone construction, lease of industrial buildings, offices and serviced plots, and provision and maintenance of zone infrastructure.

EPZA has been at the forefront of initiating, promoting and providing attractive investment opportunities for the export-oriented business ventures in the country. So far the Authority has been able to set up 48 Export Processing Zones (EPZs) which are strategically located across the country for business to invest in. By implementing a range of fiscal, logistical and administrative incentives to ensure lower cost operations, rapid set-up and smooth and hassle-free functioning for investors, EPZA has been able to attract companies in the areas of food processing, textiles, commercial handicrafts, transport equipment, electronic and electrical goods, and consultancy and professional services, among other areas.

The EPZ Act has undergone several amendments over the past year that may have resulted in the EPZ becoming less effective in a globalized and liberalized economic environment where firms can access export and local markets upon paying the requisite taxes. In addition, the number of enterprises operating in the zones has declined significantly over time due to an unfavourable local business environment which is characterized by high production costs especially high electricity tariffs. Furthermore, competition from more efficient Asian apparel/garment exporting countries such as China, India, Bangladesh, Cambodia, and Vietnam among others, and the enlargement of the domestic market to include the EAC have affected promotion of investments into EPZs.

Challenges of EPZA

At institutional level, a number of challenges exist that curtail efficient operation of the institution including:

- Inadequate staff skill mix in some departments;
- Insufficient financial resources to undertake programmes within the Authority's mandate;
- Weak enforcement of the provisions of the Act which may have resulted in some investors operating without full compliance with the law;
- Weak administration of existing policies, rules, and procedures.

Since its establishment in 1990, EPZA has had the mandate of promoting investments targeted at the manufacturing sector. However, the emphasis is solely on manufacturing for export and therefore limits the range of products/sectors that can be covered.

Existing investors in the EPZ face various challenges in operating in the present business environment. Globally, the EPZ concept has evolved from just promoting manufacturing for export to encompass a wide range of economic activities under the Economic Zones or Special Economic Zones. Special Economic Zones (SEZ) are selected geographic areas with highly developed infrastructure and with the potential to be developed into agro-industrial, industrial, tourist/recreational, commercial, finance, and technology centres. Economic Zones include Export Processing Zones, Industrial Parks, Research/ Technology Parks, IT Parks, Free Ports and Free Zones.

To address the challenges facing the EPZ programme and to enhance its global competitiveness, there is need to transform the EPZ into SEZs. The SEZs as envisaged will provide policy and regulatory flexibility for a variety of different activities to be undertaken with specific incentives for each type of activity depending on sector priority, and expected economic benefit, among other criteria.

In order discharge its mandate effectively, the Authority needs to enhance its institutional capacity to ensure that it has adequate resources to address the needs of investors. The Authority's physical and human resource capacities also need to be strengthened in order to support its various operations. Additionally, there may be need to decentralize the Authority's services and programme operations to all provinces to increase their access by the investors.

Export Promotion Council (EPC)

Established in 1992, the Export Promotion Council (EPC) was set up to develop and promote export trade in Kenya. Its primary objective is to address bottlenecks encountered exporters and producers of export goods and services with a view to increasing the performance of the export sector. The need to establish the Council was mainly informed by the decision by Government through Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth, to transform the country from an inward looking economy under the import substitution strategy to an outward looking export-oriented economy.

The Council is also mandated to formulate export market strategies; provide leadership, harmonize and coordinate export promotion activities in Kenya, and nurture an export culture in the country. In executing its mandate, the Council indirectly assists in development of investors in the country through export market and product development; and product and export capacity development. The process of export market development involves conducting regular market research, surveys, organizing trade missions, contact promotion programmes, buyer/ seller meetings, trade fairs and exhibitions and inward buying missions.

Since its inception, the Council has done fairly well towards fulfillment of its mandate but not without some challenges and capacity constraints. There is a notable change in export culture to Kenya exports and awareness generated by activities of EPC. As a result there is a growing trend in export business and increasing awareness of Kenyan products in the world markets.

Export development has been prioritized by the government due to its contribution to socio-economic development as cited in various government policy documents. It is envisaged that sustained export development and promotion efforts will enhance foreign exchange earnings needed to cover the cost of imports, and address balance of payments problems, among others. Consequently, the Council has continued to receive government support to effectively develop and promote Kenya's exports, Given that primary agricultural commodities are subject to international price volatility and unpredictable weather changes, over-reliance on such commodities poses risks to the value of the country's exports and to the domestic economy. Therefore, efforts to diversify exportable products need to be pursued vigorously, with a view to increasing the share of manufactured and other high value-added products into the export basket.

Challenges of EPC

Some challenges and capacity constraints that affect operations of the Council include:

- Lack of an appropriate legal framework has curtailed the capacity of the Council to effectively discharge its mandate. The Council was established through a legal notice.
- Inadequate funding for core functions.
- Lack of co-ordination and control on the activities of Commercial attachès in overseas missions.
- Inadequate manpower to strengthen core activities.

Ministry of Industrialization and Enterprise Development

The mandate of the Ministry of Industrialization and Enterprise Development is to provide the policy framework and enabling environment for players in the industrial sector to promote and facilitate industrialization in the country. The vision of the ministry is to transform Kenya into a globally competitive regional hub in line with its Vision 2030. The Ministry has several technical departments involved in the support to manufacturing/industrial value chain. Below is a description of the Departments.

Manufacturing and Vision 2030

The role of the manufacturing sector in Vision 2030 is to create employment and wealth. The sector's overall goal is to increase the annual contribution of the manufacturing sector to GDP by at least 10 percent over the medium-term period as envisaged in the Vision 2030.
Several interventions are proposed in the Vision 2030 and its first medium-term plan which will lead Kenya to be globally competitive and prosperous. The objectives to be pursued in the medium-term period are:

- To strengthen the capacity and local content of domestically manufactured goods
- To increase the generation and utilization of Research and Development results
- To raise the share of products in the regional market from 7% to 15 %
- To develop niche products for existing and new markets
- To achieve these objectives, a set of key target areas have been identified. They include: the development of Special Economic Zones (SEZs), Industrial Parks, Industrial Clusters, promotion of small and medium scale manufacturing firms, development of niche products, commercialization of research and development results, attraction of strategic investors in strategic sectors, such as iron and steel industries, manufacturing of fertilizer, agro-processing, machine tools and machinery, motor vehicle assembly, and manufacture of spare parts.

Department of Medium and Large Industries

The objectives of the Department are to attract local and foreign industrial investments in both medium and large industries, improving their competitiveness by promoting research and development, innovation and technology transfer, and adoption. To achieve these objectives, the department carries out resource mapping, assists in the development of new industries, and improves value addition and product diversification taking into account environmental best practices as well as develops the capacity and capability of medium and large industries.

Department of Industrial Information

The Department of Industrial Information is responsible for the Integration of all industrial-related information and research, and coordination of the development of industrial policies and programmes. To enable it carry out its mandate effectively, the department is divided into two divisions: Industrial Information and Research, and Policy and Programme Development.
The following constitute functions of this department:

- To coordinate the development of industrialization policies and strategies
- To establish areas for development of industrial programmes and projects
- To carry out resource surveys, undertake resource endowment mapping and propose opportunities for investment
- Collect, process, analyse, and disseminate industrial information.

To perform these functions, the department pursues the following objectives:

- Establish a conducive policy and legal framework for industrialization.
- Generate performance indicators for the industrial sector, to facilitate efficient and effective implementation of industrial projects and programmes.
- Enhance the quality, availability and dissemination of the industrial information for rational decision making.
- Conduct research into areas that affect industrialization.

In order to achieve its objectives the department is engaged in reviewing policies and regulatory frameworks to establish a conducive environment for industrialization, developing a framework for programmes and projects in the areas that affect industrialization such as tariffs, resource availability, infrastructure etc., benchmarking local industries to international standards for preparation of relevant programmes and projects, and establishing of an Integrated Industrial Management System.

It is also involved in collecting and processing of timey quality industrial data, establishing of an integrated industrial information centre and establishment of a computerized industrial database in order to enhance the quality, availability and dissemination of the industrial information for rational decision making. The department is also engaged in preparation and undertaking research on product development, access to finance, tariffs, technology, market access and standardization in an effort to conduct research into areas that affect industrialization.

Future Outlook for Promotion of Investment in Kenya

The large number of public institutions participating in investment-related activities has resulted in duplication of efforts and 'territorial' wars that have affected investment promotion. As such, plans are underway to merge promotional activities with a similar mandate. Kenya Association of Manufactures (KAM) and Kenya Private Sector Alliance (KEPSA) are the private sector institutions that are actively involved in the promotion and facilitation of investments in the manufacturing sector and also in advocacy for favorable terms growth of the sector.

C. Rwanda Development Board (RDB)

The Government of Rwanda established the Rwanda Development Board (RDB) in 2008 guided by the Investment Law of 2006. RDB's mandate is to fast-track economic development in Rwanda by enabling private sector growth. The establishment of the RDB consolidated several government agencies previously involved in promoting investment including: the Rwanda Investment and Export Promotion Agency (RIEPA), the Rwanda Commercial Registration Service Agency (RCRSA), the Human Resource and Institutional Capacity Development Agency (HIDA), the Rwanda Information and Technology Agency (RITA), and the Rwanda Office of Tourism and National Parks (ORTPN).

Reporting Mechanism at RDB

The RDB is an autonomous institution. The Chief Executive Officer of RDB reports directly to the President and is a member of the Cabinet. Its activities are overseen by a Board that includes all key Ministers (finance, commerce, infrastructure, and agriculture, among others). This arrangement enables RDB to consult faster with relevant Ministries, to effectively lobby for investment reforms that will attract many foreign investors, and to address challenges that impede the emergence of a viable private sector that can serve as the main engine for Rwanda's socio-economic development.

Functions of RDB

Table 18: Functions of RDB

Function	How RDB Performs the Function
Image-building to brand Rwanda as an attractive place for investment	RDB builds the image of Rwanda, with support from the World Bank's Rwanda Investment Climate Reform Programme, which has been instrumental in improving the country's regulatory environment, building institutions, and reducing the cost of doing business. The project has also been instrumental in creating an investment climate that is competitive and attractive to the private sector. Presently, Rwanda is the most competitive economy in the EAC and third in sub-Saharan Africa. Other image building tools include preparing sector profiles that are uploaded on the RDB website, marketing activities such as advertisements, press-releases; direct marketing, Public Relations Events; providing information to international embassies in the country and Rwanda's embassies abroad.

Function	How RDB Performs the Function
Promoting and attracting foreign direct investment	RDB uses both proactive and reactive approaches in promoting and attracting domestic and foreign investment. In the proactive approach, RDB uses the FDI Intelligence database of the *Financial Times*, which provides customized reports and data research on potential investors that could invest in the sectors it has prioritized. The FDI Intelligence software also provides information on sectors that investors are willing to invest in. If the sector exists in Rwanda, and minimal efforts have been undertaken to promote it (for example the pharmaceutical industry), RDB conducts a sector assessment, develops a sector profile outlining its potential, and why investors should invest in it. RDB focuses on marketable sectors that will increase FDI (sectors that are the easiest to attract), and contribute to the country's economic development goals. In the reactive approach, investors approach RDB and seek information about sectors that hold the greatest potential for them to invest in. Investors are issued with profiles of the sectors they want to invest in, the requisite steps that have to be followed, before they invest in a particular sector.
Investment promotion e.g. investor forums and matchmaking platforms.	RDB prepares pitching materials (one-page profiles) on sectors with potential, delineating the opportunities in the sectors, the return on investment, and available markets. RDB also organizes Business to Business meetings with the private sector and workshops, to promote the country, and also educate the private sector about opportunities that can be tapped into. In these meetings/workshops. RDB in partnership with the Ministry of Foreign Affairs holds bi-annual conferences with all its Ambassadors in foreign countries to educate them about the potential investment opportunities that should be marketed overseas.
Investor facilitation: assist investors analyze investment decisions	At RDB every sector has a designated team of experts who work with investors to assess the pros and cons of investing in a particular sector; and provides them with information on access to markets, the number of businesses that invested in a particular sector, access to raw materials, and the most suitable locations to set up the investment (based on availability of electricity and presence of a skilled labor force). However, the investors in most cases require thorough studies/feasibility studies on the sectors in which they wish to invest that the RDB is unable to provide.
Investment generation: sector analyses and investor identification.	RDB uses a cost saving technique that attracts FDI in greater quantity and quality to narrow the scope of its promotional efforts. As highlighted above, RDB uses the FDI Intelligence software. The software provides information on sectors that investors are willing to invest in. If the sector exists in Rwanda, and minimal efforts have been undertaken to promote it, RDB conducts an assessment about the sector, develops sector profile, outlining its potential, and why investors should invest in it. RDB uses the FDI Intelligence software, which provides customized reports and data research, on potential investors that can invest in Rwanda.

Function	How RDB Performs the Function
Registration of foreign investors and Granting incentives to investors	Once a business among eligible priority sectors and has a capital investment equal to or more than USD 250,000 for foreign investors and equal to or more than USD 100,000 for local and COMESA Citizens, it is encouraged to register for an investment certificate that entitles access to both fiscal and non-fiscal incentives. Non-fiscal incentives include: • Facilitation with tax-related services and exemptions • Facilitation with land acquisition and construction permits • Access to utilities • Facilitation in obtaining visas and work permits • Notary services • Provision of Environmental Impact Assessment Certificate Fiscal incentives include; exemption on capital goods, raw materials and hotel equipment, among others
After-care services to registered investors	RDB has an Investor Aftercare Unit. After an investor is registered with the RDB, they are designated an officer/investor manager by the Unit, who follows up with the project, including providing necessary information and attending to topical issues. RDB works closely/has designated officers in different institutions, including Energy Water and Sanitation Authority (a utility agency), Immigration, Rwanda Revenue Authority and Rwanda Governance Board, to assist investors after they have set up their businesses. Other after care services provided to investors include assistance in product certification, linking investors to credible service providers, including consultancy firms, and suppliers; information on changes in regulations, markets, skilled labor force (wages) and access to finance (through the Rwanda Development Bank).
Policy advocacy	RDB, through its CEO who is a member of the Cabinet, has participated actively in lobbying for the introduction of tax incentives. RDB also lobbied for the creation of Special Economic Zones, an initiative designed to address private sector constraints such as availability of industrial and commercial land, the high cost of electricity, limited transport linkages and low access to markets, among others. The Kigali Special Economic Zone was set up through the merger of the former Kigali Free Trade Zone and Kigali Industrial Park. RDB periodically seeks feedback from investors on the business climate. The feedback is used to revise or amend, where necessary, investment promotion policies.

Source: Interviews with RDB

In addition to the comprehensive set of functions carried out by RDB, the institution would wish to carry out is but constrained by various reasons, including inadequate staff and budgetary constraints. These functions include:

- Monitoring and evaluating investors' projects, to actually establish the impact of the projects on the economy;
- Conducting annual reviews of investor requirements and addressing these needs;
- Carrying out due diligence reviews on prospective investors; to identify those that are serious about investing and will be able implement quality investments;
- Conducting comprehensive diagnostic/feasibility studies/business plans on sectors with potential. Several investors are interested in such studies, but RDB does not have the requisite experience to conduct the studies. Investors also expressed a willingness to pay for such studies, if they were available;

- Assessing the "investment saturation" in sectors that RDB actively promotes. Studies on "investment saturation" will signal to RDB to change its marketing strategy, and advise investors to allocate their resources in sectors that are not saturated, or study the value chain of sectors that are saturated and establish areas that still have potential.
- Conducting surveys on cross-border investments to identify opportunities that can be seized by investors who have invested in Rwanda, within the EAC and COMESA.

RDB's Relationship with Other Institutions Involved in Investment Promotion Activities

RDB's Relationship with Government Ministries, Departments, and Agencies

The relationship between RDB and Government ministries, agencies, and departments provides insight into how FDI is attracted into the country. RDB is an autonomous institution. The Board reports directly to the Office of the President. This reporting structure gives RDB political clout, and a high level of independence in promoting investment and offering high quality services to potential investors.

Through RDB's One-Stop-Centre, it has been able to deal with the administrative barriers faced by investors, and also eliminated duplication of investment activities that were formerly implemented by other Government Ministries, Agencies and Departments. Indeed, RDB's One-Stop-Centre is the first point of contact for investors, and a substitute for several government institutions that previously dealt with investment-related steps, including business registration, licensing of businesses, obtaining permits and visas, acquisition of land and construction permits, and accessing utility services.

At RDB's One-Stop-Centre, there is a designated officer from the relevant Government Ministries, Agencies and Departments that assists an investor with dealing with an investment step that would have required a physically visit to the Ministries, Agencies and Departments.

The RDB's One-Stop Centre, however, also closely collaborates and consults with Government Ministries, Agencies and Departments to ensure that it meets its annual targets in attracting FDI, creating jobs and increasing exports growth from locally manufactured goods. For instance, RDB collaborates and consults widely with the Ministry of Foreign Affairs to attract FDI. Through RDB, the Ministry of Foreign Affairs tasks diplomats abroad to attract investors to the country. Every diplomat is tasked to attract **at least three foreign investors**, annually. RDB, in partnership with the Ministry of Foreign Affairs has also held training workshops for all commercial attachés on how to attract investment (both local and foreign). The training focused on how the commercial attachés can approach and convince investors to invest in Rwanda. Further, RDB through the Ministry of Foreign Affairs provides technical support to Rwandan Embassies to organize road shows showcasing Rwanda as a potential investment destination. Technical support is also provided in making presentations at seminars and workshops to showcase Rwanda as a potential investment destination.

With the other Ministries such as the Ministry of Finance, Ministry of Trade and Industry, and Ministry of Agriculture, RDB seeks and/or lobbies for policies and strategies that will further improve the investment climate, to among others attract more local and foreign investment.

RDB's Relationship with Private Sector Foundations/Associations

RDB and the Private Sector Federation (PSF) have jointly organized exhibitions and road shows as part of efforts to help investors broaden the market for their goods/services. The exhibitions have also enabled networking among investors including business to business meetings through which joint ventures have been formed. At the exhibitions, RDB showcases priority sectors in which Rwanda has a comparative advantage and educates exhibitors (foreign and local investors), on advantages of investing in Rwanda.

In 2012 RDB and the PSF embarked on a strategy to develop the franchising industry in the country, as part of efforts to attract FDI. The franchising model of business has contributed significantly to the development of new small businesses and the rapid expansion of existing businesses. Franchised businesses are known to be more "banker friendly" than the traditional entrepreneurial start up.

RDB's collaboration with the PSF has enhanced foreign investors' perception of Government's objectivity in providing valid and impartial information. RDB in collaboration with the PSF launched the public-private dialogue (PPD) initiative in 2012. The PPD initiative is a new way to develop consensus between the government and the business community, including instituting an atmosphere of mutual trust and understanding towards the growth of a vibrant private sector.

The close relationship between RDB and the PSF has also helped to identify and address problems encountered by both foreign and local investors. Again, through the PPD initiative, challenges impeding the growth of the private sector have been identified, researched, and addressed to boost Rwanda's economic transformation.

RDB's Relationship with Development Partners

Among the Development Partners, the World Bank has been instrumental in funding the RDB in reforming the business investment environment, to enable the country seize sizeable investment opportunities, in several sectors, in which it has a comparative advantage.

At the request of the Rwandan government, in 2008, the World Bank Group's Rwanda Investment Climate Reform Programme supported the development of a robust reform agenda. The programme helped establish the *Doing Business Unit* within the Rwanda Development Board to spearhead Rwanda's reform initiatives and provided technical assistance and expertise to support the implementation of planned legal, regulatory and institutional reforms. Rwanda has made significant progress in reducing unnecessary regulations and establishing a legal framework that is conducive for doing business.

The Rwanda *Investment Climate Reform Programme* is helping the government to attract new investment and create job opportunities, with a specific focus on accelerating investments in the agribusiness sector and in the special economic zone. In addition to supporting ongoing macro-level reforms that have led to significant cost savings to the private sector, the programme is continuing to remove barriers to investment, while supporting the government conduct targeted investment promotion. To date, the government has attracted two investors in the agribusiness sector with the programme's support and has developed a healthy pipeline of additional potential investments.

RDB's Relationship with the Private Sector

The RDB has undertaken several initiatives aimed at instituting a conducive business investment climate for the growth of a vibrant private sector (both foreign and local investors). Indeed, several investors interviewed as part of the Terms of Reference of this Study, noted that they had chosen to invest in Rwanda because of the generally stable political and robust macro-economic environment. The environment for doing business was also applauded.

Another major reason for investing in Rwanda is the availability of new, unexplored investment opportunities for example in steel production for the construction industry, and in the energy sector. Investors interviewed had invested between US $ 2 million and US $ 5 million, and employed between 75 and 300 staff. Part of the capital invested had been borrowed from Commercial Banks that are based Rwanda but headquartered in Kenya.

Some of products/services produced by the investors are exported to the Democratic Republic of Congo and within the EAC, particularly Burundi and Kenya, due to the implementation of proposals, partly advocated by RDB, to facilitate cross-border trade (e.g. the One-Stop-Border Posts).

RDB's Relationship with the Investment Promotion Agencies in the EAC Partner States

There is no evidence of RDB working with other Investment Promotion Agencies (IPAs) in the EAC, which suggests that IPAs in the region operate in isolation. And yet, there are several opportunities that could be seized from working jointly in promoting investment opportunities both in their countries, and as a region. For example, RDB could work with other IPAs, to institute reforms to enhance the business investment climate in their countries, including the reducing the administrative costs of doing business similar to Rwanda.

RDB notes that its staff lacks expertise in critically assessing the potential that exists in the sectors it has prioritized for promotion. Instead, the institution relies on consultants, who are sourced expensively, to carry out detailed analysis of a few sectors. In some instances, RDB has sponsored staff to acquire the requisite expertise from international training facilities. If all IPAs were to work jointly, such shortcomings could be addressed, through regional staff exchange training programmes. The training programmes could be designed around country endowments. Such an initiative would "pool" resources and affordably achieve accelerated and targeted skills capacity development within the region before considering much more expensive international options, as is the current practice.

IPAs working jointly could promote the region as an investment destination, rather than the country specific approaches that have been embarked upon. Investment in regional sector value chains could be promoted by encouraging joint ventures among investors in every country that have invested in that sector.

Regional collaboration of IPAs would also enhance information exchange, by creating an Investment Monitoring Platform (IMP) that could be employed to jointly promote investment and business development opportunities.

In summary, efforts should be embarked upon to jointly promote the region and to link industry with other economic sectors with the EAC as espoused by the Common Market Protocol.

Staffing at RDB

Eighty percent of staff at RDB are involved in actual investment promotion matters, while the balance (20 percent) are in administration. The number of staff that deal with investment promotion matters is, however, inadequate (a shortfall of about 30 percent staff), and, in the views of the Management of RDB, the low staffing levels have had negative impact on RDB's potential to deal with current investors and to also attract FDI. For example, the number of investors that have expressed interest in investing in Rwanda, during the last five years, has increased by over 50 percent, and yet, the staffing levels have remained the same. It is now common to have one staff designated to handle between 5 and 10 investors because of the low staffing levels. Staff are overloaded with own work and other donor programmes, including the World Bank's Rwanda Investment Climate Reform Programme.

It is also worth noting that although the staff have the requisite experience, their skills need to be enhanced to deal with the demands of investors. Investors request for more detailed profiles of sectors, with comprehensive research and trends on the performance of the sectors. However, the staff do not have the skills to conducted detailed sector analyses. Additionally, RDB does not have adequate resources to conduct detailed studies on every sector with potential. Past and current programmes on staff training have focused on equipping staff with skills in investment marketing.

Efforts should be undertaken to increase the number of staff that handle investment promotion matters, and also to enhance their skills to prepare comprehensive feasibility studies/business plans on prioritized sectors.

RDB's Challenges in Investment Promotion

Through RDB's One-Stop-Centre, it would have been envisaged that the first point of contact for investors would the RDB. However all investors interviewed noted that the initial source of information about the investment opportunities in the sectors they invested was through friends who had already invested in the country. The investors were also shareholders of firms, headquartered in Congo, Mali, Angola and Gabon, which had invested in the same sector they wanted to invest in Rwanda. The information they gathered from friends who had invested in Rwanda, and their positions as shareholders of firms in other countries that had invested in the same sectors they wanted to invest in Rwanda, enabled them to conduct preliminary studies on the viability of investing in the sectors they indentified to have potential in Rwanda. The investors, however, noted that RDB was instrumental in providing information and supporting them in the early stages of investing and later setting up their establishments within Rwanda. RDB helped the investors to conduct comprehensive feasibility studies, environmental impact assessments, acquire land in areas with adequate electricity, obtain work permits and construction permits, connect to the electricity grid, and recruit skilled and semi-skilled workers, and identify markets.

RDB has also played a key in role in offering after-care services, particularly in identifying challenges faced by investors in their operations. However, limited progress has been achieved in addressing these challenges that include:

- **Unfair competition from cheaper, low quality imports:** RDB in partnership with relevant Ministries, Departments, and Agencies has failed to deal with the importation of low quality goods into the country that compete with higher quality but also highly priced locally manufactured products.
- **The high cost of electricity:** Costs of electricity in Rwanda are the highest in the EAC region, which increases the cost of production, and in turn, reduces the competitiveness of products manufactured in Rwanda. The costs of production are further increased by the length of the electricity peak hours in Rwanda as compared to other EAC Partner States, of 5 hours in Rwanda as compared to 2 hours in the other EAC Partner States.
- **Uncertainty about the incentives to investors:** Investment projects registered with RDB are exempt from import duty. However, investors were recently approached by officials from Rwanda Revenue Authority who informed them that some of the incentives offered by RDB were unconstitutional. Presently, all investors are paying an import duty of 5 percent.
- **RDB literally "fishes and/or scopes" for investors:** However, it does not factor in the challenges the country is facing that will have a negative impact on the return on investments that are set up within the country. For example, there is insufficient supply of electricity within the country. The current supply can only adequately support the presence of one or two manufacturers in steel. However, RDB continues to market Rwanda, as a key destination for steel production (See Box 7 for more details).

Box 7: The Case of SteelRwa Limited

With an investment of over US $ 8 million, and directly employing over 300 people, SteelRwa Ltd, a foreign-owned company, is the main manufacturer and distributor of high quality, high tensile steel products destined for Rwanda's nascent construction industry. SteelRwa Ltd also exports high tensile steel products to Burundi.

SteelRwa Ltd is located in Rwamagana District; 50 km from Kigali City. The proprietors' decision to set up a steel mill in Rwanda was based on: information received from their friends[40] who had set up investments in the country, the fact that they had requisite knowledge on the operations of steel mill, gained from managing large steel production plants in the Democratic Republic of Congo, Angola, Mali, and Gabon. The proprietors registered their firm with RDB in 2009.

In the medium term, the firm plans to set up branches in Kenya and Uganda. However, this idea might be dropped because of the stiff competition in those countries. Presently, there are over 30 steel mills in Uganda and Kenya. Furthermore, the mild steel scrap, which contributes 100 percent of raw materials in production, is facing depletion in Uganda and Kenya, and yet, new steel mills are being commissioned in those countries. For example, Madhvani Steel, one of East Africa's first steel mills re-opened in 2013, following the rehabilitation of the Steel Corporation of East Africa that was founded in 1964 (Madhvani Group Magazine; February; 2014).

SteelRwa Ltd has a good working relationship with the RDB. In partnership with the Energy, Sanitation and Water Authority (EWSA), RDB was instrumental in assisting the firm to identify the most suitable location for setting up the factory where it would have access to a steady supply of high megawatts (MW) of electricity. RDB also helped the proprietors of SteelRwa Ltd to identify reputable consultancy firms to conduct a feasibility study, and environmental impact assessment, prior to setting up the factory.

Other support services provided by RDB included: expediting the processing of work permits for its expatriates; through RDB, the Ministry of Finance and the Rwanda Revenue Authority was able to exempt SteelRwa Ltd from import duty; RDB in partnership with EWSA was able to address challenges the firm encountered during production, such as unreliable power supply.

[40] The proprietors' friends provided information on the high return on investment that could be realized from investing in Rwanda's steel industry

However, RDB has failed to fulfill on some of its promises. Exemption of import duty was scrapped. Presently, the firm pays an import duty of 5 percent on oxygen that is used in production. Furthermore, enforcement of tax regulations is very stringent. Several business regulatory reform Bills are passed by the Government, without consulting widely with the private sector. The private sector, therefore, has to implement the reforms, however, without much knowledge on how the reforms will affect their businesses. RDB, and key Ministries like Finance and Trade, have also failed to address the issue of unfair competition from similar products imported from Tanzania. SteelRwa Ltd sells a tonne of steel at USD 800, but a tonne of imported steel sells at USD 750. However, in the views of the management of SteelRwa, their steel products are of higher quality than the ones imports.

Production costs are high because of the high electricity costs. According to the Rwanda Prosperity Ecosystem Survey on Business and Investment Climate 2013, electricity charges in Rwanda are the highest in the EAC. Despite the insufficient electricity supply that continues to damage the competitiveness of the steel industry in Rwanda, RDB continues to proactively attract investment in the industry. In the views of the management of SteelRwa Ltd, RDB should re-strategize its approach in promoting more investment in the steel industry. For example, RDB can advise investors to seize opportunities along the steel industry value chain, rather than actual investment in steel production. Investors can be advised to set up oxygen producing plants. Oxygen is a key ingredient in the production of high tensile steel rods. Opportunities in investing in downstream industries like metal fabrication and manufacturing are also many.

D. Tanzania Investment Centre (TIC)

The Tanzania Investment Centre (TIC) was established in 1997 by the Tanzania Investment Act No. 26 of 1997 to be "the primary agency of the Government to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment policy and related matters."

Reporting Structure

TIC reports directly to the Prime Minister's Office for Investment and Empowerment and its activities are overseen by a Board of Directors comprising 7 members representing the public and private sectors. The Board consists of a chairman appointed by the President, two members from both the private and public sector appointed by the Minister and two other members. The Board appoints officers and staff for the Centre.

Core Activities of TIC

TIC's core activities are:

- creating and maintaining a positive climate for private sector investment;
- providing advice to the Government on investment related matters;
- stimulating local and foreign investments;
- facilitating foreign and local investors by providing them with the necessary licenses, work permits, visas, approvals, land derivative title deeds and other facilities under one roof (One Stop Shop), to set up their business in Tanzania
- granting certificates of incentives, investment guarantees and registering technology agreements for all investments
- stimulating and supporting the growth of Entrepreneurship and SMEs in Tanzania;
- providing and disseminating up-to-date information on investment opportunities and incentive available to investors;
- monitoring the Tanzania business environment and growth of Foreign Direct Investment (FDI) in Tanzania.

Other activities performed by TIC are:

- servicing the National Investment Steering Committee (NISC);
- facilitating SMEs growth and their linkages with joint venture partners;
- monitoring the flow of foreign direct investment;
- continually assessing Tanzania's investment competitiveness; and
- changing the government culture through sensitization seminars.

Investment Promotion Tools and Techniques used by TIC

TIC engages in the following investment promotion activities:

Image building: of Tanzania as an attractive place for investment by giving investors access to all necessary and relevant information for making investments in Tanzania, and to further simplify the investment process. TIC uses its website, international and local media, international embassies in the country, and government ministries to promote Tanzania.

Holding investment promotion and match-making forums: TIC coordinates investment promotion events (such as International Investment Forums, as well as the International Investors Round Table Working Group organized with the Tanzania National Business Council, TNBC. For example in 2014, Tanzania Investment Centre (TIC) in collaboration with the Ministry of Trade and Industry and The South African Embassy in Tanzania organized the Tanzania South Africa business seminar that provided a unique opportunity for Tanzania companies to meet potential investors and partners as well as representatives from South African companies interested to do business in Tanzania.

Issuing the TIC Certificate of Incentives: While registering with the TIC and operating under the Certificate of Incentives is not mandatory, the service is available for domestic investment projects with a minimum capital of USD 10,000, and for foreign investors with a minimum capital of USD 30,000. The TIC entitles business enterprises holding the Certificate of Incentives to all benefits applicable under the provisions of the Income Tax Act 1973, the Customs Tariff Act 1976, and the Sales Tax Act 1976.

Monitoring of Investments: TIC operates two "statistics windows" to evaluate investment inflows and policies. One source of statistics is based on registration demands and the investment plans provided by applicants; and the other contains information gathered during field visits to investment sites. There is inconsistency between the two sources of information. The data collected during the registration procedures regarding the impact of investment projects (in terms of employment creation and other socio-economic effects) are inaccurately captured in registration data because applicant investors tend to overstate the positive spill-over's of proposed projects.

Policy advocacy: TIC advocates for improvement in Tanzania's investment by engaging the government, private sector, and other relevant stakeholders to discuss areas for improvement to attract investments.

After-care services: TIC also provides an after-care service for investors including forwarding certain complaints to the Presidential Investors Complaints Bureau (ICB) which is chaired by the Chief Secretary of Tanzania. TIC Aftercare Units conduct project visits and can call meetings to follow up on problems faced by investors. More than 64 percent of surveyed firms maintained a link with TIC after becoming fully operational.

Promoting and attracting foreign direct investment and domestic investment: TIC produces the Tanzania Investment Guide where it summarizes key improvements to the doing business environment and highlights the main incentives and opportunities across different economic sectors. This information is also made available on the TIC website.

Staffing at TIC

TIC has two departments that deal with investment promotion and facilitation: the Investment Promotion; and Investor Facilitation departments. Each department is headed by a Director who supervises two managers. The Director of Investor Promotion supervises Managers in charge of Domestic and

Foreign Investment Promotion. The Director of Investment Facilitation supervises the Project Facilitation Manager and the Aftercare Facilitation Manager. The Managers each have an Officer that they supervise. With the exception of the Investment Promotion Officer, the Investment Facilitation Officer supervises stationed officers from the relevant ministries, agencies and departments who assist investors with obtaining the documentation that they need. Investment promotion activities are performed by one officer. Past and current programmes on staff training have focused on equipping staff with skills in investment marketing.

Funding of TIC

In financial year 2011/2012, 30 percent of TIC's total budget was allocated from the Government, while 70 percent was raised by TIC in donor funds and in fees charged to facilitate investors.[41] TIC receives funds for its activities from (a) government and (b) fees levied (35 percent difference between budgeted and allocated resources) to conduct detailed studies on every sector with potential.

Investment Promotion and Monitoring Tools

TIC has developed in-house competence in the Computer Model for Feasibility Analysis and Reporting system (COMFAR), which consists of a computational tool for investment project evaluation developed by UNIDO. TIC uses COMFAR to conduct social cost-benefit analysis of national development projects prior to their approval.

TIC's Relationship with Other Institutions Involved in Investment Promotion Activities

Overview of TIC's Relationship with Government Ministries, Agencies and Departments

Under the Investment Act, TIC is supposed to liaise with the relevant Ministries to determine investment opportunities in the country and the modalities for accessing them. It is an obligation for all the Ministries, Agencies and Departments to cooperate fully with the Centre in performing its functions to ensure its effectiveness.[42] Based on this provision, Government Officials from the following 6 MDAs have been stationed at the TIC to assist an investor to obtain various licenses and permits that they need to start their business:

- Department of Immigration (responsible for Class A and Class B work permits, for self-employed foreigners and non-Tanzanian employees respectively);
- Ministry of Labor Employment and Youth Development (responsible for Class B work permits);
- Business Registration and Licensing Agency (BRELA) Tanzania (responsible for registration of companies, trademarks, patents, and copyrights);
- Ministry of Industries Trade and Marketing (responsible for business licenses);
- Tanzania Revenue Authority (TRA) - responsible for national government taxation; and
- Ministry of Lands Housing and Human Settlement Development (responsible for access to land).

The designation of an officer at the TIC from the relevant Government Ministries, Agencies and Departments shortens and simplifies the administration procedures for issuing or facilitating investors to obtain the documentation that they need. Investors, on the other hand are spared the inconvenience and cost of visiting the relevant Ministries, Agencies and Departments to get the assistance that he needs.

However, there is need to empower the One Stop Centre to streamline licensing and registration processes in addition to revising the bureaucratic processes. Some industries e.g. the horticulture industry has to endure long and bureaucratic procedures associated with the investment process. In addition, the period for registration and licensing of companies is long. More importantly, although the Open Stop Shop particularly focuses on large sized enterprises and tends to ignore the SMEs yet TIC's mandate includes assisting SMEs.

TIC's Relationship with the Ministry of Finance and Economic Affairs

The Ministry of Finance and Economic Affairs has a representative on the TIC's Board of Directors. This representative along with other members is responsible for overseeing the activities of TIC. In

[41] Tanzania Investment Policy Review, OECD.
[42] Part III; Clause 16

addition, through the Public Private Partnership Act (PPP Act), the Ministry of Finance and Economic Affairs hosts the Finance Unit to assess manage and monitor fiscal risk, to assess affordability of projects, and to appraise value for money from PPPs with a view to recommend PPP projects for approval by Minister of Finance and Economic Affairs. The PPP was passed in 2010 and its objective is to promote private sector participation in the provision of public services through public-private partnership projects in terms of investment capital, managerial skills and technology. Such projects include major projects of infrastructure, agriculture, energy, service sector, transportation. A Coordination Unit (CU) has been created within the Tanzania Investment Centre (TIC), which reports to the Prime Minister's Office Policy and Coordination. The CU is focusing on promotion and coordination of all matters relating to public private partnerships. Line ministries and other contracting authorities are required under the PPP Act to identify, appraise, develop and monitor these projects.

TIC's Relationship with National Investment Steering Committee

This Committee comprises officers from the Ministries of Finance, Planning, Agriculture, Lands, Industry and Trade, Governor of Bank of Tanzania, Attorney General, Human Settlements Development, and the Executive Director from TIC. The Committee is chaired by the Prime Minister. Its role is limited to formulating investment policy, fast-tracking solutions to investors' problems and identifying and removing impediments to investment. The steering committee is also in charge of formulating incentives for projects considered strategic.

TIC's Relationship with Private Sector Associations

TIC's collaboration with Private Sector Associations such as the Tanzania Private Sector Foundation (TPSF) and the Tanzania Chamber of Commerce, Industry and Agriculture, enhances its profile internationally and locally. TPSF, for instance provides a liaison among investors, as well as between private and public sectors, through forums as well as the following activities:

- Local investor roundtables, which aim to facilitate co-operation between domestic and international investors.
- Research to inform policy advocacy strategies – TPSF has in the past made several recommendations on land acquisition procedures, as well as fiscal and tariff barriers to trade and private investment in the country. Government, according to the TPSF board, has been responsive, for instance reducing taxes on private investors following joint advocacy with TPSF.
- Quarterly board meetings, at which any investor issues that raise policy concerns are subsequently communicated to the annual National Policy Forum.

These private sector associations have worked closely with TIC to facilitate and support foreign trade and Investment Missions to attract foreign direct investments. For example in 2014, TPSF organized the "Tanzania-Israel Business Investment Forum (TIBIF) 2014" is supposed to foster business activity aimed at facilitating and promoting matching and cooperation between investors and fast-growing companies based in Tanzania, Israel and other countries.

TIC's Relationship with Development Partners

Among the Development Partners, the United Nations Conference on Trade and Development (UNCTAD) has been instrumental in implementing a programme together with TIC focusing on fostering business linkages between large corporations and local SMEs to enhance the productive capacity, efficiency, competitiveness and sustainability of their relationships with the focus of creating environment for;

- A more dynamic private sector;
- An improved competitiveness of local SMEs, through technological, knowledge and management skills transfer and capital injection;
- An improved micro-economic business environment conducive to the facilitation of business linkages;
- More quality jobs created and/or preserved;
- Presence of TNCs that are more deeply rooted in the local economy; and
- Increased capacity to attract Foreign Direct Investment (FDI) because of successful business linkages and availability of reliable local partners.

The business linkages intervention strategy is premised on the rationale that such linkages can provide commercial market/demand led business solutions for both large companies and SMEs. Intervention under this programme include provision of intensive six days entrepreneurship training Workshops (ETW) to SMEs, Business Development services and facilitation acquisition of funds from financial institutions by SMEs. Since the programme launched, 15 Transnational Corporations (TNCs)/ large companies both local and foreign companies have become partners into the programme such as Vodacom (T) Limited, Shoprite Checkers Limited, and Tanzania Breweries Limited.

TIC's Relationship with IPAs in the EAC Region

TIC collaborates with all the IPAs in East Africa although there is no signed Memorandum of Association between TIC and those agencies. TIC works closely with the department of Investment Promotion of the EAC Secretariat to promote investment opportunities in EAC member countries. TIC also has linkages with other African economic blocs such as SADC.

Challenges Facing TIC

TIC faces the following challenges which affect its effectiveness:

- Limited focus on providing support to SMEs. TIC tends to prefer foreign direct investments in comparison to domestic investments, particularly SMEs.
- Poor regulatory framework.
- Poor coordination among government departments, agencies and private sector associations: The government departments, agencies and private sector associations are supposed to formulate Tanzania's investment policy. However, there is lack of coordination in facilitating public private dialogue and reaching a consensus on the country's investment policy. Inconsistent performance monitoring.
- TIC bases most of its investment data on registered rather than realized investment projects.
- Poor infrastructure.
- Unreliable supply of electricity for industries.

E. Uganda Investment Authority (UIA)

The Uganda Investment Authority (UIA) is a semi-autonomous government agency established under the Investment Code Act 1991. The mission of UIA is to promote and facilitate investments, provide serviced land, and advocate for a competitive business environment. The vision of UIA is to make Uganda a competitive investment destination that stimulates investment growth.

Reporting Structures of UIA

UIA reports to the Ministry of Finance, Planning and Economic Development (MFPED). The activities of UIA are overseen by a Board comprising 15 members from private and public institutions. The Board members are appointed by the MFPED.

Functions of UIA

The Authority is tasked with promotion, facilitation, and policy advocacy for local (DDI) and foreign investments (FDI). Its core functions include assisting foreign and domestic investors in the following areas:

- Promoting Uganda as a leading investment destination in Africa.
- Providing serviced sites, buildings and competitive infrastructure to meet the needs of growing Ugandan-based businesses.
- Facilitation and support to micro, small and medium enterprises (MSMEs).
- Policy advocacy.
- Development of industrial and business parks.

Box 8: Progress on Development of Industrial and Business Parks by UIA

The main industrial and business park (IBP) being set up by the Uganda Investment Authority (UIA) is the Kampala Industrial and Business Park (KIBP - www.kibp.ugandainvest.com), a 2200 acre facility located 11 km East of Kampala. More than two hundred investors have been allocated land in the Park. UIA is also developing two parks on the outskirts of Kampala, at Luzira and Bweyogerere.

Furthermore, UIA is in the process of establishing up-country industrial parks targeting specific manufacturing sectors.

Examples include:

- Soroti IPB is in North East of Kampala Some of this land has been allocated to a fruit farmers association to tap the large fruit potential in the region.
- Kasese IBP in Western Uganda near the border with the Democratic Republic of Congo (DRC), to stimulate value addition to agricultural products and mineral beneficiation in the region.
- Mbarara SME Park for small scale enterprises.
- Mbale IBP is located in Mbale Municipality 250 km East of Kampala.
- The Jinja IBP, which is being re-activated as a major industrial town
- Moroto IBP to target mineral beneficiation activities.

Support provided to investors by UIA

Table 19: Business Support Services Provided by UIA to Investors

Decision Phase/Pre-Investment Stage/ Pre Expansion Phase	Entry Phase
Information on markets	Information on procedures and regulations of doing business
Information on financing	Information on procedures and regulations of doing business
Information on strategic partners (distribution, legal support, recruitment support) and information on relevant industry or sector	Information on markets, prices of commodities, and competitors in the market
Information on sources of plant and machinery	Market study information
Information on available skills and their sources	Sector profiles
Implementation Phase	**Operations Phase**
None	Information on local and foreign markets
	Resolution of problems arising from water supply and corruption
	Information on foreign currency exchange rates

According to UIA, foreign and domestic investors usually request for similar information during the decision or pre-investment and operations phases, while only foreign investors requested for information at the entry phase of their investment cycle.

Investor responses on whether they interacted with UIA during the past two years:

'I visited UIA to enquire about the availability of land at the Namanve Industrial and Business Park for business expansion. They had land available. However, we opted to expand our operations in Arusha, Tanzania, because of the better tax policy for our business sector as compared to Uganda'.

'We moved to Uganda to establish our business at the invitation of the President of Uganda. However, we don't believe UIA is interested in supporting domestic investors. My business partner visited UIA a few years back to enquire about joint venture opportunities and sources of financing for expansion. He is Uganda. The staff he met informed him that before investing in Uganda, he should have ensured that he had adequate financing. We have not visited UIA since and have no plans to do so'.

Investment Promotion Mechanism/s Used by UIA

The methods currently employed by the institution to disseminate information on investment opportunities include:

- The UIA website
- Investment missions abroad focusing on the European Union, USA, South Africa, the Middle East, and Asia (China, Japan, and Malaysia).
- Local media: radio, television, and a special feature in the Thursday edition of the national newspaper: The New Vision.
- Electronic promotional materials are periodically emailed to: international embassies in Uganda. Promotional materials on Uganda's four priority sectors are emailed to Uganda's embassies overseas, and to the liaison officers of UIA at the Office of the Prime Minister, MFPED, and the Ministry of Trade, Industry and Cooperatives.
- Hold meetings with members of the Kampala City Traders Association (KACITA) to encourage them to transition from trade to manufacturing.
- Collaborate with and participate in activities organized by the Private Sector Foundation Uganda (PSFU), Uganda Manufacturers Association (UMA), and Uganda Small Scale Industries Association (USSIA).

During 2013, the institution provided the following services to investors and other entrepreneurs:

- The UIA website: http://www.ugandainvest.co.ug, which the institution's online promotion tool. The website provides information on: business registration procedures, online licence application procedures, land requests, and industrial and business land; SME activities; media services; and the one-stop centre. UIA operates a 'one-stop facilitation service' at its offices that include registration with the Uganda Registration Services Bureau URSB) and contact with officials from Uganda Revenue Authority (URA) for tax advice and registration issues, the Directorate of Citizenship and Immigration Control for work permits and residence advice, and the Lands Department. The investor tools webpage provides links to business registration procedures, online licence application, land requests, and industrial and business land;
- Organized workshops to promote domestic and foreign direct investment
- Provided hands-on skills training to SMEs in partnership with Makerere University, Entrepreneurship
- Promoted and attracted FDI using e-marketing and brochures distributed to Uganda's embassies overseas and international embassies in Uganda
- Investor forums and matchmaking platforms including: business-to-business meetings, joint venture partnerships for local and foreign investors.
- Assisted investors with accessing utilities, obtaining work permits, and land acquisition.
- Introduced investors to financial institutions e.g. Uganda Development Bank (UDB) for agro-processing, and Standard Bank of Africa (U) Limited (Stanbic Bank (U) Limited.
- Provided after-care services to registered investors
- Prepared sector profiles and brochures for companies
- Provided information to investors about foreign currency exchange rates, sources of financing, plant and machinery, where they could recruit staff with the required skills, prices of commodities, and competitors in the market.

Staffing at UIA

UIA employs 54 staff and most of them (45 staff) provide investment promotion and investor facilitation services. However, the institution has manpower shortages in its core service divisions. UIA does not have the budget to recruit 7 additional staff. The staff remuneration is also low.

UIA lacks funding for training programmes and staff only participate in training programmes that are fully funded. During 2013 staff participated in training programmes organized by the Governments of Egypt, China, and Turkey. However, staff require retraining on online tools to track investments.

Funding of Uganda Investment Authority (UIA)

UIA is funded solely by the Government of Uganda. The institution is severely underfunded. Only 50 percent of its budget request has been approved since the financial year 2011/2012. The funds released ranged from 50 percent to 88 percent of the approved budget (Table 20).

Table 20: Budget of UIA for the Financial Years: 2011/12 to 2013/14

Item	FY: 2011/12	FY: 2012/13	FY: 2013/14
	Budget Requested		
Total (USH)	23,700,000,000	13,232,470,252	13,232,470,252
Funding for industrial parks (USH)	19,000,000,000	7,363,225,000	7,363,225,000
Recurrent expenditure (USH)	4,700,000,000	5,869,245,252	5,869,245,252
	Approved Budget		
Total (USH)	11,813,225,000	6,440,000,000	6,443,740,000
Funding for industrial parks (USH)	7,363,225,000	2,690,000,000	2,690,000,000
Recurrent expenditure (USH)	4,450,000,000	3,750,000,000	3,743,740,000
	Releases		
Total (USH)	5,960,336,830	5,646,814,544	4,292,954,035
Funding for industrial parks (USH)	2,851,856,222	1,896,814,544	1,681,250,000
Recurrent expenditure (USH)	3,108,480,608	3,750,000,000	2,611,704,035

Other institutions involved in investment promotion activities in Uganda, and their relationship with UIA, where it exits

The Office of the President and the Office of the Vice President

The Presidency, (which includes the office of the president and that of the vice president), is a key institution active in the promotion of FDI to Uganda. It is now the policy of the presidency to meet with Ugandans living overseas, and with members of the international business community to disseminate information on Uganda's investment climate, with the ultimate objective of presenting Uganda as an attractive destination for investment.

Presidential Investors' Roundtable (PIRT)

The President established a private sector forum called the Presidential Investors' Roundtable (PIRT), which identifies obstacles to private sector growth and recommends action. The Forum comprises 22 members from the private sector of which 50 percent are Ugandan entrepreneurs and 50 percent are foreign business owners.
The Prime Minister, other ministers and Uganda's missions abroad also meet with the international business community and promote Uganda as an investment destination. UIA supports or coordinates most of these activities by providing the promotional material and profiles.

The Ministry of State for Investment in the Ministry of Finance, Economic Planning and Development (MFPED)

The Ministry of State for Investment in MFPED is tasked with investment promotion, and supervision of UIA.

Investment promotion activities by the Ministry of State for Investment in partnership with UIA include:

- Participating in international summits to promote Uganda.
- Encouraging investments in different regions of Uganda
- Informing prospective investors about opportunities that exist in Uganda at conferences, workshops and seminars.

Ministry of Trade, Industry and Cooperatives

The Ministry of Trade, Industry and Cooperatives develops national industrialization policies e.g. the National Industrialization Policy, and sector-specific policies that include the National Sugar Policy, and the National Textiles Policy. For example, under the National Sugar Policy, investors in the sugar industry are required to obtain a Certificate of Clearance from the Ministry in order to operate in specific zones.

The Ministry of Trade, Industry and Cooperatives participates in attracting investors to Uganda. Ministry staff mobilize the business community and Ugandans living in the diaspora during international delegations overseas and also meet with investors who visit the Ministry.

Although, the Ministry's interaction with UIA is not formalized, it periodically requests UIA for information from its investor database to guide policy making. Investors who visit the Ministry usually request for market data, reports on sector-specific value chain analyses, and sector studies.

Development Partners

Netherlands-Uganda Trade and Investment Platform (NUTIP)

Several foreign missions in Uganda participate in investment promotion activities. Notably, the Embassy of the Kingdom of the Netherlands has established a Netherlands-Uganda Trade and Investment Platform (NUTIP). NUTIP aims to be the voice of the Dutch and Ugandan-Dutch linked businesses in Uganda, collectively lobbying for improved access to the Ugandan market, stimulating trade and investments, and sharing knowledge and experiences. Members pay an annual subscription fee of USD1000, which is the sole source of funding for the platform. The objectives of NUTIP include:

- Bringing together businesses from the Netherlands and those from Uganda to promote common private sector investment interests
- Work as a one stop centre for information about the investment environment in regard to opportunities, research, challenges, policy briefings, matchmaking. Large companies are expected to mentor the SMEs to success.
- Create market linkages between the Netherlands and Uganda
- Promote a good working relationship of the Private sector communities in the two countries but also bilateral and, where possible Europe - Uganda relations
- Act as a precursor to the establishment of Chambers of commerce not just by the Netherlands but also Europe as a whole

Additionally, the Kingdom of the Netherlands provides specific results-driven, technical support to UIA for example to undertake a stakeholder mapping exercise.

United Nations Industrial Development Organization (UNIDO)

The United Nations Industrial Development Organization (UNIDO) mobilizes funds to support industrial development programmes aligned to National Development Plans, for example: product certification, accreditation, and meteorology in partnership with the Uganda National Bureau of Standards (UNBS); support to UIA to attract FDI, support through its regional investment promotion agencies, and company matchmaking support, for example the Subcontracting and Exchange (SPX), which is a technical cooperation programme that links domestic enterprises in developing countries, such as Uganda, to the supply chains of large domestic and international companies with the aim of developing the local SME capacity to identify profitable business opportunities and meet buyer needs.

World Bank

The World Bank provides financial and technical support to Uganda to enable it improve its investment climate: In 2010, with support from the World Bank, Uganda launched its Uganda Investment Climate Programme (UICP) to implement reforms to improve the business environment, streamline its regulatory regime, and develop better investment policies. As a result, in 2011, the Ministry of Finance appointed the Business Licensing Reform Committee to make specific recommendations to the Government reducing bureaucratic burdens to doing business in Uganda. The World Bank has also implemented projects related to infrastructure development and competitiveness of the country with the objectives of improving the investment climate of the country.

The World Bank collaborates with the UIA on projects aimed at reducing costs of doing business in Uganda and improving the country's investment climate. The Second Private Sector Competitiveness Project, a Government of Uganda/ World Bank funded project focused on the development of *Kampala Industrial Business Park* managed by UIA.

Private Sector Foundation Uganda

Private Sector Foundation Uganda (PSFU) is an umbrella organization comprising 175 business associations, corporate bodies and major public sector agencies. The vision of PSFU is to be the national leader partner in Private Sector development. Its mission is to strengthen private sector capacity for effective advocacy and market competitiveness. PSFU has served as a focal point for private sector advocacy as well as capacity building and continues to lobby for reforms on behalf of the private sector. PSFU has developed a strong working relationship with UIA. UIA participates in all events organized by PSFU. Additionally, PSFU collaborates with the UIA in conducting the Private Sector investment monitoring surveys. The surveys provide invaluable information that is used in public policy decisions, and participates in regional conferences aimed at harmonization of policies and reforms in the East African region.

Uganda Manufacturers Association (UMA)

The UMA organizes multi-sectoral trade fairs for its member companies to promote their products to the local, regional and international market. Participants include domestic and international companies. UIA in partnership with UMA employs these events as an investment promotion platform.

Other Institutions

UIA is a member of the COMESA-RIA. The Authority, however, does not have formal links with the IPAs of the EAC Partner States. UIA shares data on investors with various institutions, for example: Uganda Bureau of Statistics (UBOS), Bank of Uganda (BOU), Uganda Revenue Authority (URA), MFPED, UMA, Ministry of Trade, Industry and Cooperatives, and the EAC Secretariat in Arusha.

Challenges faced by UIA

UIA's challenges include:

- Severe underfunding, which affects implementation of its programmes, staff recruitment, staff training, and staff remuneration, resulting in a relatively high staff turnover rate.
- Lack of an established investor feedback mechanism
- Limited capacity to provide market intelligence, and conduct comprehensive sector specific studies.
- Limited progress on improving Uganda's business environment indicators, which undermines the institution's investment promotion activities.
- UIA's mandate is ambitious. However, it is not supported with the requisite financial and human resources to ensure its effective implementation.
- A political climate that is perceived to be fragile due to representations in the international press.

Annex II: Benchmarking with selected IPAs

The aim of benchmarking EAC IPAs is to compare the best practices with among some select IPAs in Africa, and the rest of the world. For this study three countries have been chosen, i.e. Singapore, Malaysia and Mauritius. Singapore and Malaysia are not only among the best performing economies in the world, but their IPAs have come through as among the best performers in promoting investments in the world. The choice of Mauritius is motivated by its IPA having performed very well resulting in Mauritius being rated as top performer in Africa. The three countries have also shown consistent and improved practices, procedures, and conditions for investment promotion as reported in various reports[43], e.g. the Global Competitiveness Report 2014 of the World Economic Forum and the World Bank's Doing Business Report 2014.

An analysis of performance on the global competitiveness for the past two years shows that Singapore has ranked as number 2 out of 148 countries, while Malaysia has ranked 24th. Mauritius has remained the best ranked country in Africa for several years and was ranked at position 45 in 2013-14 rankings. Rwanda has been the best performer in East Africa – see Table 21 and 22. The other reason for choosing Singapore and Malaysia is because of their IPAs pay special emphasis on manufacturing which is central to this study.

Table 21: Comparison of the Global Competitiveness Index Rankings of Selected Countries (Ranking out of 148 Countries)

Country	2014 Rank	2013 Rank
Singapore	2	2
Malaysia	24	27
Mauritius	45	42
Rwanda	66	72
Kenya	96	94
Uganda	129	126
Tanzania	125	122
Burundi	146	141

Source: Compiled from World Economic Forum, 2013

The three countries have transformed themselves into global business destinations; leveraging on political stability, a free market economy, and good governance just to mention a few of the key strong areas. The analysis of the World Bank' Doing business report, confirms that similarly the same countries have done very well and Singapore has ranked position 1 for two consecutive years, Malaysia was position 6, while Mauritius was the best in African ranked at position 20. Rwanda was top among the EAC partner states and ranked very highly at position 32 overall, this clearly goes to indicate that there is something good that other EAC IPAs can borrow from Rwanda's IPA – Rwanda Development Board (RDB). The institutions benchmarked with EAC IPAs are Economic Development Board (EDB) of Singapore, Malaysia Industrial Development Authority (MIDA) of Malaysia, and Board of Investment (BOI) of Mauritius.

[43] According to World Bank's Doing Business 2014, Singapore topped the global ranking on the ease of doing business, Malaysia was position 6, while Mauritius was top in Africa and position 20 overall. Joining it on the list of the top 20 economies with the most business-friendly regulatory environments.

Table 22: Comparison of Doing Business Rankings of Selected Countries

Country	DB 2014 Rank	DB 2013 Rank	Change in Rank
Singapore	1	1	0
Malaysia	6	12	-6
Mauritius	20	19	1
Rwanda	32	52	-20
Kenya	129	121	8
Uganda	132	120	12
Tanzania	145	134	11
Burundi	140	159	-19

Source: World Bank, Doing Business 2014

Economic Development Board (EDB)-Singapore

Singapore is today ranked among the world's strongest and most competitive economies. Forty years ago, it had a very different economy. It was beset with an acute housing shortage and severe unemployment. The Economic Development Board (EDB) has played a key role in developing Singapore's economy, creating wealth and jobs for the population. Established in1960, the EDB is Singapore's one-stop and lead government agency for planning and executing economic strategies to enhance Singapore's position as a global hub for business and investment. The EDB seeks to facilitate and support both local and foreign investors in manufacturing and services sectors to develop and expand new business opportunities, especially capital-intensive, knowledge-intensive, and innovation-intensive activities. The EDB works closely with the Ministry of Trade and Industry to provide long-term planning and strategic direction to Singapore's industrialization programme in terms of specific industrial trends and target industrial sectors. Its vision is to promote Singapore as a compelling global hub for business and investment, and its mission is to create sustainable GDP growth for Singapore, good jobs and business opportunities for the population. EDB relies on the following key elements to achieve their mission and vision:

- **Attracting foreign investments:** They are a one-stop agency which facilitates and supports local and foreign investors in both manufacturing and services sectors, as they move up the value chain to achieve higher sustainable returns and seek out new business opportunities.
- **Growing industry verticals:** While Singapore commands global leadership in many areas, they focus on expanding and extending existing industry verticals. Exploring new growth areas will contribute towards creating good jobs and sustaining its competitiveness.
- **Enhancing business environment:** While interacting with investors and promoting investments, they provide feedback to other government agencies to ensure that infrastructure and public services remain efficient and cost-competitive. This ensures that Singapore maintains a premier pro-business environment.
- **EDB strategies:** EDB has embarked on two strategies to make Singapore more competitive in the global market:
  - World Singapore: This is a new growth formula connecting Singapore to the World, and the World to Singapore. World Singapore is grounded in values of Trust, Knowledge, Connected and Life. These are based on Singapore's unique blend of competitive strengths that makes them the location of choice for global enterprises. These strengths include its **strong governance, unparalleled connectivity, talented manpower, excellent infrastructure and emphasis on innovation.** World Singapore forms the bedrock of a world-class business environment that ensures the long-term viability of projects and Singapore's economic and political stability. It's only when all the various factors and business are favourable that investors will be committed to make capital-intensive investments in Singapore.
  - Future Singapore: Future Singapore is about "The Future in Singapore" and "Singapore in the

Future". This means having new creations, new innovations, new products, new services, and technology – in Singapore. It is about bringing in talent, investors and businesses to contribute to creating the Singapore of the future. The idea emerged from careful analysis of emerging markets, technologies, business perspectives and global trends. As part of the Future Singapore initiative, they have identified three business growth themes. These are areas in which Singapore faces challenges, offers opportunities and has the potential to serve as a working model and test-bed for new ideas. These are: (i) Urban solutions, (ii) Lifestyle, (iii) Ageing, healthcare and wellness. These are horizontal business themes which add to, and cut across, the existing industry clusters in Singapore to offer various new business possibilities.

Lessons from Singapore

A number of factors can perhaps be discerned as having contributed to EDB's pivotal role in Singapore's economic growth.

i. Clear and strong government support that is translated into the operating institutional framework—a one-stop, pro-business quasi-public agency, with resources for implementation.
ii. The EDB philosophy of 'committed to deliver, courage to dream and bold in design', which has resulted in a carefully crafted economic development programme.
iii. The capacity to change, to stay ahead of world trends, innovate and make quick adjustments to meet changing times. Such legerity is crucial to staying competitive. The Singapore EDB experience is a reassertion of other aspects of Singapore's post-independence development that provides one model of how given the appropriate operational environment, concepts can be translated into practical programmes and implemented to achieve the desired results.
iv. **Focus on Talent** – EDB pays major attention to attracting highly motivated, the best human personnel in the market and nurturing the special talents. This helps in innovation and dynamism in generating new ideas and solutions.

Manufacturing companies are encouraged to adopt more capital-intensive modes of operation and upgrade to higher skilled and higher value-added activities. To assist, the EDB has set up the EDB Investments Pte Ltd (EDBI), wholly owned investment arm of EDB, to make investments into companies that will grow key industry clusters and promote emergent technologies and innovations. Through the EDBI, the EDB seeks to catalyse growth in various new growth areas. For example, in the area of private equity, it has set up the Technopreneurship Investment Fund (TIF), wholly owned by EDBI, to draw more venture capital activities to develop a venture financing industry in Singapore, and grow locally based companies with high growth potential.

Malaysia - Malaysia Industrial and Development Authority (MIDA)

The Malaysian Industrial and Development Authority (MIDA) is the government's principal agency for the promotion of the manufacturing and services sectors in Malaysia. MIDA assists companies which intend to invest in the manufacturing and its related services sectors as well as facilitates the implementation and operation of their projects. The wide range of services provided by MIDA includes providing information on the opportunities for investment and facilitating companies which are looking for joint venture partners.

Functions of MIDA

- To promote foreign and local investments in the manufacturing and services sectors;
- To facilitate cross border investments and assist Malaysian companies to identify markets and investment abroad;
- To undertake planning for industrial development in Malaysia
- To recommend policies and strategies on industrial promotion and development to the minister of international trade and industry;
- To evaluate applications for manufacturing licenses and expatriate posts; tax incentives for manufacturing activities, tourism, R&D, training institutions and software development; and duty exemption on raw materials, components and machinery;
- To assist companies in the implementation and operation of their projects, and offer assistance through direct consultation and co-operation with the relevant authorities at both the federal and state levels;

- To facilitate the exchange of information and co-ordination among institutions engaged in or connected with industrial development;
- To further enhance MIDAs role of assisting investors, senior representatives from key agencies are stationed at MIDAs headquarters in Kuala Lumpur to advise investors on government policies and procedures. These representatives include officials from the ministry of finance, ministry of human resources, immigration department, royal customs Malaysia, department of environment, department of occupational safety and health, Tenaga Nasional Berhad and Telekom Malaysia Berhad.

Lessons from MIDA

i. MIDA provides its full range of services via specific dedicated divisions: In addition to its Headquarters, MIDA provides the following contact points for domestic investors not based in Kuala Lumpur, and has opened offices in 29 countries overseas:

ii. One of the most innovative strategy by MIDA is the formation of the Cross border Investments Division aimed at enabling Malaysian companies to become part of the global production network, which is one of the main thrust of the Third Industrial Master Plan (IMP3). Besides promoting foreign and domestic investors to invest in Malaysia, the Government is also encouraging Malaysian companies to venture overseas to expand markets, tap new investment opportunities and acquire new technologies.

iii. Cross Border Investments (CBI) have been regarded as a natural phenomenon in any country which has attained a fairly high level of economic development. Many Malaysian companies have now acquired specialized know-how and technical expertise which enable them to form strategic mergers and acquisitions or smart partnership (joint ventures) overseas. This is something that can be nurtured in EAC especially in the context of the strategic industries.

iv. To further intensify the promotional activities and assist Malaysian companies to expand their operations abroad, MIDA has opened 29 officers overseas.

v. A fund has been established - Malaysia-Singapore Third Country Business Development Fund The Fund allows Malaysian and Singaporean enterprises to cooperate and jointly identify investment and business opportunities in "third countries". The fund is a matching grant that can be used for joint missions, joint feasibility studies (target specific due diligence studies or pro-active searches) and joint market research in third countries prior to committing an investment.

vi. The other important aspect is the demarcation in dealing with big and small business. Malaysian government has set up a separate entity to deal with SMEs – SMIDEC. This is realization of the fact that SME have different demands requirements from the bigger players.

vii. In Malaysia – most of the trade and investment promotion institutions are all housed in one building. These include MATRADE (Exports promotion agency); SMIDEC (SME promotion), MIDA, Information Centre; Exhibition Centre etc.

viii. Other important aspects of MIDA:
  - Understanding the investment climate- The investment climate of a country is a prerequisite for attracting FDI. Therefore, improving the investment climate and making it easier for investors to invest must be part and parcel of any FDI promotion strategy.
  - The IPAs have well motivated teams and focus a lot on targeting on talent and innovation.
  - Understanding the role of research & policy advocacy in enhancing an enabling investment environment via information dissemination, and advisory role to government. Creating an investment promotion strategy. The objective is to create an enduring investment promotion strategy by way of applying experiences borrowed from other IPA's.
  - Using the internet as a tool for investor outreach. In this regard, staff responsible will be required to implement information technology solutions for tracking and management reporting.
  - Understanding and making use of the operations of one stop shop.
  - The use of IT as a platform for investor facilitation. Most of the investor services are provided on-line e.g. enquiries, business applications, and registration.
  - For Malaysia, to further enhance MIDA's role of assisting investors, senior representatives from key agencies are stationed at MIDA's headquarters in Kuala Lumpur to advise investors on government policies and procedures. These representatives include officials from the Ministry of Finance, Ministry of Human Resources, Immigration Department, Royal Customs Malaysia, Department of Environment, Department of Occupational Safety and Health, Tenaga Nasional Berhad and Telekom Malaysia Berhad.

- SMIDEC, which takes care of the SMEs has a similar arrangement but rather than being stationed in SMIDEC, the officers are apportioned a day during the week, when they came together in SMIDEC offices, and the investors can come over for the services under one roof.

Mauritius Export Development and Investment Authority

In recent years, Mauritius has emerged as one of the strongest economies in sub-Saharan Africa. Resting on a broad-based and resilient economy, the country is poised for further growth as it sets out to become a major business and financial hub in the region. In World Bank's Doing Business Survey 2014 Mauritius ranks 1st in the African region and 20th in a 189-strong country list. In the Global Competitiveness Report 2014 of the World Economic Forum, Mauritius performed better than the rest of Sub-Saharan countries.

Mauritius has transformed itself into a competitive global business destination, leveraging on a long history of political stability, free market economy and good governance, and has embarked on a new era of business-friendliness. Its reputation as a choice tourist destination is also second to none in Africa.

The Board of Investment (BOI) is the official Investment Promotion Agency of Mauritius and has over the years, developed a strong partnership with the private sector by improving the investment climate and encouraging innovation. Indeed, BOI was also awarded the top prize for Policy Advocacy by the WAIPA (World Association of Investment Promotion Agencies) in 2008. In this regard Mauritius emerged as a natural case study in the Eastern and Southern Africa region to compare best practices among IPA'S.

Mauritius is located 2400 km off the South-eastern coast of Africa with population of 1.2 million consisting of people of Indian, Chinese, European and African origin. It has land size of 1,865 square Kilometers which is predominantly agricultural. As a growing business and financial hub, Mauritius offers numerous investment opportunities, both on shore and off shore. There are plenty of opportunities in the traditionally strong economic sectors as well as in the island's many rapidly emerging sectors. Ideally located at the crossroads of Europe, Africa and Asia, the country also offers an ideal platform for holding and structuring investments in many of the world's fastest growing economies.

BOI has put at the disposal of the international business community a personalized range of services to attract international investments and talent to the country. BOI's team of professionals, university graduates with strong industry expertise, is well equipped to provide invaluable guidance for successful business set up in Mauritius. BOI also has international offices in Paris and Mumbai and strong links with their worldwide network of consulates.

BOI services are based on Industrial clusters. These are:

i. International business services - Covers financial services, telecommunication services, professional services, process outsourcing, education, logistics and distribution.
ii. Manufacturing, agri-business, energy and environment - Covers agri-business, environment, engineering, light processing, textile, precision engineering, accessories, and electronics amongst others.
iii. Hospitality and property development - Covers IRS, office buildings, business/industrial parks, shopping malls, hotel development, leisure and amusement parks, heritage tourism.
iv. Sciences and healthcare industry - Covers health institutions, pharmaceuticals, traditional medicines, medical devices, health tourism.
v. Emerging sectors (New business development) - Covers new markets and new industries
vi. Work and live cluster

Lessons from Mauritius

- BOI has internally developed an Information Management System that is accessible to all staff and covers all activities of BOI. This system generates reports from all major activities undertaken by the institution and hence keeps all members updated in terms of information. The Government has an IT portal that is linked with other agencies, including BOI. This helps BOI to keep abreast with information from other government agencies.
- The system also captures investment inflows and includes all the pertinent details including the physical address, location and contact details of an investment. Potential investments are classified into high, medium and low probability categories and are tracked each time some progress is made relating to the project. This information helps to determine the level of investment for each project in terms of capital, labour and management. This is very practical taking into consideration that an IPA requires to be able to speak with authority on trends of both inward and outward investments.
  - The country has implemented low and simple taxes, with the tax law being amended to provide for a harmonized tax rate of 15 percent for both personal and corporate entities. There is also one deduction for each taxpayer which has a single tax form. There is no progressive rate of tax anymore and the statistics show that a higher amount of tax is now being collected.
  - Capacity building and training is provided by Enterprise Mauritius, for players in the manufacturing sector, and make them export ready. Also assist those manufacturing for the domestic market (operational efficiency, costs, productivity, etc).
  - Training is critical for the local investors to appropriately make use of money loaned to them. Universities have introduced a module on entrepreneurship for all courses.
  - Private sector has been sitting on the negotiating table with government when they are going into multilateral negotiations.
  - The Government has ensured stronger coordination and partnership with all government agencies, there is continuous dialogues and meeting between partners and relevant stakeholders. BOI and its sister agencies (such as MEXA) and the Private sector have developed a very close working relation. The Chamber has a good working relationship with government and regularly accompanies delegations that go out for international negotiations, e.g. WTO, SADC, etc.
  - Industrial clusters - BOI have concentrated on an organizational structure that is based on Industrial clusters. This enables each Director and manager to concentrate on a particular sector to attract investment and facilitate investors in that sector. Mauritius has a strong coordination s, coordination between the government agencies and cooperation with the private sector.

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Annex IV: List of People interviewed

Last Name	First Name	Position in the Company/Organization	Company/Organization Name
Abimphire	Moses	Country Manager	Delta Petroleum
Bayite-Kasule	Stephen	Policy Officer, Agribusiness and Economic Diplomacy	Embassy of the Kingdom of the Netherlands, Uganda
Bazikamwe	Emmanuel	Adviser	General Directorate of Industry-Ministry of Trade, Industry, Posts and Tourism
Dennis	Keya	High Commissioner	British High Commission Kenya
Jaquay	Meg	General Manager	JAKANA Foods
Joseph	Kioko	Programme Officer	Kenya Investment Authority
Kabura	Antoine	CEO	Burundi Investment Promotion Agency
Kariuki	David	Director	Maj Chemie
Kasozi	Robert		Uganda Manufacturers Association
Kennedy	Mohochi	Director	KEPSA
Kigozi	M.	Executive Director	Uganda Manufacturers Association
Kimuri	Erastus	Director of Industries	Ministry of Industrialization
King	Caleb	Manager	Amahoro Energy
Krischke	Hubert	Managing Director	Franconia Investments Limited
Maitre	Christopher	General Manager	Maurel et Prom (T) Ltd.
Mansell	Claude	Managing Director	Minimex
Manzi	Antoine	Director of Advocacy, Communication and Labor Relations	Private Sector Foundation
Manzi	Benjamin	Director of Investments	Development Bank of Rwanda
Masozera	Claudine	Country Manager	BUCAFE
Mohammed	Nazeem	CEO	Kampala Pharmaceutical Industries (1996) Limited
Msafari	John	Administrative Director	Alpha Group
Mugabe	Fiona	Technical Liaison Officer, Rwanda	Private Sector Foundation
Muhizi	Robert	Division Manager (Manufacturing Development Division)	Rwanda Development Board
Musee	Mwalimu	General Manger (Investor Service)	Kenya Investment Authority
Musoke	Ruth B.	Director, Member Services	Private Sector Foundation, Uganda
Mutambi	Joshua	Commissioner	Ministry of Trade, Industry, and Cooperatives, Uganda
Mwangi	Francis	Country Manager	Kobil Burundi

Last Name	First Name	Position in the Company/Organization	Company/Organization Name
Nambooze	Anna	Competitiveness Analyst, Regulatory Reform	Competitiveness & Investment Climate Strategy (CICS) Secretariat
Naresh	Mehta	CEO/Director	Power Technics Limited
Ndayishimiye	Leonidas	President	Burundi Manufacturers Association
Ndungo	Jane	Manager (Trade Policy Analysis)	Export Promotion Council
Nijimbere	Econie	President	Federal Chamber of Commerce and Industry of Burundi
Niyongendako	Jean Claude	Adviser	Ministry to the Office of the President Responsible for East African Community Affairs
Noonkileti	Fred	Performance Improvement Officer	East African Portland Cement Co. Ltd
Nshimiyimana	Dominique	Product Development Officer (Trade and Manufacturing Department)	Rwanda Development Board
Ochieng	Brighton	Site Director	Glaxosmithkline (GSK)
Odong	Francis Gimoro	Principal Engineer	Ministry of Trade, Industry, and Cooperatives, Uganda
Ogot	Mark	Senior Assistant Director (Economic Affairs)	Ministry of the East African Community
Ogwang	Valentine	Director, Investment Promotion Services	Uganda Investment Authority
Otieno	Maurice	General Manger (Research & Planning)	Export Promotion Council
Otto	Bruno	Head of UNIDO Operations, Uganda	UNIDO
Pivin	Shah	CEO	Surgipham Ltd
Rubayita	Eric	Director of Asia and Oceania	Ministry of Foreign Affairs and Cooperation
Rwangasore	Angelique	Administrative Assistand to the Director General/ Trade and Investment	Ministry of Trade and Industry
Shah	Vimal	CEO	BIDCO Oil Refineries Limited
Shah	Dipak	Director	BIDCO Oil Refineries Limited
Shahapure	Aniruddha	Manager (Business Development Automation & Control)	Power Technics Limited
Sindayikengera	Severin	Professor	Institute of Food and Technology
Sonji	Salim	CEO	SIPHAR
Telesphore	Mugwiza	Director of Industrial Development Unit	Ministry of Trade and Industry
Tibenda	Njoki	Senior Research Officer	Tanzania Investment Centre
Wilson	Edward	CEO	Happy Farms - Shelford Company Limited
Zaheeruddin	Mohd	General Manager	SteelRwa Industries Limited

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