

THE 1ST EAST AFRICAN INVESTMENT CONFERENCE



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RECORD OF THE CONFERENCE PROCEEDINGS, 26TH-28TH JUNE 2008

1. Introduction

The Conference was held in Kigali Serena Hotel on the 26th – 28th June, 2008 and was graced by Four East African Community Heads of State who were present. H.E President Jakaya Mrisha Kikwete was absent but joined the Summit later in the afternoon to grace the Conference Lunch function.

The investment conference was attended by 1090 delegates in total. This figure includes 414 from EAC Partner States other than Rwanda, 253 delegates outside the EAC region. Rwanda generated 423 local participants. The target of 800 was therefore surpassed. The conference budget was heavily sponsored by 31 companies from the private sector in the region.

2. Statements at the opening Ceremony.

The Opening session was addressed by Hon. Monique Nsabaganwa, Rwanda's Minister of Trade and Industry, Mr. Mohan Kaul-Chairman, Commonwealth Business Council and Ambassador Juma Mwapachu, Secretary General, East African Community, as well as Rt. Hon. Eriya Kategaya, Out-going CM of EAC Council of Ministers, and Minister for EAC, Uganda. His Excellencies, the EAC of Heads of State graced the opening ceremony with statements. They all underscored the significance of the conference as a vehicle towards achieving regional integration. The HOS took the opportunity to assure investors that East Africa is the place in which to do business, and assured them of their commitment to support private sector participation in regional integration process. Furthermore, top on their list is regional competitiveness, which is severely compromised by infrastructural challenges, thus impacting negatively on the investment climate.

Address by H.E Yoweri Kaguta Museveni of the Republic of Uganda and Chairman of the Summit

Talking on the road to prosperity for East Africa, H. E the President emphasized th need to let the private sector take centre stage and driving seat in reducing poverty and wealth creation. He pointed out 11 conditions – 11 commandants necessary conditions to achieve this. They included:-

- Security of Persons
- Security of Investors
- Infrastructure development – radio, railways, road, undersea cables, piped water, power liberalization of current account
- Convertible currencies- no exchange control
- Expeditious capacity to discharge justice
- Market access

The President noted that there is market for EAC products but there is urgent need to add value to the products. He further emphasized the need build infrastructure facilities using local/regional resources instead of relying so much on donors who may slow processes due to uncontrollable conditions.

H.E Pierre Nkurunziza

H. E paid glowing tribute to Rwanda and the EAC Secretariat for having organized a successful Conference. He said that the Conference was not an event but a process, citing the topics to be covered, the president said such engagement was useful for economic operators. He welcomed investors to Burundi and would issue them expeditiously with work permits. He announced that Burundi is in the process of finalizing an Investment Code and is based in based international best practices.

H.E Paul Kagame

As the incoming Chairman of the EAC Summit H.E. Paul Kagame, the President of the Republic of Rwanda, welcomed everybody to Rwanda and especially the EAC Investment Conference. He said the EACX integration process is a building bloc towards regional integration. He singled out for praise EAC Secretariat, IPAs, EABC for organizing the event that successfully brought together the public and the private sectors.

The President said the African continent is at cross roads and needed navigational tools to get itself to the desirable destination. He identified them as follows:

1. Increasing sophistication to enter world class innovative investment and trade ventures. This is evidenced by the fact that a recent survey of Africa's top two hundred firms, East Africa has joined the team of the billion dollar range of businesses.
2. Infrastructure development Strategies. If implemented, this strategy should allow East Africa to make a decision on the inefficient . He decried the infrastructure poor conditions and corruption on the northern and southern corridors.
3. The third and most powerful means to transform the region is the East African people themselves. The potential to drive East African social-economic development lies manly with East Africans, our people are our strength. When combined, the three aspects that he termed navigational tools for fixing the cross-roads namely business capabilities, economic infrastructure and the people, conform beyond doubt that our region has what it takes to be more prosperous.

Synergy is necessary between the government and business leaders to take charge to realize development consensus to improve our productivity and competitiveness beginning with reduction of costs of doing business upon the prosperity of East Africa.

3. PLENARY SESSION 1: PROMOTING REGIONAL COMPETITIVENESS

This SESSION WAS CHAIRED BY Hon. Vincent KAREGA, Minister of State in charge of investment promotion and industry, Rwanda who underscored what was stated by Heads of State in regional competitiveness.

The main presenter was Dr. Charles Kwesiga, Executive Director, Uganda Industrial Research Institute. PROMOTING REGIONAL COMPETITIVENESS: INVESTING IN VALUE ADDITIONS OPERATIONS.

He identified critical success factors, as necessary conditions for value addition in the region: These included skilled man power, optimal resource allocation, and investment in R&D. He suggested that EAC needs to identify with comparative advantages to develop indigenous capacities and identified challenges to value addition.

Issues raised:

- Invest in R & D
- Establish science technology academies to develop local skills in consultation with the private sector. A skills audit is crucial.
- Reverse brain drain
- Invest in infrastructure that supports competitiveness,
- Establish technology transfer regimes
- Joint trade and investment missions abroad to address challenges of globalizations
- Need to brand and avail EA products in the region's shelves
- Need to change mindset, as this is key to value addition
- Need to use ICT to enhance value addition and competitiveness
- Research information exchange and sharing to avoid duplication of efforts. Documentation of research findings should disseminated
- Appropriate financing schemes lacking especially in R & D
- Need to rationalize policy and law relating to competitiveness which will lead to reduction of production costs
- There is need to implement joint infrastructure programs under the auspices of the EAC secretariat otherwise it will be mere advocacy.
- East African diaspora must be involved in the integration process including value addition programs.
- There is need to offer limited protection EAC infant industries
- Issues of NTBs were raised, such as visa transiting at borders or airports and the secretariat was requested to take this up.

4. PLENARY SESSION 2: HIGHLIGHTING TRADE AND INVESTMENT OPPORTUNITIES IN EAC

The Chairman, Prof. Ssemakula Kiwanuka, Minister of state in charge of investments, highlighted that the priorities of the EAC should be guided by value addition and employment creation. He observed that it was disappointing that despite African countries liberalising their economies in addition to incentives for investment, FDI has lagged behind and especially focussing on raw materials and minerals. This is despite the fact that the rate of return to invest in Africa is about 30%. He noted that without investment in Infrastructure and energy, development of the EAC would remain marginal.

Presentations

1. **BUSINESS ENVIRONMENT:** (Mr. Charles Mbogori, the Executive Director of the EABC), highlighted the importance of changing perceptions mentioning EAC country performance in the World Bank's Doing Business publication. He observed that it was imperative to reduce the risks and transaction costs of investing and operating businesses. He asserted that business climate reforms, improved infrastructure, the avoidance of unilateral decisions by member states, engagement with the private sector and the issue of non-tariff barriers needed to be addressed.
2. **FINANCE SECTOR:**(Mr. Francis Gatere, the Director General of the Rwanda Investment Promotion Agency), presented on the state of the financial sector, the challenges and opportunities that the EAC member states have to offer. He noted that this sector was critical as it translates into investments` in other sectors. He observed that investment opportunities exist now that most of the EAC countries have addressed the legal and regulatory frameworks with Central Banks playing the regulatory role. He noted that the priority should be to develop the capital markets especially in light of the liberalisation of the capital accounts, the need to diversify the sector and to also prioritise the small and medium enterprises. He also underlined the importance of housing finance. The need to increase capacity in commercial banking was underlined. He took the opportunity to inform the meeting that Government was floating a third telecom license and invited investors who were interested.

3. **AGRO-PROCESSING:** (Dr. Maggie Kigozi, Executive Director of Uganda Investment Authority), presented on the Agri-Business Sector. She questioned whether EAC could feed the World. She noted that EAC had an abundance of resources: land, rainfall, economic stability, agricultural institutions, peace and security, workforce etc. She observed that intra community trade had also helped promote exports among individual member states. She mentioned areas of opportunity in agriculture to include, among others, agro-processing, commercial farming, agri-tourism, out grower schemes, biodiversity, bio fuel and organic export potential. She also mentioned a number of EAC success stories that can be emulated. She concluded by saying yes, the EAC can feed the World.

4. **TOURISM:** (Mr. Emmanuel Ole Naiko, Director General of the Tanzania Investment Centre), highlighted the opportunities in tourism in the EAC. He noted that the sector is vibrant and he encouraged investment in conference facilities, beaches, hotels, city tours, investment guarantees for the sector, sports and transport tourism. He noted that EAC had numerous tourist attractions that could be exploited and there was need to also encourage local tourism other than searching out foreign tourists alone. He noted that the sector faced challenges that include low levels of FDI, oil prices, immigration and infrastructure obstacles.

5. **ENERGY:** Ms. Susan Kikwai, the Managing Director of the Kenya Investment Authority, presented on the energy sector, the challenges faced and the opportunities for investment. She mentioned that the region faced a huge energy deficit with low levels of the population having access to modern electricity while the majority relied on traditional energy sources. She noted that the region presented opportunities in geothermal, solar, biomass and hydro power and underlined the importance of the regional power master plan.

6. **ICT:** Mr. Constanque Hakizimana, an IT expert at the National Agency for Telecommunications in Burundi, noted the need for the EAC to bridge the digital divide and to have a regional ICT policy. He noted that the sector had immense potential and could substantially contribute to economic growth of the community. He invited investors to prioritise investment in the region's vibrant ICT sector.

Issues Arising

1. There was need to realize the regional energy master plan
2. Participants took note of Rwanda's announcement of a 3rd telecommunications license offer.
3. Investors were invited to consider investments in plants for fertilizers given that FAO has mobilized US\$ 10.8 billion for this.
4. With regard to value addition, ensuring quality of goods was crucial to ensure that they are attractive to consumers,
5. There is need to promote local tourism especially since it is even cheaper for nationals to access these opportunities.
6. It was suggested that tax incentives such as income tax or VAT holidays for say 10 years would encourage investment in the energy sector and gave examples of India where such incentives have paid off.

5. PARALLEL BREAK-OUT SESSION 1: INFRASTRUCTURE DEVELOPMENT IN THE EAC

1. This session covered the following areas: energy and transportation (Roads, railway and aviation), and highlighted the sector status and business opportunities.

2. Air transport

The aviation industry currently lacks adequate pilots as a result of shortage trainings facilities and limited airlines that would employ pilots. There is a liberalized regime towards establishing one single airspace, and there is a challenge of perception that the African airspace is not safe. Efforts to change this towards category 1 certification need to be enhanced. Opportunities:

- Passenger, cargo and commercial/emergency charter s
- Expansion of existing airports on both airside and land side
- Development of selected regional airport in EAC states
- Commercialization of airports i.e. establishing duty free shops, export processing zones, Airport hotels, business parks, and logistics
- Air navigation infrastructure i.e. equipment used in air traffic managements, air navigation facilities, weather information facilities and equipments
- Aviation training institutions areas, include: flying schools for pilots and air traffic control and management training

3. New Railway lines (joining all EAC member states and beyond). Replace existing metre gauge with **Standard Gauge** in EAC states to accommodate demand for modern and efficient transport.
4. Energy: opportunities are available in Hydro electrical power , biomass, methane gas, and solar energy
5. Rwanda highlighted some of the projects underway: New Bugesera airport with free trade zone facility, Isaka railway project, oil pipeline and storage facilities.

Recommendations

1. EAC partner states to establish an EAC Investment company/fund to be heavily popularized and publicized to invest in the infrastructure sector and to raise funds from local sources for infrastructure development in the region
2. To commission multiple contractors to speed up construction of railway lines, the under current plan will take about 16 years to complete, which is unnecessarily long,
3. Create a network of African companies who are experts in infrastructure fields, who in turn will undertake infrastructure development projects at reasonable cost (to suppress inherent monopoly of supply of this services from Multinational companies)
4. Build and transfer (turnkey) projects commissions in the region need to emphasis transfer of skills through training (BOTT) as part of deliverable to avoid current failure of sustainability of these projects
5. Project promoters should take into account environment conservations when planning energy ventures, occasioned by climate change challenges,
6. EAC Secretariat and IPAs to take lead in implementing these recommendations.
7. Raising funds from the public needs a lot of trust therefore promoters must first win public confidence to ensure that funding infrastructure from public savings is successful

6. PARALLEL BREAK-OUT SESSION 2: INDUSTRIAL GROWTH AND REGIONAL TRADE THROUGH VALUE ADDITION

1. Value addition is a transformation process of raw materials into semi finished or finished products. It involves both physical and non tangible process of using labour, capital and land.
2. The reality is that much as developed countries accord market access, they also protect their industries by imposing technical barriers to trade through standards and phytosanitary requirements. EAC therefore needs to develop harmonized standards and identify markets that accept the EAC standards.
3. EAC can benefit through promotion of home market for locally produced goods.
4. EAC should develop policies and strategies on prohibition of exports of raw materials in crude form which can viably be processed within the region in order to promote value addition.
5. There should be strategic interventions on mindset change and attitudes of East African to enhance appreciation of locally produced goods, enhance entrepreneurial orientation in order to transform the informal sectors into formal sectors.
6. Development of necessary skills is a prerequisite for Leap-frogging value addition. Further development of the human resource capacities in the region is essential in the creation of the required skills to enable value addition.
7. Development of backward and forward production linkages for strategic industries such as breweries is essential in order to create import substitution of raw materials currently imported from outside EAC.
8. Areas that escalate costs along the business supply chain from production to consumption such as corruption, clearance delays, infrastructure bottlenecks, etc should be addressed for the promotion of cross-border value addition linkages in EAC.
9. Commercial farming should be revamped in the region to ensure adequate supply and quality of agricultural raw materials and products which would attract investment in value additive activities. Co-operative systems of agricultural production should be revived and supported to increase agricultural supplies.
10. Adoption of flexible manufacturing systems and appropriate marketing strategies through business process change bolsters value addition investment in EAC.
11. Private sector partnerships through business alliances, corporate transparency, and assertiveness in investment through acquisition of shares in local and foreign firms supported by focused regional and national policies should be enhanced to spur value additive investment.

7. PARALLEL BREAK-OUT SESSION 3: FINANCIAL MOBILISATION AND ACCESSIBILITY FOR ENHANCED ECONOMIC GROWTH

1. The 3 main challenges identified in the financial sector are;
 - High interest rates or spreads
 - High liquidity ration in terms of money in circulation outside the Banks
 - Very low rate of savings
2. The operating environment for the financial sector is improving in the region in terms of
 - Supportive government monetary and fiscal policies
 - Legal framework
3. Challenging aspects of the operating environment include;
 - Shallow financial systems leading to short term financing and lack of long term financing
 - Lack of harmonized capital development incentive measures in EAC
 - Corporate culture that focuses on conventional and traditional banking systems
 - Limited technical competencies
 - Limited venture capital and equity funds;
 - Undeveloped institutional investors such as the pension funds
4. High intermediation costs some of which arising from other related cost of securing funds pushing the cost of finance high in the region.
5. Foreign exchange exposure through lending in foreign currency to projects that earn in local currency creates risk to investors and discourages borrowing
6. Policy reforms are required to accelerate capital accounts by Partner States that have not undertaken such reforms, pension reforms and development of capital and insurance products
7. Credit Reference Bureaus should be established to enable banks make proper assessment of the level of risk of borrowers which will lead to reduction in the cost associated with risk and lower interest rates,
8. Remittances from the Diaspora are becoming a key source of financing for investment. The Government should put in place incentives to attract financing from the Diaspora in form of tax incentives. Banks need to diversify financial products to attract money from the Diaspora.
9. Tax harmonization in EAC should be undertaken to promote domestic and cross-border investment.
10. Partner States should develop and establish infrastructure funds and other long term resource mobilization schemes to finance development projects in the region.

8. PARALLEL BREAK-OUT SESSION 4.

THEME : THE ROLE OF ICT IN FUELING REGIONAL TRADE AND INVESTMENT BY HENK BASSON,
REGIONAL GENERAL MANAGER, ALTECH STREAM EAST AFRICA LTD, SA

HIGHLIGHTS OF THE PRESENTATION

- (a) EAC is not connected to a submarine cable which affects the digital divide in terms of cost of connectivity and access.
- (b) Effects of digital divide are personal development and business needs which leads to marginalization of Africa.
- (c) Initiatives in Africa:
 - Nepad e-Africa Commission
 - Policy and Regulatory issues being addressed.
 - Kigali protocol 2006, and subsequent ministerial group of 2007.
- (d) Unresolved cross border issues are yet to be addressed
- (e) Solutions
These are segregated into international and Regional/continental connectivity.
- (f) Implications for East African region
 - Current satellite price for connectivity is US\$ 2000 to 3000 per mbps per month (one way)
 - Estimate usage in EAC is 3,500 – 4000 mbps
 - Foreseen price for submarine cable connectivity is US\$ 100 per mbps per month. Thus saving US\$ 100 million per connectivity in the submarine to demand for voice, data and video traffic.
- (g) Impact of connecting to the submarine cable
 - Region to save US\$ 100 million pa annum.
 - Reversal of digital divide.
 - Stimulation of growth in all the sectors of the economy.

Panelists

CISCO, Kenya

- Governments need to invest in the infrastructure services.
- Need to address the ICT policy and regulatory framework in the region.

EXECUTIVE DIRECTOR, RWANDA INFORMATION TECHNOLOGY AUTHORITY

- The people of Rwanda are connected to mobile services by MTN
- Rwanda data centre is being built.
- Need to address the issue of contents, in terms of having a regional library with pre requisite information in line with Agricultural centres in Ethiopia and Kenya.
- Integration process in EAC will enable the ICT sector to exploit economies of scale in terms of the size of the market of 120 million people.
- The region needs to concentrate on storage, connectivity and content.

MTN RWANDA

- MTN a major player in ICT sector.
- Plan underway for access fibre cable in Kigali city
- MTN participating in ESSAY project whose tender was awarded in March 2007.
- MTN ensures the cost of providing its services to people is affordable.

MR. DAVID RURAHU OF UGANDA

- The issue of broadband is being addressed by committee
- Need to differential the national regional and international clientele
- Need for EAC to plan together to make the region a hub in ICTC
- Need to expedite the laying of SIMCOM,. DREAMS and ESSAY cables to reduce the cost of connectivity in the region.
- Need to expedite the regional ICT study.

HON MINISTER OF STATE FOR INDUSTRY AND INVESTMENT PROMOTION

ICT can be used to redress the problems of NTBs in the region and in prep ration of trade data. ICT can also be used in trade facilitation programmes.

WRAP UP BY CHAIR

- Need to develop ICT infrastructure.
- ICT can be used to promote trade in the region especially in the aviation industry and in the financial markets though electronic transaction.
- ICT will facilitate the integration of the EAC economies.

Report on Conference proceedings by Chief Reporter:

Ms. Clare AKAMANZI

Deputy Director General

Rwanda Investment and Export Promotion Agency (RIEPA)