

High Level Conference on the East African Community After 10 Years

Lead Presentation on Investment and Trade in the EAC - Progress and Priorities

By Ali A. Mufuruki, Chairman, Infotech Investment Group Ltd of Tanzania

It is time to coordinate our efforts, time to compare notes, time to work together

The organisers of this conference wanted me to give a private sector's perspective on trade and investments in the EAC - progress and priorities ten years on.

This is an important subject and I came prepared to share with you data and statistics on progress and challenges, opportunities and risks as they have played out in the last decade and finally propose what needs to be done to promote trade and investments in the region over the next ten years and beyond.

But I had the good fortune of sharing a dinner table with a group of fellow delegates from the region last night and our dinner conversation made me question very strongly the usefulness of what I was going to present.

I realized there was another, hopefully a better way to tell the same story. So I dumped a big chunk of my original speech and came up with what I am going to say now, a series of personal stories. Stories about living and doing business in East Africa.

I realise this is not fair on the organisers nor those who are lined up to discuss my presentation and I apologise profusely for any inconvenience caused by this last minute change on my part.

Investments decisions in East Africa

I set up my first business outside Tanzania precisely ten years ago, the same year that the EAC was promulgated. As I think back what drove me to that decision, I can tell you with confidence it was not because of the coming into force of the EAC trade arrangements and the rosy prospects it promised for business people in the region.

My retail business that I had set up three years earlier in Dar es Salaam needed to expand and Tanzania was not enough. Ten years ago, Dar es Salaam and by extension the whole of Tanzania did not have a single modern shopping mall and modern retail works best in shopping malls. So we had run out of options in Tanzania and started looking beyond our borders.

The most obvious destination was Nairobi, Kenya because of its more developed retail infrastructure but the franchise we were holding was already taken by a Kenyan business group so it had to be Uganda.

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Setting up shop in Uganda was much easier than I had thought. Even small investors like me were received warmly in Uganda. Business registration happened in record time, my Tanzanian staff and I got our resident and work permit without ever setting foot in the labour or immigration offices as would have been the case in Tanzania because a business lawyer is allowed to take care of that, hiring of local staff went quickly and without incident and the Uganda Revenue Authority was very supportive in ways I never expected.

For example, the Customs department at Entebbe airport remained open till well after midnight on a Saturday in order to complete the clearing and release of our shipment after we informed them that if we didn't get our goods out that day we would not be able to make our launching dates a week later.

The Uganda Investment Authority played a crucial coordinating role in making sure we got every permission, every assistance we needed to get started.

If you think such generosity was being extended to me because I am an East African, you are terribly mistaken. I found out soon enough all investors coming into Uganda were receiving the same treatment.

While this does not mean that the EAC and my East Africanness was not at all a factor at the time, I wanted to put this into proper perspective.

We went to Uganda looking for markets, not neighbours or even friends. We however ended up making friends and some money. We appreciate our good neighborliness even more and the possibility of a common future but this came later, much later.

Uganda worked for us on its own merit first as a necessity of our own pressure to grow and as an investment destination that can deliver good outcomes for all those who choose to invest there and not so much because it is an EAC member state.

As a matter of fact when we tried to move company goods from Tanzania to Uganda in 2005, we faced so many problems and holdups at the border crossing points between Kenya and Tanzania and Kenya and Uganda that we ended up abandoning the cargo and making fresh purchases from abroad.

The chief finance officer of our business is a Ugandan and works out of our Kampala office. You may find this difficult to believe but every time he comes to Tanzania for routine checks of his department or board meetings, we must make sure he has what is called a CTA or Certificate of Temporary Assignment. It costs \$200 and expires after three months.

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Our difficulties are caused by a Tanzanian law that requires a resident permit holder to be either on a payroll and hence paying taxes or in a dependant situation as a spouse of a resident permit holder. Our CFO cannot meet any of these condtions so we are stuck.

One day last year he came in a hurry and had no time to process his CTA. He was supposed to stay overnight in Dar, visit Arusha for one day to check our branch there before heading back home the same day. As fate would have it, immigration raided our Dar office that day, arrested him for working illegally and he escaped jail and deportation only after we submitted a written apology and committed to have him on the next flight back to Kampala.

We took all this in our stride and learned our lessons. For purposes of our business, we treat Tanzania and Uganda as the two separate and different countries they still are. We are still waiting for the promise of genuine integration that our leaders made to us so many years ago.

And the Kenyan Perspective

At around the same time in 2002, again as the EAC was being launched, a Kenyan company, Nation Media Group made a significant investment in Tanzania. Like us, Nation was looking to expand its market and Tanzania was the natural next step having invested a year or two earlier in Uganda.

I became the first chairman of this Nation subsidiary and served a total of eight years until the end of 2010.

Many stories of Nation's investment experience in Tanzania have been told in the media so many times there is no point in repeating them here. Overall, Nation rates its investments in the region and even Tanzania as a big success and that is very true.

But working for that success did not come easily as one would have expected.

For reasons I still do not understand, Kenyans it seems get singled out for harsh treatment in our country. This notwithstanding the fact that Kenya has been and remains our single biggest trading partner. These countries are of extreme importance to one another, they should be in eachother's prayers every day but the reality on the ground couldn't be more different. The contradiction is most baffling.

In 2006, the entire management team of the company was sensationally deported to Kenya on suspicion of working illegally. As it turned out this was not true yet it took us five years of negotiations to get those red stamps in their passports reversed. For

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five years, those young people had to put their journalistic careers on hold, could not travel to many countries because of the ugly entries in their passports.

Last year, the Tanzania government refused to renew the work permit of the company's Kenyan CEO and strangely ordered that a Tanzanian be hired to take his place. This is a private business enjoying investment protection under Tanzanian laws. The company has remained without a CEO for the last seven months as the search continues. So much for economic integration in the EAC.

Living in East Africa

You know by now that I am a Tanzanian with business interests in Kenya and Uganda and hopefully soon in Rwanda. What you may not know is that I am married to a Kenyan citizen for the last 19 years. We have four children and our eldest turned 18 last month.

Suddenly we are faced with a big decision. She is about to go to college this coming fall and we are asking ourselves what citizenship she should adopt permanently now as required by Tanzanian law.

I wish we didn't have to worry about these things ten years after the EAC was launched and I hope that my little talk today will inspire some positive thoughts on how we can move this enterprise forward a bit faster because that is what the people of this region want and deserve.

EAC after all is not a community of nations, it is a community of the people of this region. What we want is a widening of the space we require for our development and well being. We want to trade not Kenya against Tanzania, not Uganda against Rwanda or Burundi, but with one another and the rest of the world. Is that too much to ask?

Economists are projecting that the population of EAC will grow from 130 million today to 184m in 2025 and 320m by 2050.

Economically, the EAC will move from being the 10th largest economic entity in the world today to 8th position in 2025 and 5th by 2050, behind India, China, USA and Pakistan in that order! Our combined GDP will be in the region of 2 trillion dollars!

This is without doubt a fantastic future and some in this room may live to see it.

What no one can say for sure however is what the economic status of the East African people will be amid all this fantastic growth.

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We have seen enough examples of countries whose GDP grew but their people were left poor due to poor planning and coordination among many other failures.

We should try our best to avoid the traps that so many other emerging economies in similar circumstances have fallen into and it is my considered view that a closer working relationship between the public and private sectors of our region, one built on trust and a conviction that there is no contradiction in such collaboration, is the best way forward.

Thank you for listening to me.