

POLITICAL FEDERATION - A PRIVATE SECTOR PERSPECTIVE

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Expectations of a political federation:

1. The establishment of the Political Federation would be a final sign that the EAC treaty is now finally in place. It will symbolize the achievement of mutual trust, sovereign equality and peaceful co-existence. It will give avenues for good governance, rule of law and respect for human rights because of a unified system of governance.

2. These are key ingredients for a thriving economy, it will accord the business community a better business environment, especially the peaceful co-existence and good neighbourliness will ensure:

- o That the freedoms accorded by the Common Market are extended to each and every member of the community

- o That free movement of goods, services and capital for the business community will be realized across the Partner States resulting in expanded markets and diversification of products

- o It will address the implementation problems of the customs union since a unified governance system will have been adopted

- o It will build our industries and promote intra-EAC trade

- o It will ensure higher levels of networking and closer collaboration and cooperation among business partners across the region, easy establishment of business subsidiaries etc.

3. The Political Federation will mean speaking with one voice, having harmonized fiscal, monetary and development policies.

The business community will also benefit from this one voice with regard to export and import trade. Harmonized tax systems will ensure equal treatment for goods coming into and leaving the EAC region and therefore promote growth for local industries and trade among the Partner States.

4. The commencement of negotiations and onward implementation of political federation will fast-track the implementation of the other protocols, it will ensure harmonization of investment codes, protection of property rights for each country etc. A unified system of governance will ensure a unified system of doing business,

harmonized protection of growing industries and harmonized engagement with other trading blocs.

Challenges to the establishment of a Political Federation:

1. The existence of suspicion and lack of trust currently at country level means each state has supreme constitution which they hold dearly and a sense of Patriotism that makes each country unique and continue to be so.
2. The benefits of the integration process are not yet clear to the citizens of the EAC and most of them do not see themselves as EAC Citizens but rather belonging to their own country and pursuing individual sovereignty. This means that the **people-centered and market-driven integration** has not been realized yet. Sensitization of the citizens of the EAC on the already realized benefits and the yet to come benefits is still to be done.
3. The fundamental building blocks of a political federation are not yet there - for example, within the Customs Union, the issue of one Customs territory is yet to be realised; domestic taxes are yet to be harmonized; and NTBS continued to frustrate doing business, among others. Within the Common Market, implementation of the various freedoms has barely begun.
4. EAC countries are reluctant to go all the way due to the fear of losing revenue if integration happens. They also don't see alternative sources of revenue other than what they now have.
5. As a result of historical relationships and arrangements, some EAC countries have bilateral agreements with former colonies and trades more with them than the EAC; due to other benefits emanating from that arrangement. This kind of agreements having been there for a longer time, and are much stronger and binding than EAC agreements. This undermines intra-EAC trade and by extension, the ownership of the integration process.

What can be done?

1. Ensure that the building blocks of a political federation - i.e. the Customs Union, the Common Market and Monetary Union are in place and are FULLY functioning before attempting to establish a political federation.

2. The Community must become people-centred, in as far as addressing the challenges that ordinary wanainchi face – these include infrastructure problem, lack of access to markets, lack of access to food, access to education, hospitals etc. This is the only way that the people will see the benefit of integration and by extension, will own the process.

3. Additionally, there must be constant sensitization for the people of the benefits - current and expected of the integration process. Information about benefits so far such as easy movement of citizens; by both air and road transport; easy access to study opportunities across the region for all EAC Citizens, among others must be informed to people. This is the only way to get the ownership of the people to the integration process.

4. EALA can play a role by televising their debates to the EAC Citizens through some identified channels that are national in nature. Some EAC countries already televise national parliamentary debate. If EALA does so the EAC agenda will begin to be part of the daily talk in EAC homes. This could be a beginning of change.

5. The private sector itself must embrace the regional integration process - issues of stay application, NTBs and other protectionist measures are private sector-driven in many cases. This should stop if intra-EAC trade is to be improved.

Additionally, joint ventures, establishment of sectoral clusters and value chains across the region, among others, should be encouraged.