

East African Community (EAC): A Study of India's Trade and Investment Potential

Occasional Paper No. 166



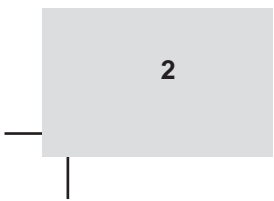
EXPORT-IMPORT BANK OF INDIA

OCCASIONAL PAPER NO. 166

**EAST AFRICAN COMMUNITY (EAC):
A STUDY OF INDIA'S TRADE AND
INVESTMENT POTENTIAL**

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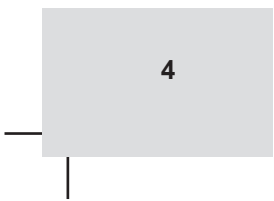
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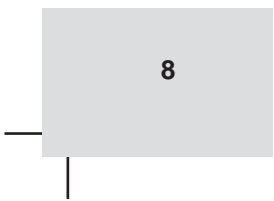
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EXECUTIVE SUMMARY

The East African Community (EAC) is a regional inter-governmental organization established under Article 2 of the Treaty for the Establishment of the EAC, with its headquarters in Arusha, Tanzania. The membership of the Community comprises Burundi, Kenya, Rwanda, Uganda and Tanzania. The Treaty for the Establishment of the East African Community was signed on November 30, 1999 and entered into force on July 7, 2000 following its ratification by the original three partner states – Kenya, Tanzania and Uganda. Rwanda and Burundi acceded to the EAC Treaty on June 18, 2007 and became full members of the Community with effect from July 1, 2007.

In pursuit of its vision and objectives, the EAC has adopted milestones to facilitate the attainment of a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a Political Federation in order to strengthen and regulate the industrial, commercial, infrastructural, cultural, social and political relations of the member countries. The EAC

countries established a Customs Union in January 2005 and a Common Market in January 2010. The next phase of the integration for the bloc is to enter into a Monetary Union and ultimately become a Political Federation of the East African States. The negotiations for the East African Monetary Union were commenced in 2011, and the protocol for the Establishment of the EAC Monetary Union was signed on November 30, 2013.

ECONOMIC PROFILE OF THE EAC

The EAC is an integral part of the African region, accounting for 5.8 percent of total land area, 13.5 percent of total population, and 5.3 percent of gross domestic product (GDP) of the African region. The EAC is among the world's most rapidly growing economic regions. The long term internal and external trends indicate strong economic prospects for the EAC countries. Notable progress in the EAC countries has been achieved through improved macro-economic management, market-based reforms

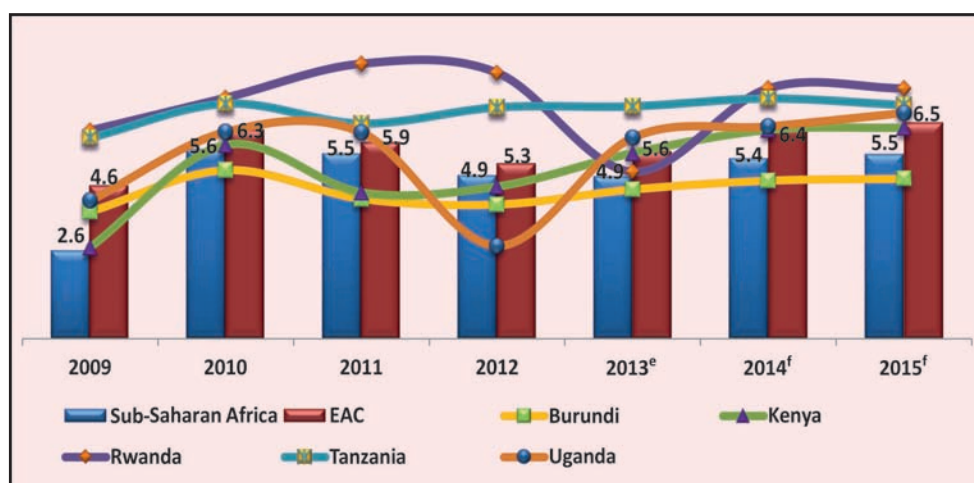
and continued structural progress in many countries.

Reflecting strong economic policies and strong output growth, the EAC region is among the fastest growing regions in Africa, outpacing the rest of the Sub-Saharan region. After a robust growth of 5.3 percent in 2012, real GDP growth in the EAC region is estimated to have risen further to 5.6 percent in 2013, and is expected to witness a robust growth of 6.4 percent in 2014. This high regional growth is propelled by mineral exports in Tanzania, and reform efforts by the countries in the region. Among the countries in the EAC region, Tanzania is estimated to have registered the highest growth rate at 7 percent in

2013, followed by Uganda, Kenya, and Rwanda (**Chart 1**). Kenya is the largest economy in East Africa and is a regional financial and transportation hub. The recent hike in commodity prices (oil and minerals) has benefited natural resources rich countries like Tanzania.

The EAC has an estimated GDP size of US\$ 110.8 billion in 2013, with Kenya accounting for as much as 41 percent. By 2018, the size of the EAC is expected to exceed US\$ 185 billion, with Kenya contributing to over 44 percent of GDP of the Community, followed by Tanzania and Uganda. The average GDP per capita of the EAC stood at US\$ 627.9 in 2012, and is estimated to have reached

Chart 1: Real GDP Growth of the EAC Countries (%)



Source: IMF, World Economic Outlook, April 2014, and Exim Bank Analysis

US\$ 669.4 in 2013. It is expected to touch US\$ 729.1 in 2014, and further to US\$ 786 in 2015.

Inflation dynamics in the EAC region are also favourable, with average consumer prices estimated to have moderated from the high level of 11.5 percent in 2012 to 6.4 percent in 2013, and are expected to decelerate further to 5.6 percent in 2014. Sharp moderation in the consumer prices in Kenya, Tanzania, and Uganda would underline this estimated and projected decline in inflation rate in the region.

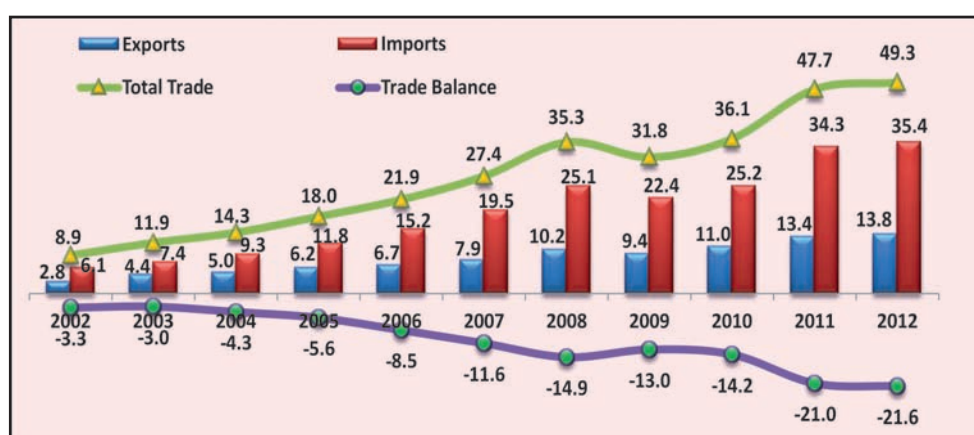
The combined current account balance of the countries in the EAC is in a deficit. Current account deficit widened to US\$ 12.3 billion (11.1 percent of GDP) in 2013, from US\$ 12.2 billion in 2012, and

is expected to widen further to US\$ 14.9 billion in 2014. Tanzania, with an estimated deficit of US\$ 4.7 billion, recorded the highest current account deficit among the EAC countries in 2013, followed by Kenya and Uganda. The combined international reserves of the EAC countries in 2013 stood at an estimated US\$ 15.7 billion, higher than US\$ 14.1 billion recorded in the previous year.

FOREIGN TRADE OF THE EAC

The decade 2002-2012 witnessed a steady increase in the global trade of the EAC, except for some moderation in 2009 due to global downturn. Global trade of EAC has increased more than five-fold from US\$ 8.9 billion in 2002 to US\$ 49.3 billion in 2012 (**Chart 2**). There exist wide disparity

Chart 2: Global Trade of the EAC (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

in trade among the EAC countries, mainly due to economic sizes and different levels of openness of the economies. For instance, Kenya and Tanzania together accounted for 76.1 percent of the total trade of the region in 2012.

An important aspect of the EAC trade is the huge trade balance among the member countries. The overall trade deficit has increased from US\$ 3.3 billion in 2002 to US\$ 21.6 billion in 2012. Kenya recorded the maximum trade deficit at US\$ 9.9 billion, followed by Tanzania (US\$ 6.2 billion) and Uganda (US\$ 3.7 billion) in 2012.

Exports of the EAC have increased to US\$ 13.8 billion in 2012 from US\$ 2.8 billion in 2002. EAC's total imports have also witnessed a continuous growth, with the exception of a contraction in 2009. In 2012, EAC's total imports have risen almost six-fold to US\$ 35.4 billion, up from US\$ 6.1 billion in 2002.

Major Exporters and Importers in the EAC Region

Within the EAC, the largest exporters are Tanzania and Kenya, together accounting for 77.5 percent of the EAC's total exports in 2012. Kenya and Tanzania are also the leading importers in the EAC, together

accounting for 75.6 percent of the EAC's total imports in 2012.

Coffee, tea and spices are the largest export items from the EAC, accounting for 16 percent of EAC's total exports in 2012. Other major items of exports of the EAC include pearls and precious stones, ores and slag, horticultural products, mineral fuels, and tobacco and manufactured tobacco substitutes. In contrast to EAC's export basket, EAC's import basket is dominated by petroleum oils- not crude and capital goods. Mineral fuels and machinery are the two largest import items, followed by vehicles, electronic and electrical equipment, iron and steel, cereals, plastics and articles, and pharmaceutical products.

Major Export Markets and Import Sources of the EAC

While developed countries such as Switzerland, UK, USA, the Netherlands, and Germany continue to be major destinations for the EAC's exports, developing countries such as South Africa, China, India, DR Congo, and Sudan have emerged as major export destinations in the recent years. In fact, in 2012, South Africa replaced Switzerland as the largest destination for EAC's global exports, accounting for 7.4 percent

of region's total exports. Other major export destinations in the same year include Switzerland (7 percent of total exports), the Netherlands (5 percent), China (4.4 percent), and India (4.3 percent).

In the recent years, India has emerged as the leading supplier to the EAC, accounting for as much as 17.3 percent of the EAC's total imports in 2012, improving from its sixth position in 2005. Other major sources of the EAC's imports include China (13.9 percent of total imports), South Africa (5.7 percent), Switzerland (4.8 percent), UAE (4.6 percent), and Japan (4.5 percent). While India is a leading source of the EAC's imports of pharmaceuticals, petroleum products, electrical goods, and machinery; China is a major source of machinery and electronics.

INTRA - EAC TRADE

EAC is one of the leading intra-regional trader in Africa. Intra-EAC trade increased four-fold from US\$ 1.1 billion in 2002 to US\$ 5.5 billion in 2012. Its share in the total EAC trade stood at 11.2 percent, with significant differences in country-specific figures. Kenya is the leading intra-regional exporter (46.4 percent of intra-EAC exports) and intra-regional importer (26.4 percent of

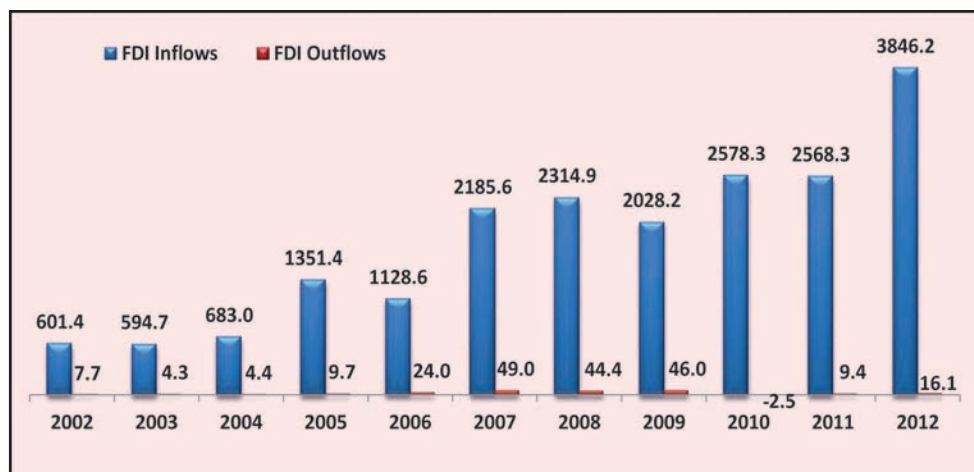
intra-EAC imports) in 2012. Kenya is the only EAC country to maintain a trade surplus with its EAC partners during the period, due to the relative development of its production system and trade promotion structure.

The principal commodities in intra-regional export basket comprises coffee, tea and spices (8.7 percent of total intra-regional exports), salt, sulphur, earth, stone, plaster, lime and cement (6.9 percent), mineral fuels (6.1 percent), plastics and articles (4.6 percent), ships, boats and other floating structures (4.6 percent), machinery (4.4 percent), ores, slag and ash (4.3 percent), and cereals (4.2 percent). The intra-regional import basket of EAC include salt, sulphur, earth, stone, plaster, lime and cement (7.3 percent of total intra-regional imports), coffee, tea and spices (6.8 percent), mineral fuels (5.9 percent), ships, boats and other floating structures (5.1 percent), and cereals (4.8 percent).

FOREIGN INVESTMENT IN THE EAC REGION

During the last decade, FDI flows have witnessed an upsurge across the world, although there has been an ebb towards the end of the last decade, primarily due to the global financial crisis which surfaced during

Chart 3: Trends in Investment in the EAC Region (US\$ mn)



Source: UnctadStat, UNCTAD

the latter half of 2008. As far as the EAC is concerned, FDI into the region has increased at a healthy pace during the last decade, having outpaced global investment. Though the general trend is an increase in FDI flows, there are huge variations within the EAC countries.

During the period 2002-2012, the FDI inflows to the EAC recorded a compound annual growth rate (CAGR) of 20.9 percent as against 8 percent for the World and 13.1 percent for Africa. The difference in the growth of FDI inflows was more pronounced in 2012, when FDI inflows to the EAC registered a growth of 49.8 percent, whereas global FDI inflows witnessed a decline of 18.2 percent. Africa registered a growth of 5.1 percent in FDI inflows in 2012. As a result, the

share of the EAC in total Africa's FDI inflows, increased from 4.1 percent in 2002 to 7.7 percent in 2012 (**Chart 3**). This connotes the increasing capability of the EAC region to attract FDI in the current global economic scenario.

FDI inflows to the region increased significantly to US\$ 3.8 billion in 2012 from US\$ 601.4 mn in 2002, supported by increased inflows to the recently discovered gas reserves in Tanzania and oil fields in Uganda. The cumulative FDI flows to the region during 2002-2012 amounted to US\$ 19.9 billion. Tanzania accounted for 50.5 percent of the total FDI receipts to the region over the decade, followed by Uganda (36.4 percent). Kenya and Burundi witnessed a decline in their FDI inflows in 2012.

FDI outflows from the EAC region were much lower compared to the inflows. Cumulatively during 2002-12, Kenya had the largest share of the outflows from the region at US\$ 200.4 mn. It was followed by Rwanda and Tanzania with outflows of US\$ 12.9 mn and US\$ 2.5 mn, respectively. The EAC as a region represents only a marginal share in Africa's cumulate FDI outflows over the decade at 0.3 percent.

INDIA'S BILATERAL TRADE RELATIONS WITH THE EAC COUNTRIES

EAC countries have historically enjoyed close economic ties with India and much of it is through investment-led trade, in sectors like textiles, agribusiness and in natural resources. The proximity of East Africa to Indian Ocean provides an added advantage to increasing trade and investment relations with India.

The synergy in India's trade relations with the EAC region can be assessed from the fact that bilateral trade between India and the EAC has risen 13-fold, from US\$ 490.8 mn in 2002 to touch US\$ 6.6 billion in 2012 (**Chart 4**). This robust trend has been underlined by rise in both India's exports to and imports from the members of the EAC, with the former

having risen faster. On account of increased exports to the region, India has a positive trade balance with the region, with the trade surplus increasing from US\$ 247.8 mn in 2002 to US\$ 5.3 billion in 2012.

Reflecting the increased importance as India's trading partner, India's exports to the EAC countries have risen significantly by 16-fold from US\$ 369.3 mn in 2002 to touch US\$ 5.9 billion in 2012. As a result, the share of the EAC countries in India's total exports to Africa has risen from 12.2 percent in 2002 to a healthy 21.7 percent in 2012. India's imports from the EAC region have risen over 5-fold from US\$ 121.5 mn in 2002 to US\$ 624.1 mn in 2012, accounting for 1.5 percent of India's total imports from Africa.

India's Trade with the EAC Countries

Kenya is India's leading export destination among the EAC countries and is the second largest among African countries, after South Africa. Kenya accounts for 63.6 percent of India's total exports to the EAC, 13.8 percent of India's total exports to Africa, and 1.3 percent of India's global exports in 2012. The other major export destinations in the EAC region during the same year include

Tanzania (27 percent of India's exports to EAC), and Uganda (7.6 percent).

As far as imports are concerned, Tanzania is the largest supplier to India among the EAC countries, mainly due to the large scale imports of cashew nuts from the country. Tanzania accounted for 78.9 percent of India's imports from the EAC region. Tanzania is followed by Kenya (16.6 percent of India's total imports from EAC), and Uganda (4.5 percent).

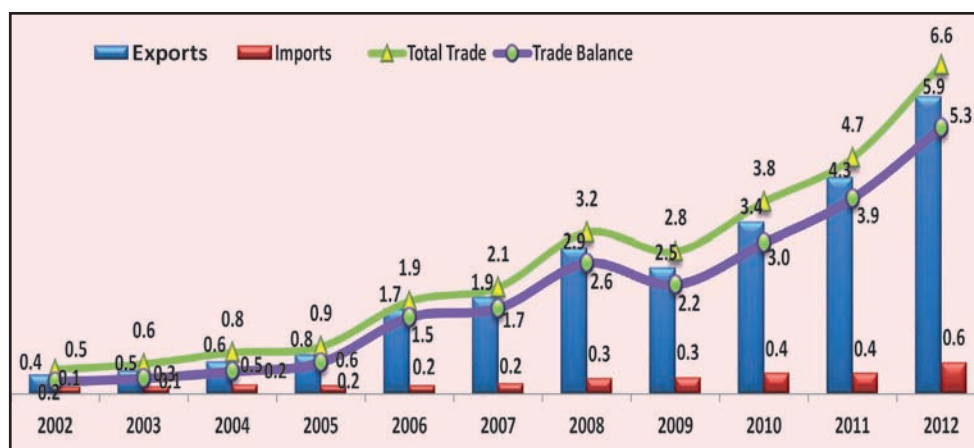
Commodity Composition of Bilateral Trade

Mineral fuels are the largest items in India's export basket to the EAC region, with a share of 52.7 percent of India's total exports to the region

in 2012. Other important items of India's exports to the EAC region include pharmaceutical products, machinery and instruments, electrical and electronic equipment, vehicles, iron and steel, and sugars and sugar confectionery.

Reflecting the increased importance of the EAC region as source for India's cashew nuts imports, edible fruit and nuts are India's largest imports from the EAC, accounting for as much as 25.7 percent of India's total imports from the region in 2012. Other important items of imports from the EAC region include: pearls and precious stones, edible vegetables and roots, cotton, coffee, tea and spices, inorganic chemicals, iron and steel, and raw hides, skins and leather.

Chart 4: India's Trade with the EAC (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

TRENDS IN INDIA'S INVESTMENT WITH THE EAC COUNTRIES

The EAC countries have recognized the importance of FDI in sustaining their growth levels and technology transfer. India is currently undergoing negotiations with Kenya and Tanzania on Bilateral Investment Promotion and Protection Agreement (BIPA), for the reciprocal encouragement, promotion and protection of investments in each other's territories by the companies based in either country. India has also signed a comprehensive Double Taxation Avoidance Agreement (DTAA) for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, with Kenya, Uganda, and Tanzania.

Kenya is the largest source of FDI into India from the EAC countries. During April 2000 to February 2014, investment flowed in from Kenya to the tune of US\$ 21.1 mn, accounting for 88.6 percent of total investment from the EAC region. Tanzania is the second largest FDI source of India among the EAC countries at US\$ 1.6 mn, followed by Uganda at US\$ 1.1 mn.

Cumulatively, during April 1996 to March 2014, the Indian direct investments into the EAC region

in joint ventures (JVs) and wholly owned subsidiaries (WOS), in terms of equity, loan and guarantees issued amounted to US\$ 276 mn. Kenya attracted US\$ 163.8 mn worth investments from India (59.4 percent of India's total investments to the region). Tanzania followed Kenya as the second largest investment destination during the same period, accounting for 22.3 percent of India's total FDI outflows to the region. The favourable business environment and availability of natural resources, has made these countries favourable Indian investment destinations in the EAC region.

EXPORT POTENTIAL OF INDIA TO THE EAC COUNTRIES

Identification of export potential of India to the EAC countries has been done based on following criteria: analysis of import basket of the EAC countries, matching of India's export capability with corresponding import demand of target countries, and selection of potential items, based on low share of India in the EAC countries' import basket of major commodities. Accordingly, the major commodities in which India has potential for exports to the EAC countries are listed below.

In the case of **Kenya**, potential items of India's exports would

include: vehicles other than railway (HS-87); cereals (HS-10); animal, vegetable fats and oils (HS-15); other made textile articles and sets (HS-63); furniture, lighting, signs and prefabricated buildings (HS-94); optical, photo, technical and medical apparatus (HS-90); coffee, tea and spices (HS-09); footwear, gaiters and parts (HS-64); cotton (HS-52); and articles of apparel, accessories, knit or crochet (HS-61).

In the case of **Tanzania**, potential items of exports would include: machinery and instruments (HS-84); vehicles other than railway (HS-87); electrical and electronic equipment (HS-85); animal, vegetable fats and oils (HS-15); optical, photo, technical and medical apparatus (HS-90); salt, sulphur, earth, stone, plaster, lime and cement (HS-25); furniture, lighting, signs and prefabricated buildings (HS-94); ceramic products (HS-69); essential oils, perfumes, cosmetics and toiletries (HS-33); oil seed and oleagic fruits (HS-12); and soaps, lubricants, waxes, candles and modelling pastes (HS-34).

In the case of **Uganda**, potential items of exports would include: mineral fuels, oils and distillation products (HS-27); machinery and instruments (HS-84); cereals (HS-10); iron and steel (HS-72); plastics and articles (HS-39); sugars and sugar

confectionery (HS-17); paper and paperboard (HS-48); optical, photo, technical and medical apparatus (HS-90); essential oils, perfumes, cosmetics and toiletries (HS-33); and glass and glassware (HS-70).

In the case of **Rwanda**, potential items of exports would include: machinery and instruments (HS-84); electrical and electronic equipment (HS-85); mineral fuels, oils and distillation products (HS-27); salt, sulphur, earth, stone, plaster, lime and cement (HS-25); animal, vegetable fats and oils (HS-15); cereals (HS-10); sugars and sugar confectionery (HS-17); optical, photo, technical and medical apparatus (HS-90); plastics and articles (HS-39); soaps, lubricants, waxes, candles and modelling pastes (HS-34); paper and paperboard (HS-48); and furniture, lighting, signs and prefabricated buildings (HS-94).

In the case of **Burundi**, potential items of exports would include: mineral fuels, oils and distillation products (HS-27); oil seed and oleagic fruits (HS-12); machinery and instruments (HS-84); cereals (HS-10); iron and steel (HS-72); salt, sulphur, earth, stone, plaster, lime and cement (HS-25); articles of iron or steel (HS-73); animal, vegetable fats and oils (HS-15); sugars and sugar confectionery (HS-17); paper and paperboard (HS-48); optical, photo,

technical and medical apparatus (HS-90); glass and glassware (HS-70); and articles of apparel, accessories, not knit or crochet (HS-62).

POTENTIAL FOR ENHANCING INDIA'S INVESTMENTS WITH THE EAC COUNTRIES

The EAC countries offer a variety of business and investment opportunities with a relatively well developed labour force, attractive business climate, and relatively well developed service sector. The economies offer wide range of investment opportunities in agriculture, horticulture, manufacturing and tourism. With a view to enhancing investment inflows, the EAC countries have streamlined their investment laws and have also identified priority sectors for increased investment inflows and development. In line with these priority sectors as also resources available in these countries, some of the potential sector for Indian investments have been identified.

In the case of **Kenya**, potential sectors for investment would include: Agriculture (commercial farming, production under irrigation, export-oriented agri-business, horticulture, processing of oil crops, sugar and cotton processing factories); Tourism (development and value addition to

the national parks, establishment of resort cities, branding of premium parks, development of high value niche products, and building of new high-end international hotels chains); Construction and Infrastructure (construction of residential, commercial and industrial buildings, manufacture and supply of construction materials and components, major infrastructure projects such as road construction and rehabilitation, development of port and associated infrastructure, rehabilitation of airports, construction of power generation plants, construction of ICT Park); Energy (sustainable energy supplies in adequate quantities at effective costs); Manufacturing (iron and steel industries, manufacture of fertilizer, agro-processing, machine tools and machinery, motor vehicle assembly and manufacture of spare parts, plastics, paper, chemicals, pharmaceuticals, metal and engineering products); Environment and natural resources (mining, solid waste management, control of invasive weeds, and eco-tourism facilities in forest reserves); Money, banking and finance (lease hire, microfinance, investment banking, insurance and business advisory services); and ICT (mobile and internet market, setting up of Data Centre and Disaster Recovery Centre, deploying of digital

broadcast network, and software and hardware development).

In the case of **Tanzania**, potential sectors for investment would include: Agricultural and livestock development (production of food crops, cash crops, livestock operations, horticulture sector); Natural resources (exploration of deep-sea blocks, refining metals, establishing value added activities, mineral processing); Tourism (accommodation, entertainment facilities, camping, lodges and guesthouses of international standards, theme parks and establishing resorts and amusement parks); Manufacturing (fruit/vegetable processing, cashew nut processing, establishing fully integrated textile mills as well as plants for cotton ginning, cutting, making, and trimming, and putting up modern tanneries and leather finishing production unit); Real estate, construction and economic infrastructure (development of retail, industrial and residential spaces, road related infrastructure, establishment of the commuter city bus transportation companies, providing dry docking service to ports, providing ships docking facility, establishing new airlines to compete with existing service providers); ICT (e-business, provision of media services, cabling, supply of digitization equipment, software development,

business process outsourcing and rural communication); and in banking and insurance sector.

In the case of **Uganda**, potential sectors for investment would include: Agriculture and agro-processing (commercial farming and the manufacture of input, supply of agricultural machinery, timber processing for export, various packaging materials); Manufacturing (beverages, leather, tobacco based processing, paper, textiles and garments, fabrication, ceramics, glass, plastic/PVC, assembly of electronic goods, hi-tech and medical products); Construction and infrastructure (low cost residential and non residential buildings, road civil works, provision of construction equipment and building materials, development of roads, extending railway line, redevelopment of existing railway station, and building multi-purpose dams); Oil and mining (oil exploration, gemstone cutting and polishing); Tourism (innovative tour operations and package programmes, luxury cruises, cabin ferry services, schools for hospitality sector, and high quality hotel facilities); Energy (utilizing untapped energy resources like coal, natural gas, geo thermal, solar, and hydro electric energy, designing, construction, and service supports of biomass plants, assembly of solar units, and installation and

services of micro hydro dams); ICT (establishment of information and communication infrastructure and broadband services, business process outsourcing services, computer and related equipment hardware assembly, high level ICT training facilities on international standards); and Banking and financial services (establishing commercial banks in upcountry urban and rural centres, promoting mortgage finance, merchant banking services, establishment of investment banks, provision of re-insurance services, life policies and other innovative assurances, like agriculture and medical schemes).

In the case of **Rwanda**, potential sectors for investment would include: Agriculture (horticulture processing; seed production, irrigation and mechanization projects, sugar cane production and processing, fishery, aquaculture and animal feed production, floriculture, dairy processing, silk development); Energy (generation of methane gas, geothermal, peat to power, micro hydropower and solar); Banking and financial services (commercial bank products and services particularly in rural areas, microfinance opportunities, mortgage financing); Construction (building low cost houses, sports centre, office buildings, real estate

agency operations, manufacturing of construction finishing materials); Infrastructure (building roadways, railways, international airport, inland water transport facilities); Manufacturing (construction materials, pharmaceutical drugs, packaging products, textiles, leather processing and products, soaps and detergents, and fertilizers); ICT (e-commerce and e-services, software development, access network/last mile connectivity, mobile technologies); and Mining (exploration opportunities, industrial mining, establishment of mineral processing plants, and quarry development to produce road construction materials).

In the case of **Burundi**, potential sectors for investment would include: Agriculture (modern techniques to increase agricultural production and marketing, rehabilitation and expansion of sugar refinery, introduction of modern sawmills, development of animal production lines, production of organic manure); Infrastructure (long haul vehicles and urban public system, extension of railway lines, and setting up passenger transport and freight cargo services); ICT (setting up fibre cable project for providing high-speed internet, creating LTSP network locations, e-technology, setting up call centres); Energy (construction

of commercial hydro electric power, geothermal power production, wind and solar energy development, rural electrification by solar home systems, solar pumps); Manufacturing (cotton growing and processing, setting up assembly lines for vehicle parts and components, manufacture, production, packaging, and marketing of agricultural equipment and inputs, packaging and transport, setting up of fertilizer plants, cement plants and tea factories); Tourism (installation and development of thalassotherapy, development of cultural sites, introduction of ecotourism, improving seashore tourism and development of water sports); Transport (installation of a cold chain at the airport of Bujumbura, improving the automated load planning in the port of Bujumbura, enlarging the port of Bujumbura, improving passenger and cargo transportation); Financial services (microfinance, cooperatives, ATM and money transfer); Mining (industrial mining exploration); and Construction (construction materials for infrastructure development and other civil works).

EXPORT-IMPORT BANK OF INDIA (EXIM INDIA) IN EAC

Exim India was set up in 1982 by an Act of the Indian Parliament for providing financial assistance to exporters and importers, and for

functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade.

FINANCING PROGRAMMES

Lines of Credit

To enhance bilateral trade and investment relations, Exim India has in place several Lines of Credit (LOCs) extended to a number of institutions/agencies in the EAC. These LOCs supplement the "Focus Africa" programme of the Government of India and are extended especially to priority sectors, identified by Government of India for mutual cooperation and benefit. Besides these operating LOCs extended at the behest of Government of India, Exim India extends its own LOCs to various financial institutions and other entities in Africa, such as, PTA Bank (Eastern and Southern African Trade and Development Bank, covering 17 countries in the Eastern and Southern African region, including five EAC countries, Burundi, Kenya, Rwanda, Tanzania and Uganda), Banque Ouest Africaine de Developpement (West African Development Bank, covering 8 countries in the West African region), Indo-Zambia Bank, Seychelles Marketing Board, and

Afreximbank. These LOCs facilitate import of project-related equipments and services from India on deferred credit terms. At the same time, many of these LOCs are earmarked for infrastructure and related projects.

In the EAC region, Exim India has 10 operative GOI supported LOCs valued at US\$ 600.7 mn, as on March 31, 2014, covering all the countries except Uganda. Additionally, Exim India has also extended 5 direct LOCs valued at US\$ 95 mn to Eastern and Southern African Trade and Development Bank (PTA Bank) and Afreximbank.

Support for Project Exports

Exim India plays a pivotal role in promoting and financing Indian companies in execution of projects. Towards this end, the Bank extends funded and non-funded facilities for overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy service contracts. In the EAC region, Indian companies have implemented numerous projects, spanning various sectors, with such support from Exim India. These projects, in turn, facilitate and support infrastructure development in host countries, thereby contributing to the overall development process in the region.

As on March 31, 2014, the value of ongoing 18 project contracts secured

by Indian project exporters in the EAC region amounted to ₹ 30.1 billion, in sectors such as power (generation and transmission) and consultancy. These projects in the EAC countries include: supply, installation, testing and commissioning of double circuit transmission line; consulting services for engineering and project management services for transmission infrastructure; and design, procurement, supply, erection, installation, testing and commissioning of Turkwel, Ortum and Kitale substations and Machakos, Konza, Kajiado, Namanga substations in Kenya; design and supervision for augmentation of water supply schemes of Dar es Salaam and Chalinze regions; expansion of Upper Ruvu water treatment plant; construction of the Milandizi - Kimara water transmission main and the Kibamba reservoir; and contract for overhead transmission lines in Tanzania; contract for design, supply, installation, testing and commissioning of 128 kms, 220 kV Bujagali-Tororo overhead transmission line, and 66 kms, 220 kV D/C twin conductor, double circuit overhead transmission line in Mbarara in Uganda; financing Kabu Hydro Electric Project; and project management consultancy for the development of the Kabu Hydro Electric Project, and construction of the posts and electric transmission lines in Burundi; and power projects in Rwanda.

Finance for Joint Ventures Overseas

Exim India supports Indian companies in their endeavour to globalise their operations, through joint ventures (JVs) and wholly owned subsidiaries (WOS). Such support includes loans and guarantees, equity finance, and in select cases, direct participation in equity along with Indian promoters to set up such ventures overseas. Exim India has supported several such ventures in Africa including EAC countries such as Kenya, Tanzania, and Uganda in areas such as agro-based products, auto and auto ancillaries, chemicals and dyes, construction, electronics, engineering goods, metals, plastics and packaging, software and IT enabled services, and textiles. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries.

In the EAC region, Exim India has supported six such ventures amounted to ₹ 354.4 mn in Kenya, Tanzania and Uganda, covering sectors such as pharmaceuticals, manufacturing and plastics and packaging. Some of the companies supported by Exim India in the EAC region include: Elgi Tyres and Tread Ltd. and Princeware International Pvt Ltd. in Kenya; Avon Cycles Ltd. and Princeware International Pvt. Ltd. in Tanzania; and Kopran Ltd. in Uganda.

Buyers Credit under NEIA

Exim India's strong emphasis on increasing project exports from India has been enhanced with the introduction of the Buyer's Credit under GOI's National Export Insurance Account (BC-NEIA) program. BC-NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis. A number of project exports from India to various African countries including the EAC countries are being considered to be supported under this initiative. Currently, Kenya, Rwanda, Tanzania and Uganda feature among a positive list of 48 countries identified by ECGC for which Indian exporters can avail Buyers Credit under NEIA.

INSTITUTIONAL LINKAGES AND ARRANGEMENTS

Exim India has been consciously forging a network of alliances and institutional linkages to help further economic cooperation while promoting and facilitating bilateral trade and investment between India and the EAC region. These, in turn, serve to create an enabling

environment and support capacity creation and enhance institutional strengthening. The network of alliances are with financial institutions, trade promotion agencies, investment promotion agencies, export promotion agencies, chambers of commerce and information providers across the globe for assisting externally oriented Indian companies in their quest for excellence and globalisation.

Towards this end, Exim India has taken up equity in Afreximbank. These endeavours are further supplemented by the various Memoranda of Cooperation (MOCs)/ Memoranda of Understanding (MOUs), the Bank has in place, with key institutions in the EAC region including: African Development Bank (AfDB), Eastern and Southern African Trade and Development Bank (PTA Bank), and Afreximbank.

Exim India has signed an MOU with the International Trade Centre (ITC), Geneva in March 2014 to promote trade and investment between India and East Africa through the support of SMEs in their access to finance. Exim India and ITC would be co-operating on the project on Supporting India's Trade Preferences for Africa (SITA), during 2014 to 2020. The six-year project is aimed at promoting exports from five East African countries,

namely, Ethiopia, Kenya, Rwanda, Tanzania and Uganda, to India through investment and skills transfer from India.

Global Network of Exim Banks and Development Finance Institutions (G-NEXID)

With a view to facilitating South-South trade and investment cooperation, at the joint initiative of Exim India and UNCTAD, a Global Network of Exim Banks and Development Finance Institutions (G-NEXID) was launched in March 2006 in Geneva. The five signatories are Export-Import Bank of India, Export-Import Bank of Malaysia, African Export-Import Bank, Andean Development Corporation and Export-Import Bank of Slovakia. Annual Meetings are held to deliberate upon measures to foster long-term relationship, share experience and strengthen financial cooperation to promote trade and investment relations between developing countries. A number of institutions from the EAC region are G-NEXID members, such as Afreximbank, East African Development Bank (EADB), PTA Bank, and Industrial Development Bank of Kenya.

Partner in Institution Building in Africa

As a partner institution in promoting economic development in Africa,

Exim India shares its experience in the setting up of institutional infrastructure for international trade. In this regard, the Bank has taken active participation in the institution building process in a number of countries in Africa. Besides being associated in the setting up of the Afreximbank, Exim India has been involved in preparing a Feasibility study for establishment of Commonwealth Trade and Investment Bank.

GPCL as a Consultant

Global Procurement Consultants Ltd. (GPCL) has been promoted by Exim India in association with leading public sector and private sector consultancy organizations. GPCL's shareholding pattern creates a synergetic fusion of expertise. This creates a unique platform for sharing of collective Indian experience in a partnership mode with developing countries and emerging economies, in the professional management of projects, with particular reference to procurement services. GPCL synthesizes India's consultancy expertise in project management and procurement across varied sectors of the economy including finance, infrastructure, energy, transportation, environment, information and communication technology, industry, agriculture, mining, water resources, health and education. In the EAC

countries, GPCL has supported Procurement Audit of contracts in a World Bank funded project in Uganda and Procurement Monitoring Agent for a World Bank funded health project in Kenya.

Knowledge Building and Technology Transfer

In the area of knowledge building and technology transfer, with a view to enhancing competitiveness of Indian exporters, as also identifying Indian trade and investment potential, Exim India periodically conducts research studies on countries/regions; sectors/industry; and on macro-economic issues relating to international trade and finance. The recent research publications relating to Africa include: Enhancing India's Trade Relations with Africa : Focus on Select Countries; IBSA : Enhancing Economic Co-operation across Continents; and Various studies on India's Trade and Investment Potential with West Africa, SADC, SACU, ECOWAS, COMESA, Select Southern African Countries, Maghreb Region, LDCs, the Commonwealth, etc.

EXIM INDIA'S OFFICES IN AFRICA

Exim India has representative offices in Addis Ababa, Ethiopia; Johannesburg, South Africa; and Dakar, Senegal, which played key role in facilitating

economic cooperation with the African region. The representative offices interface with various institutions such as African Development Bank, Industrial Development Corporation of South Africa Ltd., regional financial institutions such as Eastern and Southern African Trade and Development Bank (PTA Bank), Afreximbank, West African Development Bank, ECOWAS Bank for Investment and Development (EBID), as well as Indian missions in the region, thereby being closely associated with the Bank's initiatives in the African region.

STRATEGIES AND RECOMMENDATIONS FOR ENHANCING BILATERAL COMMERCIAL RELATIONS WITH THE EAC COUNTRIES

The EAC countries have witnessed increased economic activities in the recent years, reflected in their GDP growth as also rise in foreign trade. Broad strategies and recommendations which could be adopted in order to facilitate and enhance two-way trade and investment between India and countries in the EAC, based upon the analysis and findings of the study are given below.

Cooperation in Transport Related Infrastructure

Inadequate infrastructure is a constraint to accelerating and sustaining growth in the EAC region. The EAC's transport sector has an important role to play in achieving its ambitious growth and development agenda. The geographic fundamentals are that three EAC members (Burundi, Rwanda and Uganda) are landlocked and dependent upon the infrastructure of the two coastal members. Hence, road transport is the most dominant mode of motorized transport in the EAC region. However, maintenance of the road network is inadequate, leading to high transport costs. More so, road network in several EAC countries continues to suffer from very high overloading rates (e.g., in Uganda, overloading rates are close to 55 percent)¹. Rail networks in the EAC countries are inadequate with the limited coverage of the rail infrastructure. Congestion and delays at the sea ports, underutilization of the waterways and inadequate berthing and storage facilities at ports are some of the challenges facing by EAC's maritime and inland waterways transport system. Hence, there is an urgent need for the EAC countries to build the transport links by developing

¹Africa Competitiveness Report 2013, World Economic Forum

its road networks, railways and port in order to integrate within the region and with the rest of the world.

Indian investors could involve in the development of highways and roadways, development of railway networks and ports, which would also help in regional integration to a great extent. Large Indian construction companies could explore business opportunities to meet the infrastructural requirements in the EAC region, which would not only boost connectivity within the region, but also contribute to economic development in the host countries.

Cooperation in Meeting Power and Energy Requirements of EAC

Power crisis in the EAC is characterised by inadequate, unreliable and costly electricity infrastructure. Majority of the East African people are based in the rural areas and lack adequate energy supply, resulting in the use of fuel wood and charcoal. Inadequate generation capacity and transmission and distribution networks constrain economic growth and limit the social benefits of electricity use in the EAC. EAC is lagging far behind other African regions in the electricity supply and

power generation capacity². With new discoveries of oil and gas, there is an opportunity to rethink power provision on a regional basis. Regional provision is likely to be much cheaper, and reliable cheap energy is hugely important for economic development of the EAC region. India could support the countries in EAC to promote the emergence of a regional energy market by linking national energy grids.

Cooperation in Financial/Banking Sector Development

For the EAC region, financial deepening is occurring at a very slow pace. Domestic financing costs hamper financial market deepening in the region. Towards development of financial markets, countries in the EAC region stand to immensely gain by learning from India's rich experience during the past six decades especially in the banking and insurance sectors. Given the similar kind of economic conditions through which India has evolved over the years, it would benefit the countries in the EAC to learn and adopt the strong processes and practices of Indian banking system to its advantage. Besides financing, public sector banks in India are also competent to impart knowledge through extensive

²East Africa's infrastructure: A Regional Perspective, Rupa Ranganathan and Vivien Foster, 2011

training and guidance to enterprises in their endeavours.

Indian banks now have core banking systems in place, supported by extensive use of technology. With expertise in specialized products including microfinancing, MSME and agriculture financing, the Indian banking system possess competitive edge to share their expertise in developing a sound IT enabled banking system for countries in the EAC. Leading Indian banks like Bank of India, Bank of Baroda, HDFC and Central Bank of India are already present in the region, facilitating commercial relations with the member countries of the EAC. In view of the potential in the financial sector of the countries in the EAC, opening branches/subsidiaries/representative offices by Indian banks and insurance companies in the region, and developing correspondent banking relations with select banks in the region would serve to further facilitate and promote commercial relations.

Cooperation in Agriculture and Food Security

Agriculture remains the dominant economic activity in the EAC region. Agribusiness has a large potential, but little has been done to promote value addition of the sector. National governments, with a view to

addressing the serious issue of food shortage, have been framing policies towards attracting investors in the agricultural sector to tackle food, employment and sustainability crises. If the EAC countries could frame and implement their agricultural policies in such a way that diversifies output, boosts productivity, and promotes strong linkages with other economic sectors and serves broad social policy objectives, then the region could easily overcome its food shortage and other developmental problems. Further, adopting a cooperatives led-growth model could yield significant returns, as seen in the case of countries like India. The cooperative model of business could be a viable and valuable tool in building sustainable, grass roots agricultural businesses in Africa.

Indian companies can explore the possibilities of investments such as joint ventures or contract farming, setting up agro processing firms and investments in key stages of value chain. Indian investment in EAC countries could result in improving the agricultural sector of the host country through skill development, job creation, technological upgradation, supply of quality inputs like seed, better supply chain management, and biotechnology. Indian scientific and agricultural research institutions could assist many entrepreneurs in

developing their business ideas in the EAC countries. Indian investors could also focus on providing quality infrastructure to enhance the farm productivity in these countries.

Cooperation in Capacity Building, Technology Transfer and Human Resource Development

Human resource development is recognised as the premiere need of the EAC countries. The human resource development initiative of the EAC is being challenged by lack of a Regional Science and Technology Policy; inadequate mechanisms for regional collaboration and networking on research and technology development and innovations; incomplete reform and harmonization of East African education systems; and lack of an institutional framework for reforming examinations, certification and accreditation. In line with the EAC's development strategy, India's partnership with countries in the EAC especially in capacity building holds great promise for the future. Over the years, India's cooperation with Africa has not only focused on trade, but also on technology transfer, human resource development, and most essentially on capacity building.

The EAC countries could tie up with Indian institutions such as the Central Food Technological Research Institute

(CFTRI), Mysore; Entrepreneurship Development Institute of India (EDI), Ahmadabad; and National Small Industries Corporation Ltd. (NSIC), New Delhi. Further, Indian institutions could also share their expertise in the fields of export capability creation in the region, institutional strengthening and export development in the form of technical assistance and sharing of expertise through site visits. Indian investors could also help governments in the EAC countries in setting up various higher education institutes, universities and provide scholarships to the EAC students for various exchange programmes like Study India Programme, which could improve the quality of education in these countries.

Focus on Information and Communication Technology (ICT) and Knowledge Sharing

Information and communication technology (ICT) is considered as a channel through which the EAC common market would improve global access of its people and competitiveness of goods and services from the region. The use of various electronic marketing technologies is necessary to improve and develop different sectors, but it largely depends on internet access and penetration rates in countries, which is still at a backward stage in the

EAC countries. With the strength and capability that India possesses in the realm of Information Technology (IT) sector, Indian IT firms could explore and tap the opportunities in the EAC countries, and focus on investing in subsidiaries or joint ventures in the areas of e-governance, financial services and e-education. Indian companies could also share their expertise in providing software programmes and services for banks and financial institutions in the region. For instance, Indian companies, including NIIT and Aptech, which already have presence in Africa could expand their network of training centers in the EAC countries.

Cooperation in Environment and Natural Resources Development and Management

Sustainable development constitutes a significant objective of the EAC countries, and remains a key factor in their future economic growth. According to the EAC Development strategy, the major challenges face by the EAC countries in the development and management of environment and natural resources include, among others, challenges in promotion of value addition, and productivity of natural resources, weak environmental regulations; poor information sharing on trade in illegally harvested forest products;

poor promotion and inadequate protection of indigenous/traditional knowledge of biological resources and eco-systems; inadequate human and financial resources; and inadequate value addition to natural resources. In light of these, increased cooperation between India and the resource-rich countries in the EAC in developing/ exploring natural and mineral resources through environmentally sustainable methods, support afforestation, and bilateral arrangements such as buy-back arrangements, could be an important strategy to enhance Indo-EAC commercial relations.

Industry and Micro, Small and Medium Enterprises (MSME) Development

The industrial capability in the EAC region is underdeveloped and faced by various challenges that have slowed its transformation. The manufacturing sector in the region contributes less than 10 percent of GDP, and is characterized by limited value addition which is highly concentrated in agro-processing activities. The MSMEs, which form the bulk of the industrial sector by establishments, and contributes to more than 60 percent of employment, has the potential of addressing the development needs of the region. Towards developing entrepreneurship

and human capability, India could share its expertise and experience with the EAC countries, particularly in the SME sector wherein India has developed successful SME clusters. An important element in this direction could be for delegations from these countries to visit India to study success factor of SME clusters in India, and developing similar clusters in their countries based on resource and skill endowments.

Cooperation in Hospitality Industry

The EAC countries have emerged as major tourism destinations, receiving large number of tourist population visiting Africa. With India being an emerging player in hospitality industry, Indian companies could explore the vast opportunities available in the EAC countries, by focussing more on developing world-class hotels and resorts. Indian hotel groups could also try to acquire and renovate some hotels in the region. Indian entrepreneurs could also specifically focus on different kinds of tourism products, such as adventure tourism, coastal and safari tourism, medical tourism, wildlife tourism, eco-tourism, and cultural tourism. Ayurvedic services could be one of the areas where India has potential and can enhance its presence in the field of medical tourism.

At the same time, several features such as low cost healthcare solutions, availability of skilled healthcare professionals, reputation for treatment in advanced healthcare segments, India's traditional wellness systems, and strengths in information technology also makes India an ideal destination for patients from the EAC countries. Patients from the EAC countries can identify and select the hospital / doctor suitable for the treatment, identify favourable destination for holiday / recuperation, seek online appointments for various healthcare services and customise the required packages with the travel/ tourism operators.

Developing linkages with Trade Promotion Institutions / Investment Promotion Agencies / Chambers of Commerce

Besides streamlining their investment regimes, countries in the EAC region have set up specialised Investment Promotion Agencies/Chambers of Commerce to promote and facilitate inflow of foreign investment into these countries, while also serving as one-stop-shop for investment related activities. In light of the key role of these institutions, building closer cooperation and linkages with these Investment Promotion Agencies in the EAC countries would serve to enhance access to information

about investment opportunities in the region.

Such relationship would serve to enhance knowledge about potential areas for investment, upcoming projects in different sectors, prospective investment partners, as also procedures, rules and regulations required for venturing into specific sectors in these countries and incentives offered to investors. Further, investment promotional events with select Investment Promotion Agencies would foster increased interaction between potential investors and concerned agencies in potential sectors in target countries in the region.

Steps to increase the volume of bilateral trade and diversifying the composition of trade will include trade delegations, organization of fairs, seminars and conferences. Participation in major international trade fairs and exhibitions held in both countries with the support of Trade Promotion Institutions / Chambers of Commerce will also boost the bilateral trade. To sensitize businessmen of both countries, frequent visits of

business delegations should also be encouraged.

Focus on Multilateral Funded Projects

Besides participating in investment activities that are promoted by respective governments of countries in the EAC, Indian companies could also endeavour to participate in multilateral funded projects. Multilateral institutions such as the World Bank and the African Development Bank support and fund a number of projects covering various sectors in the EAC region. Focus on these funded projects, and increased participation by Indian projects and services exporters, would serve to enhance Indian commercial presence in these countries. At the same time, efforts to participate in technical assistance in terms of project preparation and advisory services in such funded projects would support increased presence in the region. Indian companies could explore partnership with local entrepreneurs and local investment agencies, which could then attract funds from multilateral investment agencies.

1. EAST AFRICAN COMMUNITY: ENHANCING ECONOMIC SYNERGY

The East African Community (EAC) is a regional inter-governmental organization established under Article 2 of the Treaty for the Establishment of the East African Community, with its headquarters in Arusha, Tanzania. The membership of the Community comprises Burundi, Kenya, Rwanda, Uganda and Tanzania. The Treaty for the Establishment of the East African Community was signed on November 30, 1999 and entered into force on July 7, 2000, following its ratification by the original three partner states – Kenya, Tanzania and Uganda. Rwanda and Burundi acceded to the EAC Treaty on June 18, 2007 and became full members of the Community with effect from July 1, 2007.

Pursuant to the provisions of paragraph 1 of Article 5 of the Treaty for the establishment of the East African Community, the partner states undertake to establish among themselves, a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a Political Federation in order to strengthen and regulate the industrial,

commercial, infrastructural, cultural, social and political relations. This is meant to enhance accelerated harmonious, balanced development and sustained expansion of economic activities.

Mission and Vision

The Vision of the EAC is to attain a prosperous, competitive, secure and a politically united East Africa. The Mission is to widen and deepen the economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, enhanced trade and investment. The Brand of the East African Community is “One People, One Destiny”.

Objectives of the Community

The broad objective of the EAC as stipulated in Article 5 of the Treaty is to develop policies and programmes aimed at widening and deepening cooperation among the partner states

Exhibit 1.1: East African Community: Member Countries



Source: United Nations

in political, social and cultural fields; research and technology, defence, security and legal, and judicial affairs. Article 5 of the Treaty stipulates that the Community shall ensure the:

- a) Attainment of sustainable growth and development of the partner states;
- b) Strengthening and consolidation of cooperation in agreed fields;
- c) Promotion of sustainable utilization of the natural resource base in the region;
- d) Strengthening and consolidation of the long standing political, economic, social, cultural and traditional ties;
- e) Promotion of people-centered mutual development;
- f) Promotion of peace, security and stability;
- g) Enhancement and strengthening of partnerships with the private sector and civil society; and
- h) Mainstreaming of gender in all its endeavours among others.

To this extent, the EAC countries established a Customs Union in January 2005 and a Common Market

in January 2010. The next phase of the integration for the bloc is to enter into a Monetary Union and ultimately become a Political Federation of the East African States. The negotiations for the East African Monetary Union were commenced in 2011, and the protocol for the establishment of the EAC Monetary Union was signed on November 30, 2013.

The EAC Institutional Framework

In accordance with Article 9 of the EAC Treaty, the institutional framework of the Community consists of the Executive, the Legislative, and the Judicial arms. The Executive arm is composed of the Summit of the Heads of State (playing the broad Vision setting role), and the Council as the policy making organ, the Secretariat which is the executive organ of the Community and EAC institutions. The Legislative and Judicial arms are made up of the East African Legislative Assembly and the East African Court of Justice, respectively. The functions, mandates, and operational frameworks of these Organs and Institutions are set out in the Treaty, Protocols, and Rules of Procedures.

The Summit comprising Heads of Government of partner states gives general direction towards the realisation of the goal and objectives

of the Community. The Council of Ministers is the main decision-making institution. It is made up of Ministers/ Cabinet Secretary from the partner states responsible for regional co-operation. The Co-ordinating Committee consists of Permanent/ Principal Secretaries and reports to the Council. It is responsible for regional co-operation and co-ordinates the activities of the sectoral committees. Sectoral Committees conceptualise programmes and monitor their implementation. The Council establishes the committees on recommendation of the respective co-ordinating committee.

The East African Court of Justice ensures that Community law is interpreted and implemented in line with the Treaty. The East African Legislative Assembly provides a democratic forum for debate. It has a watchdog function and also plays a part in the legislative process. The Secretariat is the executive organ of the Community. As the guardian of the Treaty, it ensures that regulations and directives adopted by the Council are properly implemented.

COMESA-EAC-SADC Free Trade Area

The first COMESA-EAC-SADC Tripartite Summit was held on October 22, 2008, in Kampala, Uganda, which discussed a single Free Trade Area

and merger of the three regional blocs. The second COMESA-EAC-SADC Tripartite Summit held in Johannesburg, South Africa on June 12, 2011, agreed to start negotiations for a Tripartite Grand Free Trade Area encompassing the three blocs, which if realized would provide a large market for the member countries. This is widely viewed to offer tremendous trade opportunities. The common market for the COMESA-EAC-SADC comprises 26 countries with a combined population of nearly 600 mn and a total GDP of approximately US\$ 1 trillion in 2013. The 26 member countries of the Tripartite constitute 57 percent of the population of the African Union (AU) and over 58 percent in terms of contribution to GDP. This makes the Tripartite vital to the envisaged single market and continental integration of the African Economic Community (AEC).

The Grand Free Trade Area is expected to be launched in 2014, and the benefits are expected from free movement of goods, harmonized and simplification of Rules of Origin, customs procedures and standards, coordination of competition policies and institutional frameworks. The main objective of the COMESA-EAC-SADC Tripartite is the strengthening and deepening of economic integration of the Southern and Eastern African region. This will be achieved through harmonisation

of policies and programmes across the three Regional Economic Communities (RECs) in the areas of trade, customs and infrastructure development. The overlapping of country membership among the EAC, COMESA and SADC has presented

certain technical challenges, as a country cannot belong to more than one Customs Union, unless two or more Customs Unions have the same Common External Tariff (CETs), trade policies and customs regulations and procedures.

2. EAST AFRICAN COMMUNITY: AN ECONOMIC OVERVIEW

East Africa is characterized by greater regional integration and reliance on intra-regional and intra-African trade than the other regional economic blocs. East African Community (EAC), comprising Burundi, Kenya, Tanzania, Uganda and Rwanda, is an integral part of the African region, accounting for 5.8 percent of total land area, 13.5 percent of total population, and 5.3 percent of GDP of the African region. The EAC is among the top trading blocs in Africa in terms of nominal GDP (**Table 2.1**). The countries of the EAC plan to create a monetary union with a single currency by 2015.

All the EAC countries are members of the African Union (AU). Kenya and Uganda are members of the Inter-Governmental Authority on Development (IGAD); Burundi, Kenya, Rwanda and Uganda are members of the Common Market for Eastern and Southern Africa (COMESA); Tanzania is a member of Southern African Development Community (SADC); and Burundi is a member of the Economic Community of Central African States (ECCAS). Kenya and Tanzania are

also members of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

Though four countries in the EAC, except Kenya, have been identified as Least Developed Countries (LDCs), according to the Least Developed Countries Report 2013 of UNCTAD, the EAC is among the world's most rapidly growing economic regions. The long term internal and external trends indicate strong economic prospects for the EAC countries.

Notable progress in the EAC has been achieved through improved macro-economic management, market-based reforms and continued structural progress in many countries. This has resulted from the strong commitments of their governments to prudent fiscal, monetary and exchange rate policies, during the last few years. Stimulus to sustained growth emanated from the deepening of reforms – economic and political governance, structural transformation, rebuilding institutional capabilities as well as efficiently managed macro-economic policies.

Achieving middle-income status is an aspiration of all the EAC countries.

NATURAL RESOURCES

The EAC countries have vast wealth of untapped mineral resources. Kenya's share in the world's mine production of soda ash amounted to 4 percent, and fluorspar, 2 percent. Tanzania played a significant role in the global production of gold, accounting for nearly 2 percent of the world's gold mine output. Tanzania is also among the top fifteen global diamond producers, and the

only global producer of tanzanite. Rwanda is a significant producer of tantalum, accounting for 15 percent of world tantalum mine production. The major natural resources available in the EAC countries are given in **Table 2.2**.

DOMESTIC ECONOMY

The EAC region represents an important market which offers huge potential for trade expansion and investments. The countries in the EAC are trying for more regional integration and are working

Table 2.1: Nominal GDP of Trading Blocs in Africa (US\$ billion)

Trading Blocs	2009	2010	2011	2012	2013 ^e	2014 ^f	2015 ^f
SADC	478.5	581.9	661.3	661.3	647.8	674.3	719.3
ECOWAS	276.0	346.0	377.5	397.7	434.1	471.3	507.6
SACU	309.3	396.1	438.9	416.1	383.8	388.9	410.8
COMESA	163.6	176.0	196.1	222.5	242.3	265.0	289.8
EAC	75.5	80.0	85.2	100.0	110.8	125.1	139.3
CEMAC	64.5	73.4	88.8	88.4	91.5	99.5	104.2
UEMOA	68.7	70.8	78.2	79.2	87.6	98.6	108.8
Memo: Sub-Saharan Africa	907.6	1,090.6	1,241.7	1,275.7	1,317.9	1,401.7	1,503.8
Africa	1,488.1	1,750.9	1,929.3	2,033.9	2,091.4	2,196.7	2,388.5
World	58,623.2	64,019.5	70,895.8	72,105.8	73,982.1	76,776.0	81,009.3

Note: ^e-Estimates; ^f-Forecasts

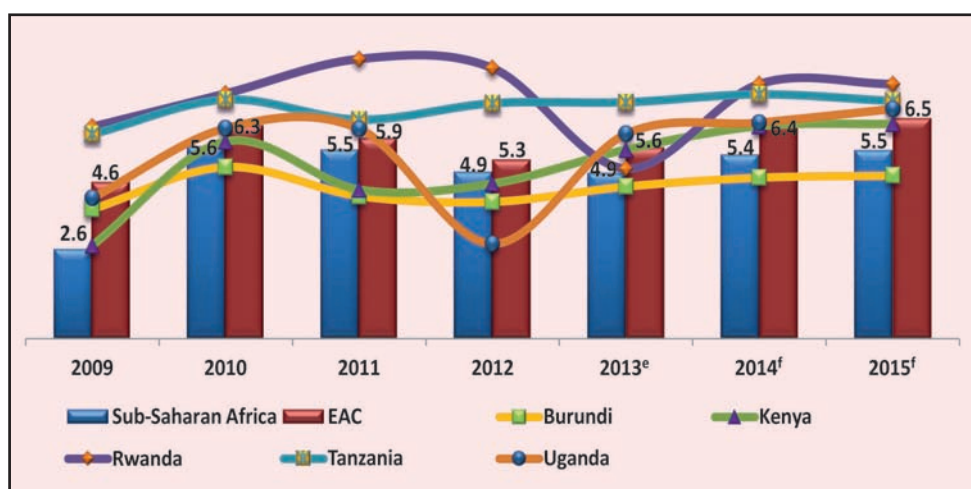
Source: IMF, World Economic Outlook, April 2014, and Exim Bank Analysis

Table 2.2: Major Natural Resources in the EAC Countries

Country	Major Resources
Burundi	Gold, limestone, niobium (columbium), peat, sand and gravel, tantalum, tin, and tungsten
Kenya	Diatomite, fluorspar, gemstone, gold, hydraulic cement, lime, natural soda ash, salt, and steel
Rwanda	Gold, lime, natural gas, niobium, peat, tantalum, tin ore, and tungsten
Tanzania	Bauxite, cobalt, coal, colored gemstones, copper, diamond, gypsum, gold, limestone, petroleum products, phosphate, and silver
Uganda	Bismuth, clay, cobalt, columbite (tantalite), copper, gold, hydraulic cement, iron ore, limestone, mica, petroleum, salt, uranium, and vermiculite

Source: U.S. Geological Survey (USGS)

Chart 2.1: Real GDP Growth of the EAC Countries (%)



Source: IMF, World Economic Outlook, April 2014, and Exim Bank Analysis

towards the introduction of a common currency, which if introduced would be helpful in reducing trade costs among member countries, which will foster

economic growth of the region. The EAC countries demonstrated strong growth performance in the recent years.

Table 2.3: Select Macro Economic Indicators of the EAC, 2009-15

Items	2009	2010	2011	2012	2013 ^e	2014 ^f	2015 ^f
Nominal GDP (US\$ bn)	75.5	80.0	85.2	100.0	110.8	125.1	139.3
Real GDP growth (%)	4.6	6.3	5.9	5.3	5.6	6.4	6.5
GDP per capita (US\$)	508.9	528.4	557.6	627.9	669.4	729.1	786.2
Consumer price inflation (avg., %)	10.1	4.4	13.2	11.5	6.4	5.6	5.5
Population (mn)	131.9	135.5	139.2	143.0	147.1	151.3	155.7
Current account balance (US\$ bn)	-5.3	-7.0	-10.4	-12.2	-12.3	-14.9	-14.8
Foreign exchange reserves (US\$ mn)	11.4	12.1	12.0	14.1	15.7	-	-

Note: ^e-Estimates; ^f-Forecasts; '-' nil or negligible

Source: IMF, World Economic Outlook, April 2014, EIU, and Exim Bank Analysis

Reflecting strong economic policies and strong output growth, the EAC region is among the fastest growing regions in Africa, outpacing the rest of the Sub-Saharan African region. After a robust growth of 5.3 percent in 2012, real GDP growth in the EAC region is estimated to have risen further to 5.6 percent in 2013, and is expected to witness a robust growth of 6.4 percent in 2014 (**Table 2.3**). For the Sub-Saharan African region, GDP growth, which stood at 4.9 percent in 2012, is estimated to have remained unchanged in 2013 and is expected to grow by 5.4 percent in 2014 (**Chart 2.1**).

The high regional growth is propelled by mineral exports in Tanzania, and reform efforts by the countries in the

region. There is also huge disparity among the countries in the EAC with respect to real GDP growth. Among the countries in the EAC, Tanzania is estimated to have registered the highest growth rate at 7 percent in 2013, followed by Uganda, Kenya, and Rwanda. Kenya, is the largest economy in East Africa and is a regional financial and transportation hub. The recent hike in commodity prices (oil and minerals) has benefited natural resources rich countries like Tanzania.

The EAC region has an estimated GDP size of US\$ 110.8 billion in 2013, with Kenya accounting for as much as 41 percent. By 2018, the size of the EAC is expected to exceed US\$ 185 billion, with Kenya contributing to over

44 percent of GDP of the Community, followed by Tanzania and Uganda.

The average GDP per capita of the EAC stood at US\$ 627.9 in 2012, and is estimated to have reached US\$ 669.4 in 2013. Kenya, with an estimated GDP per capita of US\$ 1,016.5 has the highest per capita income among the EAC countries, followed by Tanzania with a GDP per capita of US\$ 703. Burundi, at US\$ 303, has the lowest per capita income in 2013. The per capita income of the EAC countries is expected to increase to US\$ 729.1 in 2014, and further to US\$ 786.2 in 2015.

Inflation dynamics in the EAC region are also favourable, with average consumer prices estimated to have moderated from the high level of 11.5 percent in 2012 to 6.4 percent in 2013, and are expected to moderate further to 5.6 percent in 2014. Sharp moderation in the consumer prices in Kenya, Tanzania, and Uganda would underline this estimated and projected decline in inflation rate in the region.

The combined current account balance of the countries in the EAC is in a deficit. Current account deficit widened to US\$ 12.3 billion (11.1 percent of GDP) in 2013, from US\$ 12.2 billion in

2012, and is expected to widen further to US\$ 14.9 billion in 2014. Tanzania, with an estimated deficit of US\$ 4.7 billion, recorded the highest current account deficit among the countries in the EAC in 2013, followed by Kenya and Uganda.

The combined international reserves of the EAC countries in 2013 stood at an estimated US\$ 15.7 billion, higher than US\$ 14.1 billion recorded in the previous year. The reserves represented an import cover of around 5 months. Kenya has the highest foreign exchange reserves among the EAC countries at US\$ 6.4 billion, with an import cover of 4.6 months, while Burundi has the lowest reserves at US\$ 302 mn, with an import cover of 3.7 months.

BANKING SECTOR IN THE EAC REGION³

A number of measures were taken by the countries in the EAC in the last decade resulting in successful implementation of various measures including liberalization of state-controlled banking systems, restructuring of loss-making institutions, writing off non-performing loans, improving governance and financial sector supervision. As a result, banks that had

³IMF Working Paper - Assessing Bank Competition within the East African Community

previously largely held government securities and foreign assets have steadily shifted their asset allocation towards domestic lending. While this expansion in private sector credit has taken place from a very low initial volume, the rate of growth during this period has been impressive. The annual growth in credit to the private sector during 2002–2010 averaged 28 percent in Uganda, 32 percent in Tanzania, and 15 percent in Kenya. As a result, credit to the private sector as a share of GDP has increased over this period from 8 to 16 percent in Uganda, 6 to 16 percent in Tanzania, and 25 to 33 percent in Kenya. There has also been acceleration in credit growth in both Rwanda and Burundi as stability has been restored, with credit to the private sector rising by an annual average of 20 percent since 2005.

Nevertheless, the level of financial intermediation in the region is low and access to financial services remains limited. The mobilization of deposits by the banking system and the level of outstanding credit are both well below the levels in some middle-income emerging market economies. Less than a third of the population in Burundi, Rwanda, Tanzania, and Uganda have access to the formal financial system, compared with more than half of the population in South Africa (**Table 2.4**). The limited access to finance remains a key constraint on

growth across the region, limiting the scope for smaller, less well-established firms to finance investment through the formal banking system.

Table 2.4: EAC- Access to Formal Financial Services

Country	2011
Burundi	7.2
Kenya	42.3
Rwanda	32.8
Tanzania	17.3
Uganda	20.5
South Africa	54.0

Source: Global Findex 2011, World Bank

ECONOMIC PROFILES OF THE EAC COUNTRIES

This section provides a broad overview of the prevailing economic environment in the EAC member countries.

BURUNDI

Burundi, a landlocked country, covers a land area of 25,680 sq. km and an estimated total population of 9 mn in 2013. Burundi has substantial natural resources, especially minerals and hydroelectric potential. It has large reserves of lateritic nickel, vanadium, phosphates, carbonatites, peat and limestone. It also has the world's second largest reserves of coltan (colombite-tantalite). Burundi has come a long way from the socio-political crisis that

shook the productive sector in the country. In January 2009, Burundi has reached its completion point under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative of the IMF and the World Bank.

There has been a revival in the economic activity in the recent years, driven by an expansion in services and manufacturing, supported by investment in industry and construction. Primary sector accounted for 41.2 percent of Burundi's GDP in 2012. The major food crops and exports are coffee and tea, and more than

80 percent of population depends on primary sector for their livelihood. The second largest sector, tertiary sector, accounted for 38.3 percent of GDP, followed by the secondary sector, which accounted for 20.5 percent of GDP.

Real GDP growth of Burundi moderated to 4 percent in 2012 from 4.2 percent recorded in 2011, due to lower overall demand and sluggish investment in key sectors. It is estimated to have picked up to 4.5 percent in 2013, on the back of solid agricultural and construction

Table 2.5: Select Macro Economic Indicators of Burundi, 2009-15

Items	2009	2010	2011	2012	2013 ^e	2014 ^f	2015 ^f
Nominal GDP (US\$ bn)	1.8	2.0	2.4	2.5	2.7	3.0	3.2
Real GDP growth (%)	3.8	5.1	4.2	4.0	4.5	4.7	4.8
GDP per capita (US\$)	217.3	242.8	276.7	286.0	303.0	325.3	343.8
Consumer price inflation (avg., %)	4.6	4.1	14.9	12.0	8.8	5.9	6.0
Population (mn)	8.2	8.4	8.6	8.8	9.0	9.2	9.4
General government gross debt (% of GDP)	26.1	40.3	36.4	35.4	31.7	30.3	29.0
Current account balance (US\$ bn)	0.03	-0.2	-0.3	-0.4	-0.6	-0.6	-0.7
Foreign exchange reserves (US\$ mn)	322.0	330.7	294.0	307.2	302.1	-	-
Average exchange rate (Bufr: US\$)	1,230.2	1,230.7	1,261.1	1,442.5	1,555.0	1,557.0	1,590.0

Note: ^e-Estimates; ^f-Forecasts; '-' nil or negligible

Source: IMF, World Economic Outlook, April 2014, EIU, and Exim Bank Analysis

activity, good weather and favourable commodity prices. Real GDP growth of the country is expected to pick up in the coming years, growing by 4.7 percent in 2014 and 4.8 percent in 2015.

Inflation has moderated in 2012, averaging 12 percent in 2012 from 14.9 percent in the previous year. Inflation is estimated to have moderated further to 8.8 percent in 2013 due to the lagged effect of monetary tightening, and a decline in international food and fuel prices. It is expected to fall further to 5.9 percent in 2014, supported by easing fuel and food prices. Due to high imports, current account deficits have widened to US\$ 0.4 billion (17.3 percent of GDP) in 2012 from US\$ 0.3 mn in 2011. Current account deficit is estimated to have widened to US\$ 0.6 billion in 2013. Burundi's foreign exchange reserves increased from US\$ 294 mn in 2011 to US\$ 307.2 mn in 2012. It is estimated to have decreased marginally to US\$ 302.1 mn in 2013 (**Table 2.5**).

The long term development plan of Burundi, 'Vision Burundi 2025', is a strategic framework for growth and fight against poverty, with a primary mission to trigger accelerated growth by promoting a favourable

global environment for sustainable development, creation of jobs, redistribution of the fruits of this growth and rapid and profound transformation of the Burundian economy. It seeks to achieve an accelerated economic growth of at least 10 percent by 2025, limit the population growth rate to 2 percent by 2025, and hence, to ensure a better quality of life for Burundians. A summary of the new Mining Code of Burundi is given in **Box 2.1**.

Financial Sector in Burundi⁴

Financial sector of Burundi consists of the Central Bank (Bank de la Republique du Burundi, or BRB), 10 commercial banks, a housing bank, 23 microfinance institutions, and six insurance companies. The financial sector of Burundi is dominated by banks. The main development bank is the National Bank of Economic Development (BNDE). BRB exercises oversight over the commercial banks, all of which have financial connections to one or more international banks. The three largest commercial banks of the country, Interbank Burundi (IBB); Burundi Credit Bank (BCB); and Burundi Commercial Bank (BANCOBU), account for a commanding share of the market. Most Burundians have no access to

⁴African Economic Outlook, and U.S. Department of State - Investment Climate Statement 2013

Box 2.1: Burundi – New Mining Code

A new Mining Code for Burundi, replacing the previous Code of 1976, was passed by the country's assembly in April 2014. The earlier Code didn't separate the mining sector and the oil sector, where the new Code deals only with the mining sector, with the oil sector continuing to be governed by the old mining and petroleum legislation until a new, separate codification is adopted. The new Code opens doors to the much needed private investment in country's mining sector. Burundi boasts rich nickel resources in its eastern region and gold in the eastern and western parts.

Under the new Code, mining permits would be granted only to legal persons headquartered in Burundi. Mining activities will in general be subject to the country's corporate income tax and customs duties. Tax incentives available under the General Tax Code will be applicable to the mining sector. The Mining Code covers the following: all operations of prospecting, research, and industrial and artisanal mining exploitation, conversion, use, transport, trade, and closure of mines, involving mineral or fossil substances, thermal waters, and quarry products on the territory and in the territorial waters of Burundi, with the exception of liquid or gaseous hydrocarbons, which are governed by special laws.

The new Mining Code removes some legal hurdles, simplifies procedures and strengthens investor protection. Under the new Code, the state will no longer be a direct operator in the mining sector, although it will have the right to a free 15 percent stake in mining projects in the country. In terms of taxation, the Code fixes an ad valorem tax of 4 percent of output for base metals, 5 percent for precious metals, 7 percent for precious stones and 2 percent for other minerals.

Source: Presidency of Burundi Website, EIU, and Global Legal Monitor

formal credit and rely on informal credit markets or on microfinance institutions that dispense commercially negligible amounts. Only about 2 percent of population had a bank account in 2012 and less than 0.5 percent of population had access to bank loans. The insurance and pension sector is relatively underdeveloped, which is an impediment to resource mobilization and maturity transformation. Although financial markets are small, they are highly liquid and could potentially permit the movement of large amounts of capital.

KENYA

Kenya covers a total land area of 569,140 sq. km, with an estimated population of 44.4 mn in 2013. Kenya is well endowed with mineral resources and also has rich agricultural land and abundant wildlife, which greatly promotes tourism in the country. Kenya in the recent years has emerged as a technological and financial hub for East and Central Africa. A major techno-city project dubbed the “Silicon Savannah” was launched in Konza, 40 miles from Nairobi, as part of the economic pillar of Kenya’s Vision 2030 development plan. IBM has also set up its first African commercial technology research facility in Nairobi.

Kenya’s private sector has been more vibrant and dynamic than that of the other members of the Community. Kenya has a small formal sector engaged mainly in manufacturing focusing on agro-processing and textile manufactures, commodity exports, agriculture and services, such as tourism. The services sector, driven by booming tourism and the impressive growth of telecommunications, has been a major engine of growth and has been the largest contributor to GDP growth, with a share of 53.3 percent in Kenya’s GDP. Kenya is the most industrialised country in East Africa, and industry sector accounts for 17.4 percent of its GDP.

The Kenyan economy, nevertheless, remains dependent on the large, informal and subsistence agriculture, which accounts for 29.3 percent of GDP, and about half of the total exports of the country. Horticulture is the largest contributor to agricultural GDP (33 percent), followed by food crops (32 percent), and industrial crops (17 percent)⁵. Kenya is the world’s largest exporter of black tea. Kenya is the home of the Mombasa Tea Auction Center, the second largest tea auction venue in the World, after Colombo in Sri Lanka.

⁵Africa’s Powerhouse, Foreign Policy, December 2013

Kenya's economy is the largest amongst the EAC members in terms of the size of GDP. Kenya's GDP accounts for over 40 percent of the combined GDP of the EAC. In absolute terms, Kenya's GDP increased to US\$ 40.7 billion in 2012 from US\$ 34.3 billion in 2011, and is estimated to have increased further to US\$ 45.1 billion in 2013. Kenya has enjoyed strong economic growth of 4.6 percent during 2012, up from 4.4 percent recorded in 2011, and is estimated to have increased further to 5.6 percent in 2013, supported by lower interest rates, favourable rainfall, and more over the peaceful election and transition process.

Growth is expected to remain positive in 2014, helped by a rapid take-up of banking services, a continued boom in telecommunications, the expansion of the middle class, increased regional trade, investment in infrastructure and structural reforms. The estimated GDP per capita of Kenya at US\$ 1,017 remained highest among the EAC countries in 2013 (**Table 2.6**).

During 2012, consumer price inflation has decreased substantially to 9.4 percent from 14 percent in 2011. It is estimated to have moderated further in 2013, averaging 5.7 percent, helped by lower commodity prices. Current

Table 2.6: Select Macro Economic Indicators of Kenya, 2009-15

Items	2009	2010	2011	2012	2013 ^e	2014 ^f	2015 ^f
Nominal GDP (US\$ bn)	30.6	32.2	34.3	40.7	45.1	51.8	59.2
Real GDP growth (%)	2.7	5.8	4.4	4.6	5.6	6.3	6.3
GDP per capita (US\$)	768.4	787.9	816.8	942.5	1,016.5	1,137.9	1,265.7
Consumer price inflation (avg., %)	10.6	4.3	14.0	9.4	5.7	6.6	5.5
Population (mn)	39.8	40.9	42.0	43.2	44.4	45.5	46.8
General government gross debt (% of GDP)	49.7	55.1	52.6	50.5	50.5	51.1	50.6
Current account balance (US\$ bn)	-1.7	-2.4	-3.8	-4.3	-3.7	-5.0	-4.6
Foreign exchange reserves (US\$ bn)	3.9	4.3	4.3	5.7	6.4	6.5	6.9
Average exchange rate (KSh.: US\$)	77.4	79.2	88.8	84.5	86.1	89.5	93.0

Note: ^e-Estimates; ^f-Forecasts

Source: IMF, World Economic Outlook, April 2014, EIU, and Exim Bank Analysis

account deficit widened to US\$ 4.3 billion (9.3 percent of GDP) in 2012 from US\$ 3.8 billion in 2011. It is estimated to have narrowed to US\$ 3.7 billion (8.3 percent of GDP) in 2013, helped by closer regional integration and stronger Asian demand, and earnings from key exports, including tea and horticulture. Foreign exchange reserves increased from US\$ 4.3 billion in 2011 to US\$ 5.7 billion in 2012, and further to US\$ 6.4 billion in 2013.

Kenya's long term development is guided by its official development strategy, 'Vision 2030', which prioritises infrastructural investment. Vision 2030 is an ambitious plan which aims to transform Kenya to a newly industrialized, middle-income country by 2030. It is based on three pillars: the economic pillar, which seeks to maintain and sustain economic growth of 10 percent per year for 25 years; the social pillar, which seeks to increase investments in Kenya to improve the quality of life in education, health, and housing; and the political pillar, which focuses on moving the nation forward as one and envisions a democratic system that is issue-based, people-centered, results-oriented, and accountable to the public. Supporting the Vision 2030, construction of a rail

project that links Kenya's coast town of Mombasa to Kampala (Uganda), Kigali (Rwanda), and Juba (South Sudan) was commenced in 2013.

Financial Sector in Kenya⁶

The Kenyan financial sector comprises the Central Bank of Kenya (CBK), 43 commercial banks, 1 mortgage finance company, 9 deposit taking microfinance institutions, 7 representative offices of foreign banks, 106 foreign exchange bureaus, and 2 credit reference bureaus. Out of the 43 commercial banks, 13 are foreign owned. The Central Bank of Kenya established in 1966, is the primary regulator of financial institutions. The size of assets of Kenyan banking sector during September 2013 stood at KSh. 2.62 trillion, loans and advances at KSh. 1.52 trillion, deposit base at KSh. 1.91 trillion and profit before tax at KSh. 92.5 billion.

Kenya has launched the agency banking model in 2010 which contribute to the increased access to banking services. Commercial banks have been able to contract varied retail entities through this agency banking, where these entities, such as security companies, courier services, pharmacies, supermarkets and post offices act as

⁶Central Bank of Kenya, and U.S. Department of State-Investment Climate Statement 2013

third party agents to provide cash-in-cash-out transactions and other services in compliance with the laid down guidelines. Most of the banks provide internet services including opening accounts, transferring funds to different accounts, online viewing of the accounts, online inquiries and requests, online salaries payments, clearing cheques status query and instant alerts or messages of account status. Microfinance institutions (MFIs) also provide financial services to many Kenyans who remain underserved by the traditional financial markets. The regulatory oversight authority of MFIs is with the CBK.

Kenya is the primary capital market place in East Africa. Though relatively small compared to developed countries, Kenya's capital markets are the deepest and most sophisticated in East Africa. Investors trade stocks and bonds on the Nairobi Securities Exchange (NSE). The Capital Markets Authority (CMA), in conjunction with the Central Bank of Kenya, regulates and supervises relevant financial institutions and intermediaries, and oversees the development of Kenya's capital markets. The CMA is working with regulators in the EAC countries through the Capital Market Development Committee (CMDC) and East African Securities Regulatory Authorities (EASRA) on a regional integration initiative, and has

successfully introduced cross-listing of equity shares. The combined use of both electronic Central Depository System (CDS) and an automated trading system has moved the Kenyan securities market to globally accepted standards.

Although equities trading is fairly robust, the bond market is still underdeveloped and dominated by trading in government debt securities. Long-dated corporate bond issuances are uncommon, leading to a lack of long-term investment capital. Listed companies, including banks, are therefore heavily reliant on short-term debt, which is relatively expensive and exposes borrowers to undue short-terms risks. Trading in commercial paper and corporate bonds issued by private companies has diversified activities at the NSE.

Several initiatives have been undertaken by Kenya over the last five years aimed at achieving the three envisaged goals of stability, efficiency and financial inclusion. These initiatives include the introduction of the agent banking mechanism in May 2010 where banks were allowed to engage third parties to provide certain banking services; the introduction of credit reference bureaus to collect, collate, analyze and disseminate credit information among credit providers; licensing of

deposit taking microfinance institutions (DTMs) to target the lower end of the market; the rollout of mobile phone financial services enabling banks to leverage on mobile phone technology to present convenience and lower costs for their customers without compromising quality of service; and lowering the cost of doing business through the establishment of more currency centers. Currently, around 19.8 mn Kenyans use mobile phone platforms to transfer money. Only 19 percent of Kenyans have formal access to financial services through commercial banks and the government-owned Post Bank. However, with the advent of mobile money and its recent linkages to the formal banking system, the number of Kenyans with access to electronic financial services has grown rapidly.

RWANDA

Rwanda is a landlocked country. With a total land area 24,670 sq. km, Rwanda has an estimated population of 10.6 mn in 2013. Rwanda is one of the most densely populated countries in Africa. Besides being rich in natural resource wealth, Rwanda has been receiving international financial and technical assistance. According to the World Bank, the country depends on foreign aid for 40 percent of its current budget. Rwanda is considered as one of the fast growing economies in Africa. In April 2005, Rwanda has

reached its completion point under the Enhanced HIPC Initiative of the IMF and the World Bank.

Rwanda is mainly an agrarian economy, with agriculture accounting for 31.9 percent of GDP in 2013 and absorbing more than 70 percent of the total work force. However, there has been a major diversification of livelihoods towards non-farm activities in the recent years. Industrial sector contributed to 14.8 percent of the GDP. Rwanda has made tremendous progress over the last decade, enabling it to transform its economy towards a service-oriented one. The service sector is the leading contributor to GDP, accounting for 53.3 percent of GDP. Although the country has no oil, natural gas or other major natural resources, the economy has grown at an average rate of over 7 percent over the last four years, supported by increased agricultural productivity, tourism and government spending on infrastructure and housing. In 2014, A.T. Kearney has named Rwanda as the most attractive African market for retailers in its first African Retail Development Index.

Rwanda's long-term development goals are embedded in its 'Vision 2020' which seeks to transform Rwanda from a low-income agriculture-based economy to a knowledge-based, service-oriented economy by 2020. In order to achieve the long-term development goals, the government

of Rwanda has also formulated a medium-term strategy – ‘The Economic Development and Poverty Reduction Strategy (EDPRS 2)’. The EDPRS 2 aims to achieve a GDP per capita of US\$ 1,000; reducing the poverty rate to below 30 percent; and reducing extreme poverty rate to below 9 percent, by accelerating annual GDP growth to 10 percent over the period 2013-2018.

Rwanda is among the fastest growing economies in the world. The economy of Rwanda has shown a fairly steady growth performance over the last few years. The real GDP has grown by an average of over 8 percent during 2011-12, driven by a resilient private sector performance especially in the services sector. It is estimated to have

slowdown to 5 percent in 2013, due to foreign aid suspension, tight fiscal and monetary policies and weak global demand. It is expected to pick up to 7.5 percent in 2014.

In absolute terms, nominal GDP increased to US\$ 7.1 billion in 2012 from US\$ 6.4 billion in 2011, and is estimated to have increased further to US\$ 7.4 billion in 2013. It is expected to reach US\$ 8.1 billion in 2014, supported by a robust performance in the agricultural sector, which will benefit from investments aimed at boosting resilience to weather-related shocks, increasing productivity, and promoting commercial farming. GDP per capita stood at an estimated US\$ 698 in 2013 (**Table 2.7**).

Table 2.7: Select Macroeconomic Indicators of Rwanda, 2009-15

Items	2009	2010	2011	2012	2013 ^e	2014 ^f	2015 ^f
Nominal GDP (US\$ bn)	5.3	5.6	6.4	7.1	7.4	8.1	8.8
Real GDP growth (%)	6.2	7.2	8.2	8.0	5.0	7.5	7.5
GDP per capita (US\$)	536.4	562.6	622.5	681.5	698.3	741.7	797.6
Consumer price inflation (avg., %)	10.3	2.3	5.7	6.3	4.2	4.1	4.8
Population (mn)	9.8	10.0	10.2	10.4	10.6	10.9	11.1
General government gross debt (% of GDP)	22.9	23.1	23.9	24.1	29.4	28.8	28.9
Current account balance (US\$ bn)	-0.4	-0.3	-0.5	-0.8	-0.5	-0.9	-0.9
Foreign exchange reserves (US\$ mn)	742.7	812.8	1050.0	847.8	1,171.5	-	-
Average exchange rate (FRW: US\$)	568.2	583.1	601.8	616.6	644.6	682.0	703.8

Note: ^e-Estimates; ^f-Forecasts; ‘-’ nil or negligible

Source: IMF, World Economic Outlook, April 2014, EIU, and Exim Bank Analysis

Consumer price inflation picked up to 6.3 percent in 2012 from 5.7 percent witnessed in the previous year, as the second-order effects from high food and oil prices in 2011 passed through the system. Inflation is estimated to have moderated to 4.2 percent in 2013, supported by lower global food and oil prices, a tight monetary policy and structural reforms to improve productive capacities, particularly in agriculture. Current account deficit of Rwanda widened in 2012 to US\$ 0.8 billion (11.4 percent of GDP) compared to a deficit of US\$ 0.5 billion in 2011. This is mainly caused by widening trade deficits, driven by continued growth in capital and consumer goods imports to support domestic economic activity. It is estimated to have narrowed to US\$ 0.5 billion in 2013. The total foreign exchange reserves with Rwanda decreased to US\$ 847.8 mn in 2012 from US\$ 1.1 billion in 2011, but are estimated to have increased to US\$ 1.2 billion in 2013.

Financial Sector in Rwanda⁷

The Rwanda financial market mainly comprises money markets, securities and exchange markets. The financial sector of the country is sound and stable. The National Bank of Rwanda (BNR) is the regulatory and

supervisory authority of the banking and microfinance systems, non-bank financial institutions (including insurance industry and pension schemes) as well as the payment systems. The banking sector has seen strong growth over the past five years, including increased participation by multinational banks and foreign equity.

As on June 2013, the Rwandan banking sector consisted of nine commercial banks, three microfinance banks, one development bank, and one cooperative bank. The Bank of Kigali (BK) is the country's largest bank. The commercial banks dominate the banking sector by 80.5 percent of the total sector assets. By end June 2013, the total assets of the banking sector stood at FRW 1,381.2 billion; loans at FRW 788.2 billion; deposits at FRW 940.7 billion; and profit after tax at FRW 14.0 billion. However, banking sector penetration still remains low, with the ratio of its total banking sector assets to GDP ending 2012 stood at 25 percent. However, Rwanda has the highest financial inclusion levels compared to the other EAC countries, with the FinScope survey done by BNR showing that access to formal financial services by adult population increased from 21 percent in 2008 to 42 percent in 2012. At the same time, the percentage of adult

⁷Annual Report of the National Bank of Rwanda, and Banking in Rwanda, Ecobank

population accessing both formal and informal financial services surged from 48 percent in 2008 to 72 percent in 2012.

These achievements are attributable to the tweaking of the informal banking sector, most notably with the emergence and growth of the Umurenge Savings and Credit Cooperatives (U-SACCOs). The Government of Rwanda introduced the concept of Umurenge SACCOs in order to increase the access to financial services to Rwandan citizens and it was premised on the fact that financial services were concentrated only in major urban centres while the majority of the country's population live in rural areas (73 percent of total loans and advances are domiciled in the greater Kigali region).

The Rwandan stock market is not yet a major source of financing for the private sector. The Rwanda Stock Exchange (RSE) was incorporated on October 7, 2005 to carry out stock market operations in Rwanda, but the company was kept in shelf registration as other developments were taking place. The Rwanda Stock Exchange Limited was officially launched by the government on January 31, 2011 as a fully demutualized company in order to facilitate trading of equities and to improve capital

mobilization in the private sector. The East Africa Exchange (EAX) is a regional commodity exchange launched in January 2013, which was established to link smallholder farmers to agricultural and financial markets to secure competitive prices for their products and facilitate access to financial opportunities. The first leg of the regional exchange platform is based in Rwanda in order to improve pricing transparency for Rwanda's top commodity exports and is trading products from within and outside Rwanda.

TANZANIA

Tanzania is bordered by Kenya and Uganda to the north, Rwanda, Burundi, and DR Congo to the west, Zambia, Malawi, and Mozambique to the south, and Indian Ocean to the east. It is the largest among the EAC countries in terms of geographical size, with a land area of 0.9 mn sq.km. Tanzania has an estimated population of 46.3 mn in 2013. Around 52 percent of the population belongs to the age group of 15-64, indicating availability of a large work force. Population of Tanzania is mostly rural with only 26.4 percent of population living in urban areas. The National Development Vision 2025 of Tanzania aims at transferring the country from an LDC to a middle income country by 2025.

Tanzania has reached the completion point of Enhanced HIPC initiative in November 2001. It has made significant progress over the past two decades to achieve and maintain macro-economic stability, and is considered as one of the best performers in the Sub-Saharan Africa. Tanzania has commercially exploitable deposits of a range of minerals including gold, diamonds and various gemstones, substantial reserves of uranium, nickel, platinum and natural gas. Tanzania also has deposits of tanzanite, a blue gemstone unique to the country. Total arable land as percentage of total land area in Tanzania is 13.1 percent.

Tanzania maintained a high economic growth over the last decade, propelled by structural reforms, increasing exports, and significant financial deepening. Tanzania is heavily dependent on agriculture, with over two-thirds of the labour force employed in the sector, mostly in subsistence farming and smallholder cash-cropping. The sector contributes to 27.6 percent of GDP and around 80 percent of the exports of the country. The government of Tanzania is investing an increasing share of its budget in agriculture and is encouraging broader commitments to agribusiness development. These commitments have been confirmed in the Comprehensive Africa Agriculture Development Program (CAADP)

for Tanzania, which is linked both to the Agriculture and Food Security Investment Plan and to the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), which involves ramping up agricultural production. Tanzania signed CAADP in July 2010. SAGCOT is a public-private partnership scheme launched by Tanzania, to boost commercial activity in agriculture.

Industrial sector accounts for 25 percent of GDP, with manufacturing contributing to 10.2 percent. Tanzania relies heavily on manufacturing to provide employment to its growing population. Mining is another sub-sector which is an important foreign exchange earner of the country. Tanzania is the fourth-largest gold producer in the Sub-Saharan Africa, behind South Africa, Ghana, and Mali. But recently the significance of oil and gas and other minerals is becoming prominent in the country. The Mineral Policy, 2009; Mining Act, 2010; and Natural Gas Policy, 2013 are some of the new policies enacted by Tanzania to support its oil and gas sectors, details of which are given in **Box 2.2**. Tanzania is a service oriented economy, with the sector accounting for 47.4 percent of total GDP. This is due to a rapid expansion and growth in tourism, telecommunications and the financial sector.

Table 2.8: Select Macroeconomic Indicators of Tanzania, 2009-15

Items	2009	2010	2011	2012	2013 ^e	2014 ^f	2015 ^f
Nominal GDP (US\$ bn)	21.4	22.9	23.9	28.5	32.5	36.6	40.8
Real GDP growth (%)	6.0	7.0	6.4	6.9	7.0	7.2	7.0
GDP per capita (US\$)	511.4	534.7	544.4	633.3	703.1	768.2	831.5
Consumer price inflation (avg., %)	12.1	7.2	12.7	16.0	7.9	5.2	5.0
Population (mn)	41.8	42.8	43.9	44.9	46.3	47.7	49.1
General government gross debt (% of GDP)	32.6	37.1	40.2	40.4	41.0	42.0	42.2
Current account balance (US\$ bn)	-2.1	-2.1	-3.5	-4.5	-4.7	-5.1	-5.2
Foreign exchange reserves (US\$ bn)	3.5	3.9	3.7	4.1	4.5	4.8	5.4
Average exchange rate (TZS: US\$)	1,320.3	1,409.3	1,572.0	1,583.0	1,649.0	1,732.0	1,811.0

Note: ^e-Estimates; ^f-Forecasts

Source: IMF, World Economic Outlook, April 2014, EIU, and Exim Bank Analysis

Tanzania's economy has been growing steadily for the past few years, and by 2013 Tanzania became the fastest growing economy in the EAC region, overtaking Rwanda. The real GDP of Tanzania is estimated to have grown by 6.9 percent in 2012 from 6.4 percent in 2011, driven by agriculture, manufacturing, wholesale and retail trade, transport and communication activities. It is estimated to have grown further by 7 percent in 2013, driven by increased investment in the natural gas sector. In absolute terms, nominal GDP of Tanzania increased from US\$ 23.9 billion in 2011 to US\$ 28.5 billion in 2012, and is estimated to have increased further

to US\$ 32.5 billion in 2013. Tanzania recorded a GDP per capita of US\$ 703 in 2013 (**Table 2.8**).

The main thrust of the monetary policy of the Bank of Tanzania, the central bank, is to control the growth of broad money supply and credit growth to the private sector, in order to keep inflation under control and support economic growth. Consumer price inflation is estimated to have increased from 12.7 percent in 2011 to 16 percent in 2012, driven by higher food and oil prices. It is estimated to have moderated to 7.9 percent in 2013, driven by higher food output, a fall in global oil prices and prudent monetary policy.

The total government debt of the country reached 40.4 percent of GDP in 2012, and is estimated to have increased further to 41 percent of GDP in 2013. The Tanzanian shilling depreciated in 2012 to TZS 1,583: US\$1 from TZS 1,572: US\$ 1 against the background of large fiscal deficits and broader global economic uncertainty, and further to TZS 1,649: US\$1 in 2013. Tanzania

has maintained a current account deficit of US\$ 4.5 billion in 2012 (15.9 percent of GDP) compared to US\$ 3.5 billion recorded in the previous year, and is estimated to have widened further to an estimated US\$ 4.7 billion in 2013. International reserves of Tanzania stood at US\$ 4.1 billion in 2012, representing an import cover of 4.2 months. It is estimated to have increased further to US\$ 4.5 billion in 2013.

Box 2.2: Tanzania – Mineral Policy, 2009; Mining Act, 2010; and Natural Gas Policy, 2013

The Mineral Policy of 2009 and the new Mining Act of 2010 of Tanzania were response to the challenges faced and experience gained by Tanzania during the 12 years implementation of the Mining Act, 1998.

Mineral Policy, 2009

The Mineral Policy of 2009 was formulated as a result of an evaluation conducted during the ten years of implementation of the Mineral Policy of 1997. The Mineral Policy of 2009 aims at strengthening integration of the mineral sector with other sectors of the economy; improving economic environment for investment; maximizing benefits from mining; improving the legal environment; strengthening capacity for administration of the mineral sector; developing small scale miners; promoting and facilitating value addition to minerals; and strengthening environmental management. Moreover, the Government remains the regulator and facilitator of the mineral sector; promoter of private sector investment in the mineral sector; and will participate strategically in mining projects.

The Mineral Policy of Tanzania provides a written declaration of the framework of policy objectives and statements that will guide the Government and stakeholders in the management of the mineral sector on a sustainable basis. The vision of

the policy is to have an effective mineral sector, contributing significantly to the acceleration of socio-economic development through sustainable development and utilisation of mineral resources in Tanzania by 2025.

Mining Act, 2010

The Government of Tanzania has revised its mining code in 2010. The main provisions in the Act include: the licensing authority may, upon consent of the mineral right holder, grant more than one mineral right over the same mining area; a mining licence for mining gemstones shall only be granted to Tanzanians, where development of gemstone resources require specialized skills and high level of investment, non-Tanzanians may participate to a level not more than 50 percent; Government may negotiate with any mineral right to acquire free-carried interest and state participation in any mining operations under a special mining licence; Government to develop standard model for Mineral Development Agreement and these are to be reviewed by parties after every five years; duration of special mining licence is capped at the expected life of the ore body indicated in the feasibility study report or such period as the applicant may request, or whichever period is shorter; mining entities are obliged to give preference to local procurement of goods and services; requirement for mining entities to provide for the posting of a rehabilitation bond to finance the costs of rehabilitating and making safe the mining area on termination of mining operations; an increase in the royalty payments on the gross value of minerals made by companies at 5 percent in the case of Uranium; 5 percent in the case of gemstones and diamonds; 4 percent in the case of metals such as copper, gold, silver, and platinum group minerals; 1 percent in the case of gem; and 3 percent in the case of other minerals; and requirement for listing with a domestic stock exchange.

Tanzania – Natural Gas Policy, 2013

Tanzania's cabinet has approved a natural gas policy for the country's fast-growing gas industry, with the vision of a vibrant and competitive natural gas industry contributing significantly to broad based growth and socio-economic transformation of Tanzania. Its mission is to create enabling conditions for the supply and effective utilization of natural gas to all market segments across the entire value chain in a reliable, transparent, effective, safe, sustainable and

environmentally friendly manner. Tanzania is estimated to have 42.7 trillion cubic feet of gas following big finds off its southern coast.

The provisions of the new natural gas policy includes : ensuring that domestic market is given first priority over the export market in gas supply; working with international oil and gas companies to ensure opportunities for supply of goods and services, employment and investments are made available to Tanzanians and the capacity of Tanzanians is developed in the natural gas value chain through skills development, transfer of technology and applied research; enforcing sound practices in environmental, health and safety management; ensuring that there is a contractual obligation to all investors and contractors in the natural gas activities to undertake locally prioritized community development programmes; companies to list in local stock exchange, etc. The policy also calls for the establishment of a natural gas revenue fund to ensure transparency and accountability over collection, allocation, expenditure and management of all natural gas revenues.

Source: Government of Tanzania, and Ministry of Energy and Minerals (MEM)

Financial Sector in Tanzania⁸

Tanzania has made significant progress in the financial sector of the country. The banking sector dominates Tanzania's financial landscape, accounting for about 74 percent of the total financial assets, while pension and insurance sectors accounted for 24 percent and 2 percent, respectively. The Bank of Tanzania is the Central Bank of Tanzania, which supervises the banking system of the country and is entrusted with the responsibility

of licensing of banks and financial institutions. As on June 2013, the banking sector comprised 34 banks, over half of which are foreign-affiliated, and 18 financial institutions of which nine are community banks and two cooperative banks. The ratio of total loan to deposits was 67.9 percent. The banking system showed a high concentration of total assets and deposits. Five large banks, including CRDB Bank Plc., National Microfinance Bank (NMB), National Bank of Commerce (NBC), Standard

⁸Bank of Tanzania, U.S. Department of State - Investment Climate Statement 2013, Tanzania 2009 FinScope Survey, and Global Financial Inclusion (Global Findex) Database - 2011, World Bank 2012

Chartered, and Exim Bank of Tanzania, accounted for 56.9 percent and 56.1 percent of the total deposits and assets, respectively. Credit to private sector to GDP ratio stood at 20.7 percent in June 2013. The Tanzania Financial Stability Forum (TFSF) was established in March 2013, bringing together domestic regulatory agencies in the financial sector.

According to FinScope survey, the number of total financially excluded adults in Tanzania increased from 53.7 percent in 2006 to 56 percent in 2009, which is 12.5 mn out of 22.2 mn adult population. Therefore, majority of Tanzanians who use financial services use informal means to support their basic needs. According to the World Bank's Global Findex 2011, only 17 percent of adult population in Tanzania has access to formal financial services. The ongoing developments in the banking sector including the introduction of the Credit Reference System, formalization of businesses and properties, and enhancement of creditors and insolvency rights are expected to further improve the credit market conditions and subsequently lower the Non Performing Loans in the medium term.

The Tanzanian Capital Markets and Securities Authority (CMSA) Act of 1994 facilitates the free flow of capital and financial resources to support

the product and factor markets in the country. Tanzanians cannot sell or issue securities abroad, unless approved by the Capital Markets and Securities Authority. With a view to modernize and develop capital markets in Tanzania, the CMSA has pioneered the establishment of the Enterprise Growth Market (EGM), a market segment aimed at serving start-up companies which do not have track record, and existing Small and Medium Enterprises (SMEs). The initiative aims at promoting access to capital markets by easing the issuing and listing conditions. The Dar es Salaam Stock Exchange (DSE) was incorporated in 1996, while the commencement of operations with a listing and trading of the first equity was in 1998. In 2012, market capitalization of DSE increased by 14 percent to TZS 13,197.3 billion on account of share price appreciation and rights issues.

UGANDA

Uganda is a landlocked country bordered by Sudan, Kenya, DR Congo, Tanzania and Rwanda, covering a total land area of 199,810 sq. km, of which 34 percent is arable land. Key mineral resources in Uganda include copper, iron ore, gold, phosphates, tungsten, tin, beryl, tantalum, niobium, phosphates and limestone. Commercially viable oil deposits have been first discovered in the Albertine Graben region of

Uganda in 2006 and Uganda's proven oil reserves were estimated to be 3.5 billion barrels by 2013, which are expected to yield at least US\$ 2 billion per year for 30 years once oil production commences. According to the State of Uganda Population Report 2012, Uganda has the world's youngest population, with more than half of the population being under the age of 18 years and over 78 percent of population below 30 years. In 2013, total population was estimated to be 36.8 mn, which is quickly expanding. Uganda has reached the completion point of Enhanced HIPC initiative in May 2000.

Agricultural sector accounted for 23.1 percent of Uganda's GDP in 2013. Though the importance of agricultural output in the economy has declined in recent years in relation to industry and services, it nevertheless continues to remain the largest employer, with an estimated 80 percent of the population depending on agriculture and allied activities for their livelihood. Although export crop production has witnessed a significant increase, subsistence farming still continues to act as the backbone of agricultural sector, accounting for almost half of agricultural output. Driven by rapid growth in telecommunications, financial services, trade, and hotels and restaurants, services sector has now emerged as the economy's largest and

most dynamic sector, contributing 50 percent of total GDP. Industry accounts for 26.9 percent of GDP during the same period. Most manufacturing is focused on processing of food, drinks and tobacco, primarily for domestic consumption. Large scale industries include tobacco, beverages, construction material, and chemicals. Uganda holds huge unexplored potential of mineral resources though the share of mining in country's GDP is very low. Uganda's 'Vision 2040', aims to transform Ugandan society from peasant to a modern prosperous country within 30 years. The Vision articulates clear strategies and policy directions to transform the country into a competitive upper middle income country with per capita income of US\$ 9,500.

Real GDP growth of Uganda increased to 6 percent in 2013, after witnessing a moderation in growth in the previous year due to low external demand and stagnation in public spending. Growth in 2013 was supported by increased activities in construction, transport, telecommunications, financial services and the burgeoning oil industry, and it is expected to increase further to 6.4 percent in 2014. In absolute terms, GDP stood at US\$ 21.2 billion in 2012, increasing from US\$ 18.2 billion in the previous year. It is estimated to have reached US\$ 23.1 billion in 2013. GDP per capita is estimated at US\$ 626 in

Table 2.9: Select Macroeconomic Indicators of Uganda, 2009-15

Items	2009	2010	2011	2012	2013 ^e	2014 ^f	2015 ^f
Nominal GDP (US\$ bn)	16.5	17.2	18.2	21.2	23.1	25.6	27.2
Real GDP growth (%)	4.1	6.2	6.2	2.8	6.0	6.4	6.8
GDP per capita (US\$)	511.2	514.0	527.7	595.9	626.0	672.5	692.2
Consumer price inflation (avg., %)	13.1	4.0	18.7	14.0	5.4	6.3	6.3
Population (mn)	32.4	33.4	34.5	35.6	36.8	38.0	39.3
General government gross debt (% of GDP)	21.4	26.8	29.3	31.1	33.9	36.0	38.1
Current account balance (US\$ bn)	-1.2	-1.9	-2.3	-2.2	-2.7	-3.2	-3.3
Foreign exchange reserves (US\$ bn)	3.0	2.7	2.6	3.2	3.3	3.6	3.9
Average exchange rate (Ushs: US\$)	2,030.0	2,178.0	2,523.0	2,505.0	2,587.0	2,548.0	2,714.0

Note: ^e-Estimates; ^f-Forecasts

Source: IMF, World Economic Outlook, April 2014, EIU, and Exim Bank Analysis

2013 as compared to US\$ 596 in 2012 (Table 2.9).

Average consumer price inflation moderated to 14 percent in 2012 from 18.7 percent in 2011. It is estimated to have fallen sharply to 5.4 percent in 2013. Weak global growth preventing large rise in commodity prices and the central bank's inflation-targeting policy has resulted in this downward pressure on domestic prices. Ugandan Shilling appreciated to Ushs 2,505: US\$ 1 in 2012 from Ushs 2,523: US\$ 1 in 2011, helped by reasonably tight monetary policy and fiscal consolidation efforts. But it is estimated to have depreciated

to Ushs 2,587: US\$ 1 in 2013. The current account deficit narrowed slightly from US\$ 2.3 billion in 2011 to US\$ 2.2 billion in 2012. It is estimated to have widened in 2013 to US\$ 2.7 billion, owing to large trade deficits. International reserves increased to US\$ 3.2 billion in 2012 from US\$ 2.6 billion of the previous year, and increased further to US\$ 3.3 billion in 2013.

Financial Sector in Uganda⁹

Uganda's Vision 2040 highlights the lack of access to finance as one of the barriers affecting the competitiveness

⁹Annual Supervision Report of Bank of Uganda, and Uganda 2013 FinScope III Survey

of the economy. Over time, Uganda's financial sector has continued to record positive changes such as the level of financial development, increased competition and improved efficiency in the financial system. There have also been deliberate efforts by government to strengthen financial inclusion in Uganda since 2001. As on 2012, financial system of Uganda consists of the Bank of Uganda (central bank), 24 commercial banks, 3 credit institutions, 3 Microfinance Deposit taking institutions (MDIs), Foreign Exchange Bureaus and Securities Market. The Bank of Uganda remains one of the most respected central banks in the Sub-Saharan Africa for its success in pursuing open markets, and a stable currency.

The banking sector's total assets stood at Ushs 15.5 trillion, deposits at Ushs 10.5 trillion, and loans at Ushs 7.8 trillion in December 2012. According to FinScope survey, there has been a remarkable improvement in the financial inclusion in Uganda from 70 percent in 2009 to 85 percent in 2013. The share of the adult population accessing formal institutions increased by almost two fold from 28 percent in 2009 to 54 percent in 2013. The Capital Markets Authority, established in 1996 as the securities regulator in Uganda, is responsible for licensing brokers, dealers and overseeing the Uganda Securities Exchange (USE). The USE was inaugurated in June 1997 and is now trading the stock of 18 companies.

3. TRENDS IN INTERNATIONAL TRADE OF EAST AFRICAN COMMUNITY COUNTRIES

As noted by Ecobank¹⁰, the East African Community (EAC) sits at the crossing point of Southern Africa, Central Africa and the Indian Ocean trade, making the region's trade flows among the most diverse and complex in Africa. The EAC region is well endowed with natural resources, including strategic and precious minerals and metals supplying raw materials and energy for industries. These resources play a crucial role in the development of the region. The region also has abundant agricultural wealth in terms of the variety and mass of arable land and has significant human resources and technological capabilities. The region, with a combined population of 147 mn and an estimated GDP of US\$ 110.8 billion in 2013 represents a huge market for trade.

One of the main and fundamental objectives of the EAC is to enhance trade and therefore economic growth and development among the member countries. The importance of international trade as a growth facilitator has been recognized by the

members of the EAC, which is evident from their growth performances in the recent years. Rise in both exports and imports of these countries have underlined this increase in the total trade of the region. At the same time, the EAC countries are also members of other major trade blocs in Africa, which helped in increasing the level of trade within the region as well as with other regions in Africa and the rest of the World.

Under the United States African Growth and Opportunity Act (AGOA), the EAC countries benefit from duty-free and quota-free access to the US market for a range of products until 2015. In their trade relations with the European Union (EU), the EAC countries are granted preferences under the initialled Framework Economic Partnership Agreement (EPA) and under the Everything but Arms (EBA) initiative for those listed as LDCs.

In 2012, the Common External Tariff (CET) average rate of the EAC stood at 12.7 percent¹¹. Three tariff bands

¹⁰Trade in the EAC: Africa's intra-regional powerhouse, Ecobank

¹¹World Trade Organization (WTO)

(zero, 10 percent, and 25 percent) apply to the large majority of imports; higher rates, ranging from 35 percent to 100 percent, and alternate duties apply to 58 tariff lines of “sensitive” items. As a consequence, for some lines, applied alternate tariffs may exceed bound ad valorem rates. Bindings cover 21.6 percent of all Burundi’s tariff lines, 15

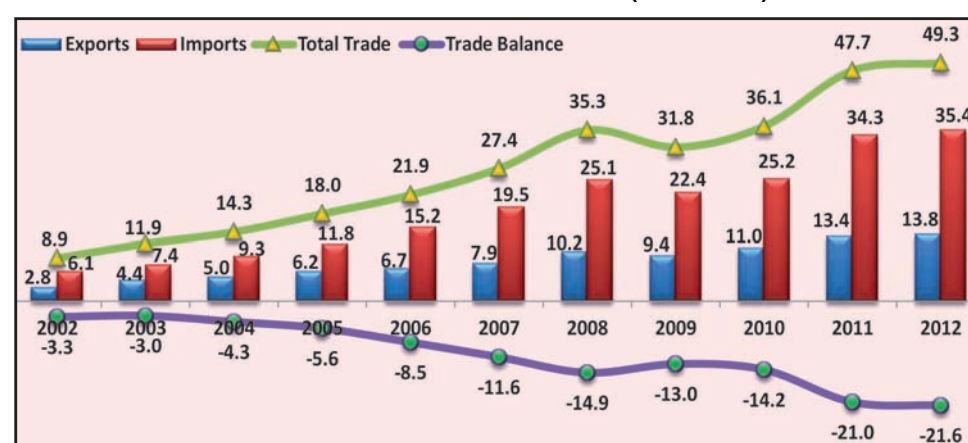
percent of Kenya’s, 100 percent of Rwanda’s, 13.5 percent of Tanzania’s, and 15.9 percent of Uganda’s. In the cases of Burundi and Rwanda, CET ad valorem rates on certain products are higher than bound levels. Duty and tax exemption and concession schemes are being harmonized in the EAC framework.

Table 3.1: Global Trade of the EAC (US\$ billion)

Items	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	2.8	4.4	5.0	6.2	6.7	7.9	10.2	9.4	11.0	13.4	13.8
% Change	-3.3	56.5	12.8	23.8	8.6	17.9	29.7	-8.3	16.7	22.0	3.4
Imports	6.1	7.4	9.3	11.8	15.2	19.5	25.1	22.4	25.2	34.3	35.4
% Change	-13.2	22.2	24.5	27.5	29.0	28.0	28.7	-10.6	12.2	36.4	3.3
Total Trade	8.9	11.9	14.3	18.0	21.9	27.4	35.3	31.8	36.1	47.7	49.3
Trade Balance	-3.3	-3.0	-4.3	-5.6	-8.5	-11.6	-14.9	-13.0	-14.2	-21.0	-21.6

Source: ITC Geneva, and Exim Bank Analysis

Chart 3.1: Global Trade of the EAC (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

GLOBAL TRADE OF THE EAC

The decade 2002-2012 witnessed a steady increase in the global trade of the EAC, except for some moderation in 2009 due to global downturn. Global trade of EAC has increased more than five-fold from US\$ 8.9 billion in 2002 to US\$ 49.3 billion in 2012 (**Chart 3.1 and Table 3.1**). There exist wide disparity in trade among the EAC countries, mainly due to economic sizes and different levels of openness of the economies. For instance, Kenya and Tanzania together accounted for 76.1 percent of the total trade of the region in 2012.

An important aspect of the EAC trade is the huge trade balance among the member countries. The EAC as a group and all the member countries individually run a trade deficit. The overall trade deficit has increased from US\$ 3.3 billion in 2002 to US\$ 21.6 billion in 2012. Kenya recorded the maximum trade deficit at US\$ 9.9 billion, followed by Tanzania (US\$ 6.2 billion) and Uganda (US\$ 3.7 billion) in 2012. Lack of infrastructure facilities and heavy dependence on mineral fuels and capital goods imports has resulted in the EAC countries not being able to fully tap their huge trade potential.

Exports of the EAC region have increased to US\$ 10.2 billion in 2008

from US\$ 2.8 billion in 2002. In the wake of a fall in external demand in 2009, its exports contracted by 8.3 percent to US\$ 9.4 billion in 2009, but recovered with a growth of 16.7 percent in 2010 to reach US\$ 11 billion and further to US\$ 13.8 billion in 2012. EAC's total imports have also witnessed a continuous growth, with the exception of a contraction in 2009. In 2012, EAC's total imports have risen almost six-fold to US\$ 35.4 billion, up from US\$ 6.1 billion in 2002.

Major Exporters and Importers in the EAC Region

Within the EAC, the largest exporters are Tanzania and Kenya, together accounting for 77.5 percent of the EAC's total exports in 2012 (**Table 3.2**). Kenya and Tanzania are also the leading importers in the EAC region, together accounting for 75.6 percent of the EAC's total imports in 2012 (**Table 3.3**).

EAC – Major Export Items

Coffee, tea and spices are the largest export items from the EAC, accounting for 16 percent of the EAC's total exports in 2012. Other major items of exports of the EAC include pearls and precious stones, ores and slag, live trees, plants, bulbs, roots and cut flowers, mineral fuels, and tobacco and manufactured tobacco substitutes (**Table 3.4**).

Table 3.2: Comparative Size of Exports of the EAC Countries, 2012 (US\$ mn)

Countries	2012	% share
EAC's total exports	13,822.3	100.0
Tanzania	5,547.2	40.1
Kenya	5,169.1	37.4
Uganda	2,357.5	17.1
Rwanda	505.7	3.7
Burundi	242.7	1.8

Source: ITC Geneva, and Exim Bank Analysis

Table 3.3: Comparative Size of Imports of the EAC Countries, 2012 (US\$ mn)

Countries	2012	% share
EAC's total imports	35,445.7	100.0
Kenya	15,058.6	42.5
Tanzania	11,715.6	33.1
Uganda	6,044.1	17.1
Rwanda	1,624.2	4.6
Burundi	1,003.1	2.8

Source: ITC Geneva, and Exim Bank Analysis

Table 3.4: Major Export Items of the EAC Countries, 2012 (US\$ mn)

HS Code	Commodities	2012	% share
	EAC's total exports	13,822	100.0
09	Coffee, tea and spices	2,214	16.0
71	Pearls and precious stones	2,034	14.7
26	Ores, slag and ash	999	7.2
06	Live trees, plants, bulbs, roots and cut flowers	780	5.6
27	Mineral fuels, oils and distillation products	577	4.2
24	Tobacco and manufactured tobacco substitutes	436	3.2
07	Edible vegetables and certain roots	413	3.0
03	Fish, crustaceans, molluscs and aquatic invertebrates	380	2.7
84	Machinery and instruments	352	2.5
25	Salt, sulphur, earth, stone, plaster, lime and cement	349	2.5
85	Electrical and electronic equipment	282	2.0
08	Edible fruit and nuts	276	2.0
52	Cotton	251	1.8
15	Animal, vegetable fats and oils	233	1.7
12	Oil seed and oleagic fruits	229	1.7
72	Iron and steel	215	1.6
39	Plastics and articles	206	1.5
87	Vehicles other than railway	194	1.4
41	Raw hides, skins and leather	190	1.4
10	Cereals	190	1.4

Source: ITC Geneva, and Exim Bank Analysis

East Africa is a leading exporter of cash crops and minerals, accounting for 37.4 percent of Africa's coffee exports, 9 percent of its sugar exports, and 7.4 percent of its cotton exports. Uganda is the EAC's largest exporter of coffee, and the second largest exporter of the same in Africa, after Ethiopia. The country is famous for Robusta Coffee. Kenya is the largest exporter of tea in Africa as well as in the EAC, and Kenyan tea is considered as one of the best quality tea in the world. All the EAC countries are among the top ten tea exporters in Africa. Tanzania is the leading exporter of unwrought gold among the EAC countries, and is also the third largest exporter of the same in Africa, after South Africa and Ghana. Kenya is the largest exporter of horticultural products in Africa. Tanzania and Uganda are the third and sixth largest African exporters of horticultural products. Tanzania, Kenya and Uganda are among the major exporters of tobacco; Uganda and Kenya are major exporters of sugar; and Tanzania and Uganda are major exporters of cotton, respectively, in Africa. Tanzania is also a major exporter of manganese and copper.

EAC – Major Import Items

In contrast to EAC's export basket, EAC's import basket is dominated by petroleum oils, not crude and capital

goods. Mineral fuels and machinery are the two largest import items, followed by vehicles, electronic and electrical equipment, iron and steel, cereals, plastics and articles, and pharmaceutical products (**Table 3.5**).

Large imports of petroleum products by major importers in the EAC have resulted in mineral fuels being the largest import category of the region. These products include large volumes of petroleum oils (not crude—HS 2710); petroleum gases (HS-2711); and petroleum jelly (HS-2712) imported by Tanzania, Kenya and Uganda. In fact, Tanzania is the fourth largest importer of petroleum jelly and fifth largest importer of petroleum oils, not crude and petroleum gases in Africa. Similarly, Kenya is the third largest importer of petroleum jelly and seventh largest importer of petroleum oils, not crude in Africa. Uganda is the fifth largest African importer of petroleum jelly. Kenya and Tanzania act as transit hubs for the re-export of petroleum products to the rest of the EAC and beyond.

The region also imports large volumes of capital goods, driven by massive investments in infrastructure – machinery, accounting for 10 percent of total imports, vehicles (8.5 percent), electrical and electronic goods (7.3 percent), and iron and steel (4.1

Table 3.5: Major Import Items of the EAC Countries, 2012 (US\$ mn)

HS Code	Commodities	2012	% share
	EAC's total imports	35,446	100.0
27	Mineral fuels, oils and distillation products	8,498	24.0
84	Machinery and instruments	3,580	10.1
87	Vehicles other than railway	3,030	8.5
85	Electrical and electronic equipment	2,604	7.3
72	Iron and steel	1,445	4.1
10	Cereals	1,416	4.0
39	Plastics and articles	1,247	3.5
30	Pharmaceutical products	1,103	3.1
15	Animal, vegetable fats and oils	873	2.5
73	Articles of iron or steel	715	2.0
48	Paper and paperboard	620	1.7
17	Sugars and sugar confectionery	611	1.7
40	Rubber and articles	588	1.7
88	Aircraft, spacecraft, and parts	522	1.5
90	Optical, photo, technical and medical apparatus	492	1.4
63	Other made textile articles and sets	480	1.4
38	Miscellaneous chemical products	435	1.2
25	Salt, sulphur, earth, stone, plaster, lime and cement	421	1.2
31	Fertilizers	418	1.2
94	Furniture, lighting, signs and prefabricated buildings	350	1.0

Source: ITC Geneva, and Exim Bank Analysis

percent), wherein a large proportion of these goods are re-exported across the region. Cereals account for 4 percent of the EAC's total imports, mainly comprising imports of wheat, rice and maize. The region also imports large quantities of crude palm oil, which is refined into products for local consumption.

Major Export Markets and Import Sources of the EAC

While developed countries such as Switzerland, UK, USA, the Netherlands, and Germany continue to be major destinations for the EAC's exports, developing countries such as South Africa, China, India, DR Congo, and Sudan have emerged as major export destinations in recent years. In fact, in 2012, South Africa replaced Switzerland as the largest destination for the EAC's global exports, accounting for 7.4 percent of the region's total exports. Other major export destinations in the same year include Switzerland (7 percent of total exports), the Netherlands (5 percent), China (4.4 percent), and India (4.3 percent).

In the recent years, India has emerged as the leading supplier to the EAC, accounting for as much as 17.3 percent of EAC's total imports in 2012, improving from its sixth position

in 2005. Other major sources of EAC's imports in 2012 include China (13.9 percent of total imports), South Africa (5.7 percent), Switzerland (4.8 percent), UAE (4.6 percent), and Japan (4.5 percent). While India is a leading source of EAC's imports of pharmaceuticals, petroleum products, electrical goods, and machinery; China is major source of machinery, and electronics.

INTRA-EAC TRADE

EAC is one of the leading intra-regional trader in Africa. Intra-EAC trade increased four-fold from US\$ 1.1 billion in 2002 to US\$ 5.5 billion in 2012 (**Table 3.6**). Its share in the total EAC trade stood at 11.2 percent, with significant differences in country-specific figures. Intra-EAC trade performance suffer from poor infrastructural services, mainly physical infrastructure (roads and railways), and high costs of energy, resulting in high costs of doing business. Kenya is the leading intra-regional exporter (46.4 percent of intra-EAC exports) and intra-regional importer (26.4 percent of intra-EAC imports) in 2012. Kenya is the only EAC country to maintain a trade surplus with its EAC partners during the period, due to the relative development of its production system and trade promotion structure.

Table 3.6: Intra-Regional Trade of the EAC Countries, 2002-2012 (US\$ mn)

Country	Exports										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	-	4.0	7.8	14.0	39.1	27.2	17.2	27.9	17.9	28.5	4.7
Kenya	464.9	721.3	805.3	976.2	737.1	952.8	1220.5	1170.5	1279.2	1571.2	1335.2
Rwanda	23.8	39.8	28.7	37.0	36.6	45.0	45.8	98.1	50.4	74.0	341.2
Tanzania	52.3	145.4	166.7	162.0	192.2	258.0	355.7	285.0	558.0	409.0	613.3
Uganda	86.4	115.1	131.9	144.8	152.8	274.8	377.4	398.8	428.6	503.7	580.3
EAC	627.5	1025.6	1140.3	1333.9	1157.9	1557.9	2016.7	1980.3	2283.8	2586.3	2874.6
	Imports										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	-	53.0	50.9	55.2	52.7	91.1	77.0	78.7	83.7	268.9	174.4
Kenya	18.9	28.7	38.1	61.3	84.3	191.6	182.4	162.8	256.5	307.7	699.2
Rwanda	42.5	49.7	33.5	99.0	139.6	201.6	305.9	324.9	344.6	384.1	452.8
Tanzania	99.0	125.6	138.1	181.1	223.4	110.1	448.4	316.9	295.2	378.1	678.6
Uganda	321.8	368.7	415.7	551.4	430.2	504.1	570.6	547.0	576.5	692.6	646.9
EAC	482.1	625.6	676.3	948.0	930.2	1098.4	1584.3	1430.3	1212.0	2031.4	2652.0
	Total Trade										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	-	56.9	58.7	69.2	91.8	118.4	94.2	106.6	101.7	297.3	179.0
Kenya	483.8	750.0	843.3	1037.5	821.5	1144.4	1402.9	1333.3	1535.8	1878.9	2034.4
Rwanda	66.3	89.5	62.2	136.0	176.2	246.5	351.7	423.0	395.0	458.1	794.1
Tanzania	151.3	271.0	304.8	343.1	415.6	368.1	804.1	601.9	853.2	787.1	1291.9
Uganda	408.2	483.8	547.5	696.2	583.0	778.9	948.0	945.7	1005.1	1196.4	1227.2
EAC	1109.6	1651.3	1816.5	2281.9	2088.1	2656.3	3601.0	3410.6	3495.8	4617.8	5526.6
	Trade Balance										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	-	-49.0	-43.1	-41.2	-13.6	-63.9	-59.8	-50.8	-65.8	-240.4	-169.7
Kenya	446.1	692.6	767.2	915.0	652.8	761.2	1038.2	1007.7	1022.7	1263.5	636.0
Rwanda	-18.6	-9.9	-4.9	-62.1	-103.0	-156.6	-260.1	-226.8	-294.2	-310.1	-111.6
Tanzania	-46.7	19.8	28.6	-19.1	-31.2	148.0	-92.7	-31.9	262.8	30.8	-65.3
Uganda	-235.4	-253.5	-283.8	-406.7	-277.3	-229.3	-193.2	-148.2	-147.9	-188.9	-66.7
EAC	145.4	400.0	464.0	385.9	227.7	459.4	432.4	550.0	1071.8	554.9	222.7

Note: '-' denotes nil or negligible

Source: ITC Geneva

The principal commodities in the intra-regional export basket of EAC comprises coffee, tea and spices (8.7 percent of total intra-regional exports), salt, sulphur, earth, stone, plaster, lime and cement (6.9 percent), mineral fuels (6.1 percent), plastics and articles (4.6 percent), ships, boats and other floating structures (4.6 percent), machinery (4.4 percent), ores, slag and ash (4.3 percent), and cereals (4.2 percent).

TRADE OPENNESS OF THE EAC COUNTRIES

Tanzania and Kenya are highly dependent on external sector, with high levels of trade openness ratio (Trade-GDP ratio), while Burundi is the least open country in the EAC region in this respect (**Table 3.7**).

FOREIGN TRADE OF THE EAC COUNTRIES

Foreign trade of the EAC countries is analyzed in this section.

KENYA

Given its size, geographical location and the diversity of its commodity trade flows, Kenya is the leading finance, trade, and transportation hub in East Africa. The Ministry of Trade (MOT) is the main body in the formulation, implementation, and coordination of Kenya's trade policies. The Ministry has been mandated to execute trade policy development, promotion of retail and wholesale markets, development of micro and small business, fair trade practices and consumer protection, private-sector development and international trade affairs (such as

Table 3.7: Trade Openness of the EAC Countries, 1992-2012

Country	1992	2002	2012
Burundi	38.2	21.7	46.4
Kenya	52.9	55.2	71.8
Rwanda	23.8	30.7	46.8
Tanzania	51.8	37.4	76.9
Uganda	33.1	36.3	62.0

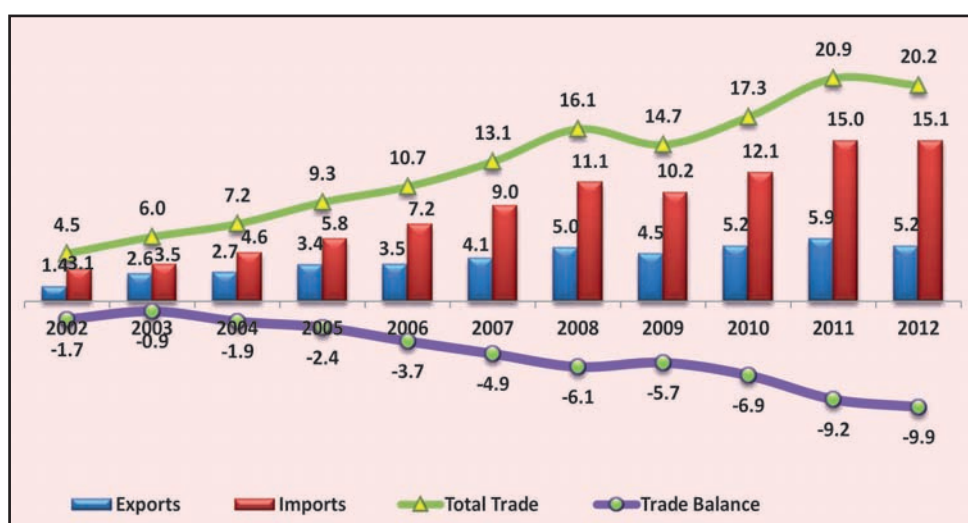
Source: WDI 2014, World Bank

EAC, COMESA, and WTO). The MOT's priorities include expanding and diversifying domestic and export trade, enhancing support for trade facilitation, promotion of e-trade, expanding and strengthening public-private partnerships, establishing a trade and investment information-sharing system, providing entrepreneurial skills for micro, small, and medium-size enterprises (MSMEs), supporting the improvement of the business and investment climate, formulating an appropriate trade remedy regime, developing an appropriate negotiating structure and an integrated database on trade in goods and services, and aggressively promoting trade in services.

Kenya has traditionally experienced a structural trade deficit, which has steadily widened in recent years, from US\$ 1.7 billion in 2002 to US\$ 9.9 billion in 2012. Exports have increased by almost four-fold from US\$ 1.4 billion in 2002 to US\$ 5.2 billion in 2012 (**Chart 3.2**).

The main items of export of Kenya in 2012 include coffee, tea and spices (accounting for 24 percent of Kenya's total exports), live trees, plants, roots and cut flowers (12.7 percent), mineral fuels, oils and distillation products (5.8 percent), edible vegetables and certain roots (4.9 percent), articles of apparel, accessories, not knit or crochet (2.9 percent), salt, sulphur, earth,

Chart 3.2: Global Trade of Kenya (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

stone, plaster, lime and cement (2.9 percent), tobacco and manufactured tobacco substitutes (2.7 percent), and machinery (2.6 percent).

Africa remains the main export market for Kenya. The leading African export markets include Uganda, Tanzania, Egypt, Sudan, and DR Congo. The main export destinations for Kenya during 2011 (as per the latest data available) comprise Uganda (14.9 percent of total exports), UK (9.2 percent), Tanzania (8.1 percent), the Netherlands (6.4 percent), USA (5 percent), Egypt (4.6 percent), and Sudan (4.3 percent). India accounted for 1.8 percent of total exports of Kenya in 2011.

Kenya is the largest importer among the EAC countries. Imports have increased around five-fold from US\$ 3.1 billion in 2002 to US\$ 15.1 billion in 2012, mainly reflecting higher imports of manufacturing products. The broad composition of imports of Kenya remained mainly unchanged in the last decade. Major imports of Kenya in 2012 include mineral fuels (20 percent), machinery and instruments (9.8 percent), vehicles other than railway (8 percent), electrical and electronic equipment (7.5 percent), iron and steel (4.4 percent), and cereals (3.6 percent). A large proportion of

these imports are re-exported to neighbouring countries, along with significant volumes of sugar, cement and palm oil products produced in Kenya. Kenya's importance as an entry-point for goods into East Africa is reflected in its substantial trade surplus with the other EAC countries.

Asia remains the main source of Kenya's imports, with India and China leading the way. Kenya's imports from Africa remain low, and South Africa is its main supplier on the continent. Import sources of Kenya during 2011 (as per the latest data available) include UAE (15.2 percent), India (11.4 percent), China (10.9 percent), South Africa (5.4 percent), Japan (4.5 percent), Saudi Arabia (4 percent), and Indonesia (3.4 percent).

TANZANIA

Tanzania is the only EAC country which is a signatory to the Agreement on the Global System of Trade Preferences (GSTP) among Developing Countries. Tanzania implemented various trade reforms in the 1990s and early 2000s, resulting in a substantial reduction in its average tariff protection. The Government adopted its first market oriented National Trade Policy in February 2003. The vision of Tanzania's trade policy is to transform the economy from a supply constrained

one into a competitive export-led entity, responsive to enhanced domestic integration and wider participation in the global economy through national trade liberalization. The country keeps on implementing a number of policy measures to create a stable liberalized external sector. Tanzania being a member of the EAC Customs Union, mutual trade among the member countries has increased in the recent years improving overall trade balance of the economy. The common market protocol in the EAC region necessitates the need for liberalization in the different sectors of the economy.

The Tanzania Trade Development Authority (TanTrade) established in 2009, replacing the Board of External Trade (BET), is responsible for the promotion of international trade through bilateral, multilateral and regional co-operation. TanTrade advises the Government on trade policy formulation and implementation, and is mandated to implement the National Trade Policy, the National Export Development Strategy, the Trade Integration Strategy, and sectoral policies designed to develop trade.

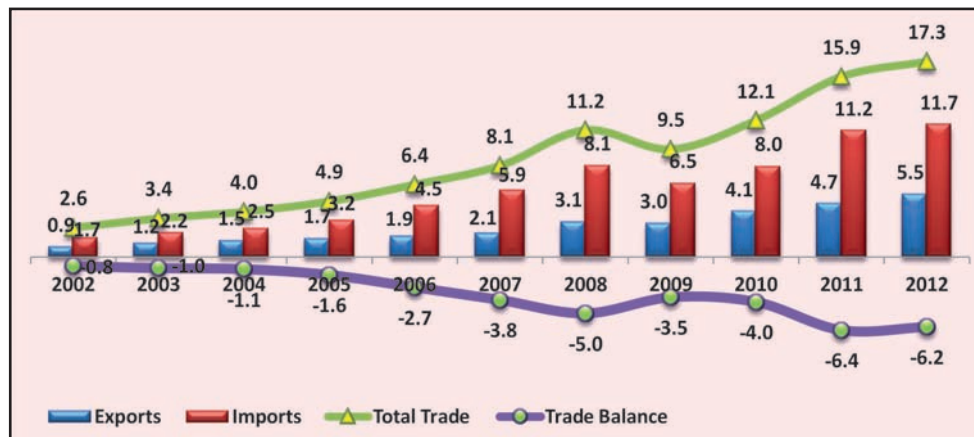
The total trade of the country has improved in recent years, witnessing over six-fold increase from US\$ 2.6 billion in 2002 to US\$ 17.3 billion in 2012, supported by improvements in external and internal

demand. Although the trade sector of the country has improved, it remains vulnerable to exogenous factors such as climatic conditions and trade shocks. The country is experiencing a deficit in its trade balance, which increased to US\$ 6.2 billion in 2012 from US\$ 0.8 billion a decade ago.

Total exports of the country also increased over six-fold in the last decade from US\$ 0.9 billion in 2002 to US\$ 5.5 billion in 2012 (**Chart 3.3**). Gold being the major exports of the country, rising gold prices helped the economy in maintaining a better than average export revenue. Due largely to improvements in the export of gold and manufactured goods, as well as the strong economic recovery in the emerging markets and developing Asia, Tanzania's export earnings have surpassed the pre-crisis levels by 2010.

South Africa is the major export destination of Tanzania. South Africa accounted for 17.7 percent of Tanzania's exports in 2012, improving from 9.5 percent in 2007, surpassing Switzerland as the major destination, whose share in Tanzania's exports witnessed a decline from 20.5 percent in 2007 to 14.4 percent in 2012. China is the third largest export destination, accounting for 9.5 percent of total exports of Tanzania. Other principal export markets of the country in

Chart 3.3: Global Trade of Tanzania (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

2012 include India (8.7 percent of exports), Kenya (6.3 percent), Japan (5.4 percent), and Germany (5.3 percent). It is interesting to note that decline in the Tanzanian exports to the EU countries was mainly offset by an increase in exports to Asian economies.

Tanzania is Africa's fourth largest gold producer. Further, the country has good potential in exporting natural gas in the coming years. Tanzania's exports have become more diversified in the recent years. The share of traditional sector exports had decreased considerably while that of non traditional sector exports continuous to rise. Pearls, precious stones, metals and coins accounted for 34.5 percent of total exports of Tanzania in 2012, followed

by ores, slag and ash (15 percent), coffee, tea and spices (5.1 percent), tobacco and manufactured tobacco substitutes (4 percent), edible fruits and nuts (3.4 percent), cotton (3.1 percent), marine products (3 percent), machinery (2.9 percent), oil seed (2.8 percent), and edible vegetables (2.4 percent).

Imports grew at a CAGR of 18.3 percent in the last decade, driven by increased imports of oil and staple food. Though Tanzania's imports witnessed a decline in 2009, it quickly rebounded in the subsequent years. In 2012, imports increased by 4.8 percent to US\$ 11.7 billion from US\$ 11.2 billion in 2011, partly due to high imports of mineral fuels, vehicles, plastic goods as well as rubber products, and partly

because of demand for re-exports to the neighbouring countries.

In the recent years Tanzania has identified certain emerging economies as major import partners, apart from traditional European partners. At present, Asian economies like China, India and Japan account for significant proportions of the country's merchandise imports. Switzerland is the largest supplier for Tanzania, accounting for 13.5 percent of country's total imports in 2012. Other major sources of Tanzania's imports include China (9.9 percent), UAE (8.8 percent), South Africa (8 percent), Bahrain (7.8 percent), India (7.5 percent), Kenya (4.8 percent), and Japan (4.4 percent). India is an important source of mineral products, pharmaceutical products and essential machinery to the country.

Tanzania is a major importer of oil which accounted for 32.7 percent of total imports in 2012 (the highest share for a single item). Machinery accounted for 10 percent of total imports, followed by vehicles other than railway (9.6 percent), electrical and electronic equipment (6.3 percent), cereals (4 percent), plastics and articles (4 percent), iron and steel (3.6 percent), and animal, vegetable fats and oils (2.5 percent).

UGANDA

The Ministry of Trade, Industry and Cooperatives has the main responsibility for formulating and implementing trade policy of Uganda. Other government agencies involved in trade policy formulation include the Uganda Revenue Authority, Uganda Export Promotion Board, the Uganda Investment Authority, and Uganda National Bureau of Standards. To coordinate the formulation and implementation of trade policy, the Ministry of Trade established the Inter-Institutional Trade Committee (IITC), which also provides a platform for analysing trade issues, and coordinating and formulating positions relating to multilateral and regional trade negotiations. Initially the IITC was set up to coordinate the formulation and implementation of multilateral trade issues at the national level. The National Trade Policy of Uganda is premised on the vision "to transform Uganda into a dynamic and competitive economy in which the trade sector stimulates the productive sectors; and to trade the country out of poverty, into wealth and prosperity"¹². Uganda is eligible for non-reciprocal preferential treatment under the Generalized System of Preferences (GSP), and the United States African

¹²Trade Policy Review of the East African Community, WTO, 2012

Growth and Opportunity Act (AGOA). As a least developed country, Uganda is also eligible for the Everything but Arms (EBA) initiative of the European Union. Uganda is positioning itself as EAC's food basket and distribution hub, taking advantage of its climate and abundance of arable land, and geography linking Eastern and Central Africa.

Total trade of Uganda has increased steadily from US\$ 1.5 billion in 2002 to US\$ 8.4 billion in 2012, except for a fall in 2009. In 2012, total exports increased to US\$ 2.4 billion from US\$ 2.2 billion in the previous year, supported by increased mineral fuels and sugar

exports. Imports also increased albeit at a higher pace from US\$ 1.1 billion in 2002 to US\$ 6 billion in 2012 which can be attributed to increased imports of food and machinery (**Chart 3.4**). Uganda consistently posted a deficit in its external trade account as increasing exports over the period did not keep pace with a sharp increase in imports, which was due to higher global prices for food products and capital goods. Uganda's trade deficit has increased to US\$ 3.7 billion in 2012 from US\$ 0.6 billion recorded in 2002.

Uganda has a narrow export base dominated by coffee, fish, tea, and other food items, which leaves the

Chart 3.4: Global Trade of Uganda (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

country vulnerable to commodity price swings. Low agricultural productivity, impediments to value addition, regulatory constraints, and trade taxes that promote non-competitive industries impede exports. Exogenous risks include the security situation in neighbouring countries, which has an impact on regional trade and remittances, and weather and drought conditions, which have a strong influence on agriculture sector performance.

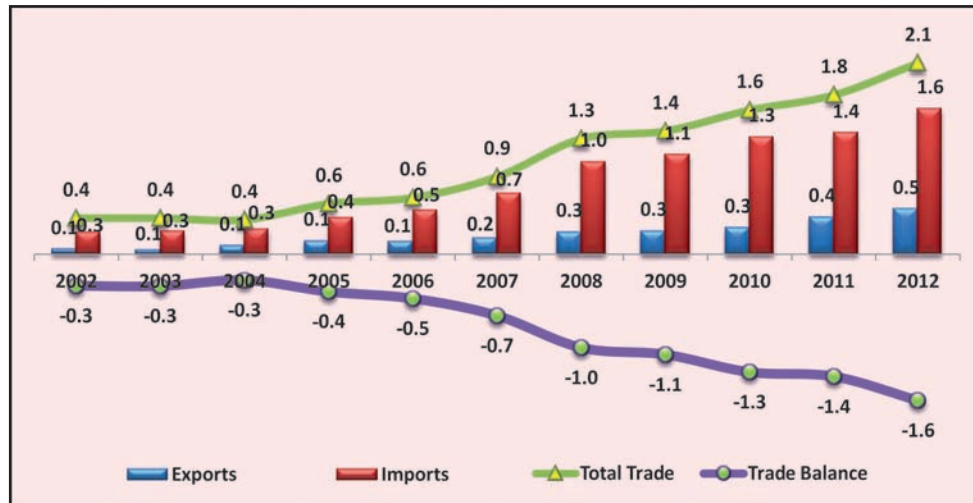
During 2012, principal exports include coffee, tea and spices, accounting for 19.2 percent of total exports of the country. Other major imports of the country in the same year include electrical and electronic equipment (7.5 percent of total exports), mineral fuels (6.6 percent), marine products (5.2 percent), sugars and sugar confectionary (5.2 percent), salt, sulphur, earth, stone, plaster, lime and cement (4.9 percent), animal, vegetable fats and oils (4.7 percent), and cereals (3.7 percent). The share of Uganda's exports to other African countries has seen an increase in the recent years. In 2012, Sudan accounted for 18 percent of total exports of Uganda, followed by Kenya (10.8 percent), DR Congo (10.2 percent), Rwanda (9.6 percent), UAE (7.5 percent), and Switzerland (5.2 percent).

As regards imports, mineral fuels accounted for 22.6 percent of total imports of Uganda in 2012. Other major import items include machinery (11.6 percent of imports), transport equipments (8.8 percent), electrical and electronic equipment (8.3 percent), cereals (4.6 percent), pharmaceutical products (4.2 percent), animal, vegetable fats and oils (4.1 percent), and iron and steel (4 percent). India is a major source for Uganda's imports. India's share in Uganda's imports has increased from 6.7 percent in 2002 to 20.9 percent in 2012. Other major suppliers in 2012 include China (11.3 percent), Kenya (9.8 percent), UAE (7.5 percent), Japan (5.4 percent), South Africa (4.9 percent), and Saudi Arabia (4.9 percent).

RWANDA

Rwanda's plans for economic and social development are set out in the Government's Vision 2020, which contains Rwanda's long-term development goals. Vision 2020 aims to transform Rwanda from a low-income agriculture-based economy to a knowledge-based, service-oriented economy by 2020. The Government of Rwanda intends to achieve this through, among others, trade policies, in particular export diversification and promotion policies. Rwanda has

Chart 3.5: Global Trade of Rwanda (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

preferential market access to a number of international markets including the EU and USA, as well as other EAC members and COMESA. The Ministry of Trade and Industry of Rwanda has the main responsibility for formulating and implementing trade policies of the country. The 2010 Trade Policy of Rwanda aims to increase the value of existing exports and diversify the export base of the country.

Currently, Rwanda has huge trading costs due to its landlocked position. The economy is highly vulnerable to external shocks, because of its narrow export base, its heavy dependency on foreign aid, and the rapid rise of international fuel prices. Rwanda is experiencing increasing levels of

trade deficits, attributable to the relatively high import dependency of the country. In 2012, trade deficit stood at US\$ 1.6 billion, increasing from US\$ 0.3 billion in 2002. Total trade of Rwanda has increased from US\$ 0.4 billion in 2002 to US\$ 2.1 billion in 2012. Exports have grown steadily during the last decade, recording an increase over nine-fold to US\$ 505.7 mn in 2012 from US\$ 54.1 mn in 2002, supported by increase in international prices of coffee, tea, and mineral products. Rwanda has recorded an increase in imports during the last decade growing at a CAGR of 20.4 percent reaching US\$ 1.6 billion in 2012 from US\$ 252.8 mn in 2002 (**Chart 3.5**). The expansion in imports has more than offset the marked

increase in merchandise exports earnings.

Rwanda's exports have been concentrated in a few products/minerals, and on a few markets, although there has been some diversification in the recent years. Rwanda exports mainly agricultural products, in particular coffee and tea, and mining products. Coffee, tea and spices account for 31.2 percent of Rwanda's exports, followed by ores, slag and ash (26.8 percent), mineral fuels (10.1 percent), vehicles other than railway (6.2 percent), milling products, malt, starches and wheat gluten (4.9 percent), beverages, spirits and vinegar (2.5 percent), and raw hides, skins and leather (2.3 percent) in 2012. Despite their eligibility for a wide variety of preferential trade schemes, Rwanda's goods are yet to be diversified at a large scale to countries other than traditional trade partners. Tanzania is Rwanda's largest export destination in 2012, accounting for 32.6 percent of Rwanda's total exports. The other main export destinations of Rwanda include DR Congo (21.6 percent), Kenya (18.7 percent), Uganda (13.5 percent), Sudan (3.4 percent), and Burundi (2.6 percent).

Rwanda's imports are dominated by capital goods and consumer goods. Principal import items comprise machinery and instruments (10.7

percent), electrical and electronic equipment (10.2 percent), mineral fuels (7.2 percent), motor vehicles (7.2 percent), iron and steel (4.9 percent), pharmaceutical products (4.5 percent), salt, sulphur, earth, stone, plaster, lime and cement (4.5 percent), animal, vegetable fats and oils (4.5 percent), and cereals (4.2 percent). Uganda is Rwanda's largest import source in 2012, supplying 14.4 percent of Rwanda's import needs. Other major import sources in the same year include China (13.3 percent), India (8.3 percent), Kenya (8.3 percent), UAE (7.4 percent), and Tanzania (4.6 percent).

BURUNDI

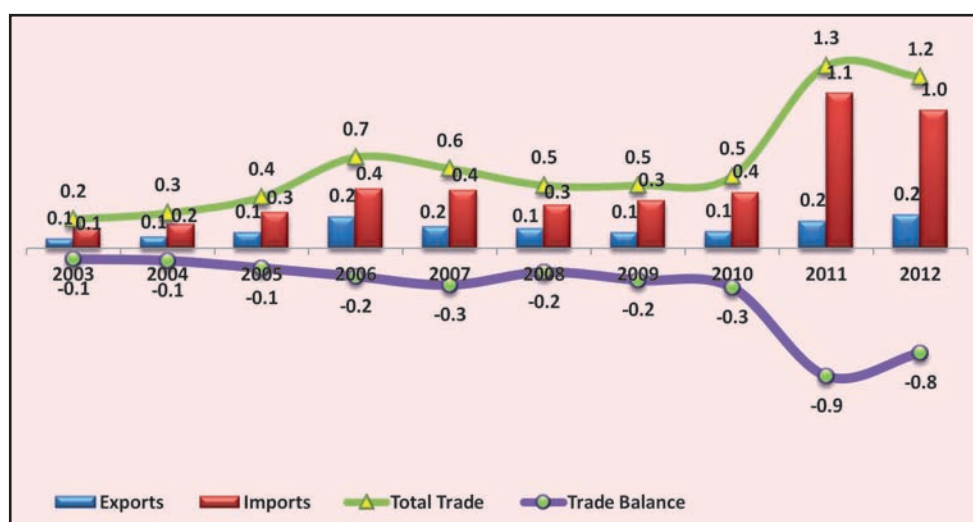
Since it acceded to the EAC, Burundi has a Ministry, attached to the President's Office, responsible for the EAC affairs, which plays a key role in the process of strengthening regional trade integration. This Ministry together with the Ministry of Trade, Industry, Post and Tourism play a central role in the formulation, negotiation and implementation of Burundi's trade policies, with support from other State (ministries and dependent institutions) and nonState (private sector and civil society) stakeholders. Trade liberalization and regional and global economic integration are part of the Economic Growth and Poverty

Reduction Strategy Paper of Burundi. The Government has accordingly opted for a relatively open trade policy. Since January 2007, the EAC common external tariff (CET) has been Burundi's main trade policy instrument.

Compared to other EAC countries, Burundi has a relatively high level of export concentration. Burundi's economy is highly dependent on primary products, predominantly coffee followed by tea. Burundi's total trade increased almost six-fold during 2003-2012, from US\$ 210.6 mn to US\$ 1.2 billion, aided by growth in both exports and imports **(Chart 3.6)**. Burundi's trade deficit has increased from US\$ 78.7 mn in 2003 to US\$ 760.4 mn in 2012.

Burundi's total exports in 2012 stood at US\$ 242.7 mn, as against US\$ 65.9 mn in 2003. Burundi's export base remains particularly narrow and is highly concentrated on a small number of products, including coffee, tea, sugar, beer and cigarettes. In 2012, pearls and precious stones, especially unwrought gold replaced coffee, tea and spices as the main foreign exchange earners for Burundi, with pearls and precious stones accounting for 43.3 percent of total exports of the country. It is followed by coffee, tea and spices (33.1 percent of total exports), ores, slag and ash (7.1 percent), raw hides, skins and leather (2.9 percent), vehicles other than railway (2.5 percent), soaps, lubricants, waxes, candles and modelling pastes

Chart 3.6: Global Trade of Burundi (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

(2.4 percent), and glass and glassware (1.2 percent).

Burundi's imports increased around seven-fold from US\$ 144.7 mn in 2003 to US\$ 1 billion in 2012. Mineral fuels, oils and distillation products are the largest items in Burundi's import basket in 2012, with a share of 17 percent in the country's total imports. Other major import items in 2012 include oil seed and oleagic fruits (14.8 percent of imports), electrical and electronic equipment (6.4 percent), machinery (6.2 percent), pharmaceutical products (5.6 percent), vehicles (5.4 percent), and cereals (5 percent). The import composition of Burundi largely reflects the lack of a domestic manufacturing industry and fuel resources as well as the limits of a small domestic market.

Burundi's integration in the sub-regional and global economy has changed the geographical distribution of its trade. UAE is the major export destination of Burundi in 2012, accounting for 16.3 percent of total exports of the country. Other major export destinations of Burundi in 2012 include France (1.1 percent of total exports), Tanzania (0.9 percent), Japan (0.6 percent), Rwanda (0.5 percent), and India (0.4 percent). Italy is the primary import source of Burundi in 2012, contributing to 17.6 percent of total import needs of the country. Other major import sources include Saudi Arabia (8.2 percent of total imports), Belgium (7.9 percent), China (7.8 percent), India (7.8 percent), Tanzania (5.3 percent), Kenya (4.6 percent), and Uganda (4.5 percent).

4. FOREIGN INVESTMENT IN EAST AFRICAN COMMUNITY COUNTRIES: AN ANALYSIS

Foreign Direct Investment (FDI) as an instrument enhances a country's manufacturing and export competitiveness. It is generally known to be the most stable component of capital flows needed to finance the current account deficit. Moreover, it adds to investible resources, provides access to advanced technologies, assists in gaining production know-how and promotes exports.

The contribution that FDI can make towards economic development and integration into the world economy is widely recognized. For this reason, African countries have made considerable efforts over the past decade to improve their investment climate. Economic growth in Africa has been driven not just because of oil or mineral wealth. Thirst for competitive exports has spread to African continent too. At the same time, the national Governments in Africa are also modifying their policies and encouraging private investment

in viable and profitable projects with a lasting impact on development.

Many African countries offer a wide market area and a big consumer population to investors. The formation of the various regional blocs was an important step toward this purpose. It could be said that the growing attention, paid by many countries, towards Africa is due to increased interest in natural resources, more favourable business climate, and conscious strategy to partner Africa in its economic development.

According to United Nations Conference on Trade and Development (UNCTAD), extractive industries accounted for most of the FDI inflows received by Africa. Most of the mergers and acquisitions undertaken by the Asian multinational corporations in Africa have been in oil, gas and mining industries. With a view to enhancing investment flows, many African countries have streamlined their investment laws and have also identified priority sectors for increased investment inflows and development.

TRENDS IN INVESTMENT IN THE EAC REGION

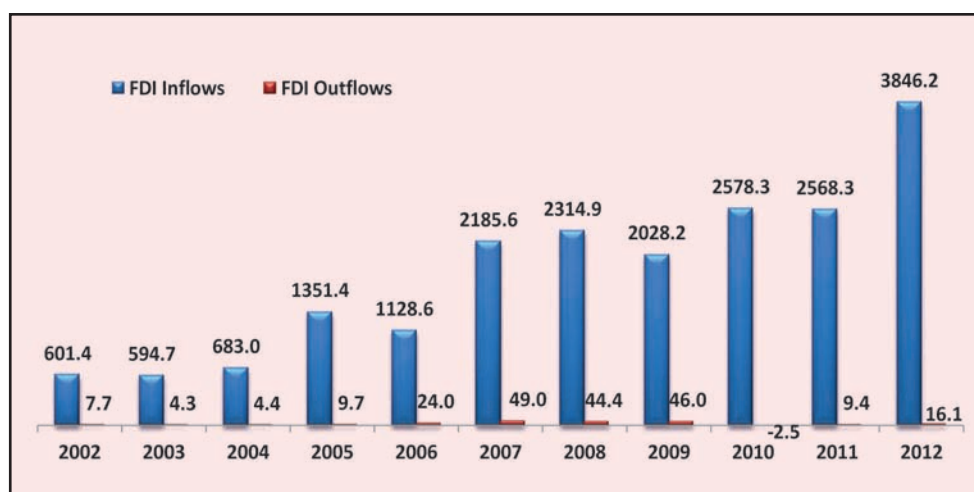
Prospects for the EAC region can be assessed from the recent robust trend in FDI inflows into the region. EAC is emerging as Africa's newest energy frontier, spurred by the discovery of oil onshore Uganda in 2006, and recent offshore discoveries of natural gas in Tanzania. Oil discovery in the remote onshore Turkana region of Kenya in March 2012 has further supported this. Overall, oil and gas production is expected to expand rapidly in the EAC region over the medium- to long-term.

During the last decade, FDI flows have witnessed an upsurge across the world, although there has been an ebb

towards the end of the last decade, primarily due to the global financial crisis which surfaced during the latter half of 2008. As far as the EAC is concerned, FDI into the region has increased at a healthy pace during the last decade, having outpaced global investment. The EAC countries are seen as favourable global investment destinations with their abundant natural resources (**Chart 4.1**). Though the general trend is an increase in FDI flows, there are huge variations within member countries.

During the period 2002-2012, the FDI inflows to the EAC recorded a CAGR of 20.9 percent as against 8 percent for the World and 13.1 percent for Africa. The difference in the growth of FDI inflows was more pronounced in 2012,

Chart 4.1: Trends in Investment in the EAC Region (US\$ mn)



Source: UnctadStat, UNCTAD

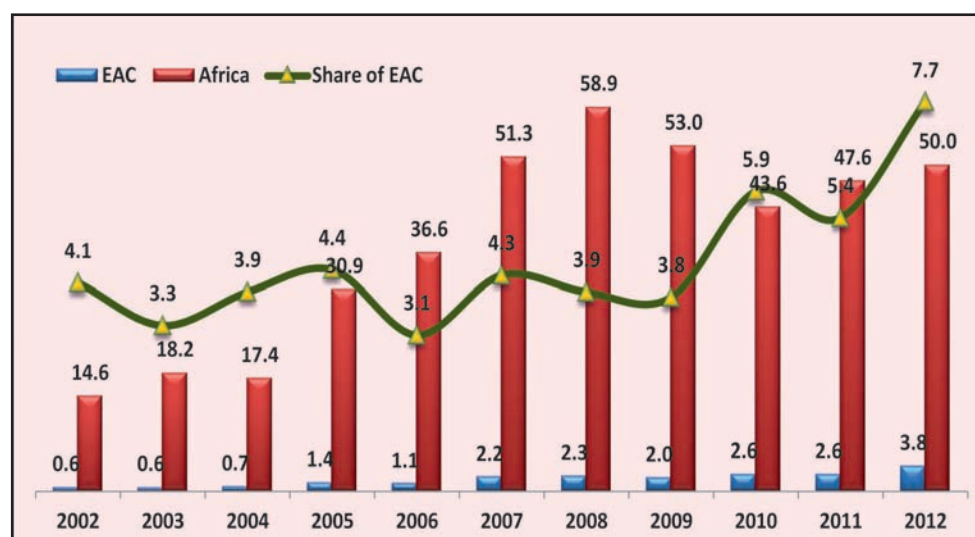
when FDI inflows to the EAC registered a growth of 49.8 percent, where as global FDI inflows witnessed a decline of 18.2 percent. Africa registered a growth of 5.1 percent in FDI inflows in 2012. As a consequence, the share of EAC in total Africa's FDI inflows, increased from 4.1 percent in 2002 to 7.7 percent in 2012 (**Chart 4.2**). This connotes the increasing capability of the EAC region to attract FDI, in the current global economic scenario.

FDI inflows to the region increased significantly to US\$ 3.8 billion in 2012 from US\$ 601.4 mn in 2002, supported by increased inflows to the recently discovered gas reserves in Tanzania and oil fields in Uganda (**Table 4.1**).

The cumulative FDI inflows to the region during 2002-2012 amounted to US\$ 19.9 billion. Tanzania accounted for 50.5 percent of the total FDI receipts to the region over the decade, followed by Uganda (36.4 percent). Kenya and Burundi witnessed a decline in their FDI inflows in 2012.

FDI outflows from the EAC region were much lower compared to the inflows. Cumulatively during 2002-12, Kenya had the largest share of the outflows from the region at US\$ 200.4 mn (**Table 4.2**). It was followed by Rwanda and Tanzania with outflows of US\$ 12.9 mn and US\$ 2.5 mn, respectively. The EAC as a region represents only a marginal share in

Chart 4.2: Trends in FDI Inflows in the EAC Region



Source: UnctadStat, UNCTAD

Table 4.1: Inward FDI Flows to the EAC Countries, 2002-2012 (US\$ mn)

Country	2002	2005	2010	2011	2012	Aggregate (2002-12)
Tanzania	387.6	935.5	1,813.3	1,229.4	1,706.0	10,031.0
Uganda	184.6	379.8	543.9	894.3	1,721.2	7,228.4
Kenya	27.6	21.2	178.1	335.2	258.6	1,938.8
Rwanda	1.5	14.3	42.3	106.0	159.8	672.4
Burundi	-	0.6	0.8	3.4	0.6	10.1
EAC	601.4	1,351.4	2,578.3	2,568.3	3,846.2	19,880.7
Africa	14,613.3	30,912.6	43,581.6	47,598.1	50,041.1	421,982.0
Share of EAC in Africa's FDI Inflows	4.1	4.4	5.9	5.4	7.7	4.7

Note: '-' denotes nil or negligible

Source: UnctadStat, UNCTAD

Table 4.2: Outward FDI Flows from the EAC Countries, 2002-12 (US\$ mn)¹³

Country	2002	2005	2010	2011	2012	Aggregate (2002-12)
Kenya	7.4	9.7	1.6	9.4	16.1	200.4
Rwanda	-	-	-	-	-	12.9
Tanzania	0.2	-	-	-	-	2.5
Burundi	-	-	-	-	-	0.6
Uganda	-	-	-4.1	-	-	-4.1
EAC	7.7	9.7	-2.5	9.4	16.1	212.4
Africa	286.5	2,050.8	9,310.8	5,375.7	14,295.8	70,938.1
Share of EAC in Africa's FDI Outflows	2.7	0.5	-	0.2	0.1	0.3

Note: '-' denotes nil or negligible

Source: UnctadStat, UNCTAD

¹³Negative values of FDI outflows show that the value of direct investment made by domestic investors to external economies was less than the value of repatriated (disinvested) direct investment from external economies

Africa's over all FDI outflows over the decade at 0.3 percent.

Global Competitiveness of the EAC Countries

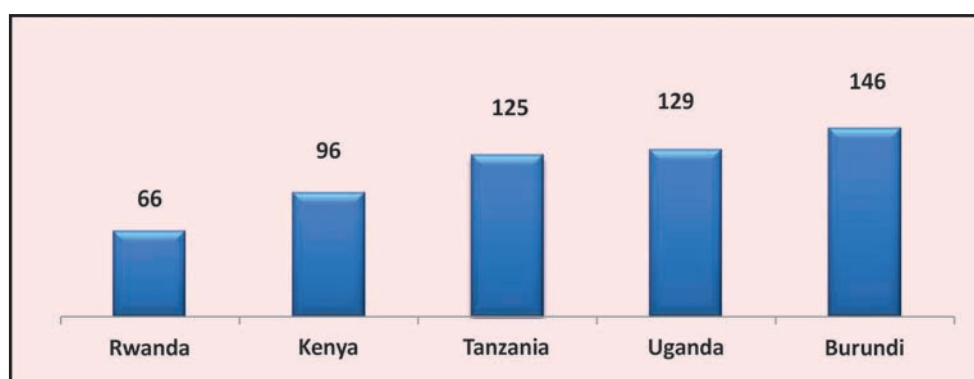
The World Economic Forum's Global Competitiveness Index Ranking (WEF) 2013-14, assesses the competitiveness landscape of 148 economies across the world. This Index measures the ability of a country to provide high levels of prosperity to its citizens based on the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity. All the EAC countries are included in the ranking. In the Global Competitiveness Index Ranking 2013-14, Rwanda at 66th position, stood first among the countries in the EAC, as well as 3rd among the countries in the Sub-Saharan African region (**Chart 4.3**). Rwanda has benefitted from

strong and relatively well-functioning institutions, with very low levels of corruption, efficient labor markets, relatively well developed financial markets, and a capacity for innovation. Kenya at 96th position, ranked second among the EAC countries, supported by greater confidence in institutions, impressive innovative capacity, large R&D spending, well developed financial markets and a relatively efficient labor markets.

Doing Business in the EAC Countries

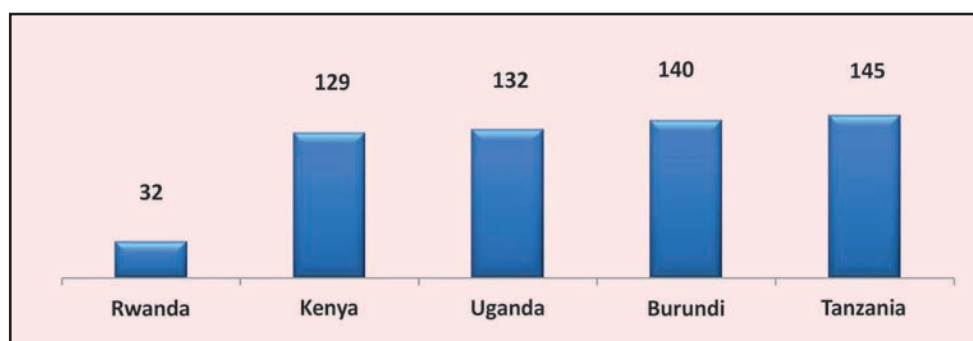
In the Doing Business 2014 report of the World Bank and the International Finance Corporation (IFC), 189 economies across the world are ranked in terms of their ease of doing business with respect to starting a business from 1 to 189. A high ranking on the ease of doing business index means

Chart 4.3: Global Competitiveness Index Ranking of the EAC Countries, 2013-14



Source: The Global Competitiveness Report 2013-14, WEF

Chart 4.4: Ease of Doing Business Ranking of the EAC Countries, 2014



Source: Doing Business Report 2014

the regulatory environment is more conducive to the starting and operation of a local firm. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. In Doing Business 2014 ranking, Rwanda stood first among the EAC countries, with a global ranking of 32. It was followed by Kenya and Uganda at the 129th and 132nd positions (**Chart 4.4**). Rwanda and Burundi are among the top 10 reformers who introduced various reforms to improving their business regulatory systems or related institutions in 2012-13.

The EAC countries took a number of measures to improve the doing business scenario in their respective countries in 2012/13. Some of these measures are highlighted in the following section.

Burundi

In March 2013, Burundi made dealing with construction permits easier by establishing a one-stop-shop for obtaining building permits and utility connections. The country made getting electricity easier by eliminating the electricity utility's monopoly on the sale of materials needed for new connections and by dropping the processing fee for new connections. The payment of taxes is made less costly for companies by reducing the corporate income tax rate. Burundi made trading across borders easier by eliminating the requirement for a pre-shipment inspection clean report of findings.

Rwanda

Rwanda made starting a business easier by reducing the time required to

obtain a registration certificate. It also made dealing with construction permits easier and less costly by reducing the building permit fees, implementing an electronic platform for building permit applications and streamlining procedures. The Rwanda Natural Resources Authority implemented a systematic land registration program, and now 90 percent of properties in the country are registered. Rwanda made transferring property easier by eliminating the requirement to obtain a tax clearance certificate and by implementing the web-based Land Administration Information System for processing land transactions.

Rwanda made paying taxes easier and less costly for companies by fully rolling out its electronic filing system to the majority of businesses and by reducing the property tax rate and business trading license fee. The country also implemented an electronic single-window system in January 2013 at the Rusumo border post with Tanzania, the post used to access the port of Dar es Salaam. Connected to the Rwanda Bureau of Standards and the Rwanda Development Board, the system allows traders to receive verifications and approvals electronically. According to data collected for Doing Business 2014, Rwanda and Tanzania are top performers in the Sub-Saharan Africa in the ease of enforcing contracts ranking.

Tanzania

Tanzania improved its credit information system through new regulations that provide for the licensing of credit reference bureaus and outline the functions of the credit reference data bank. It also made resolving insolvency easier through new rules clearly specifying the professional requirements and remuneration for insolvency practitioners, promoting reorganization proceedings and streamlining insolvency proceedings.

Uganda

Uganda made transferring property easier by eliminating the need to have instruments of land transfer physically embossed to certify payment of the stamp duty.

INVESTMENT REGIMES AND MAJOR INVESTMENT INCENTIVES IN THE EAC COUNTRIES

Since 1990s, all the five EAC countries have undertaken a range of pro-market economic reforms. These included comprehensive reforms in financial and foreign exchange markets, trade policies, taxation, and institutions toward economic liberalization. As a result, four EAC countries except Burundi, have liberalized their foreign exchange market and government

no longer controls securities market and interest rates. According to the 2013 Baseline Profitability Index of Foreign Policy Magazine, Rwanda was ranked as the fifth best destination for investment in the world as high returns of investment are accessible and to a great degree, retrievable to investors, while Uganda and Kenya were ranked 15th and 67th positions, respectively. All the EAC countries have recognized the private sector as an essential growth engine for economic and social development and have introduced favourable policies to attract domestic and foreign investment.

Governments are encouraging investment by providing fiscal incentives, establishing Export Processing Zones (EPZs) and industrial parks, setting up export and investment promotion agencies and doing outreach activities. Overall, foreign investors receive national treatment and generous incentives especially when their investment plans bring the positive effects of foreign exchange generation, technology transfer, job creation and skill enhancement in national development priority areas such as value added agro-processing, manufacturing, tourism and infrastructure. The EAC countries are strongly committed to addressing

the challenges and constraints to investment and establishing conducive business environment. All the countries are working on promoting the region as 'one single investment destination' by harmonizing and rationalizing investment policies and incentives.

To actively promote foreign investment, these countries have also set up investment promotion agencies, which in most cases serve as a one-stop-shop for all investment related matters. These include: Burundi Investment Promotion Authority (API), Kenya Investment Authority, Rwanda Investment and Export Promoting Agency, Rwanda Development Board, Tanzania Investment Centre (TIC), Zanzibar Investment Promotion Agency (ZIPA), and Uganda Investment Authority (UIA), the details of which are given in **Annexure II**.

BURUNDI¹⁴

Burundi is the smallest economy among the EAC countries. Burundi has attractive incentives provided by new Investment Code, improving business environment, wider market access with regional integration, on-going reconstruction activities, opportunities in various sectors like agro-processing, fertilizers, energy, transportation and

¹⁴EAC Investment Guide 2013, and Burundi Investment Promotion Authority

tourism. Burundi has simplified its administrative procedures.

Investment Code

Burundi has formally enacted a new Investment Code in September 2008, which came into force since January 1, 2009. The Code is applicable to both foreign and domestic investors. All investments are now subject to common law procedures, guarantee conditions and advantages of the general scheme instead of the complex old system which provided four licensing regimes (one basic and three special). The Code also provides more guarantees to foreign investors in particular with respect to expropriation, the guarantee of transfer of capital and access to international arbitration. The Code also takes into account the specific regime for investments in free zones. It aims to attract and reassure foreign investors by encouraging and facilitating acquisitions, production, transformation and distribution of goods and services. It outlines the government's desire to stimulate foreign investment, but highlights a continuing lack of transparent, specific regulations to foster significant foreign investment. The Investment Code grants guarantees and advantages of the General Scheme (freedom of establishment of capital, guaranteed

property to any person without any discrimination, free transfer of foreign capital and revenues) to investor. It has prohibited any nationalisation and expropriation of the investments made in the Burundian territory. The Code simplifies existing legislation and harmonizing legislation in the EAC.

The Investment Code has also created an Investment Promotion Authority (*Agence De Promotion De l'Investissement Au Burundi* - API), with the main task of promoting investment and exports. The government has set up a One-stop window ("*guichet unique*") in the API, the Commercial Court and the Burundian Revenues Authority (OBR). API is actively involved in specific investment promotion activities including the privatization of the coffee industry, and is establishing contracts with investors for investing in hydro electricity plants, modern passion fruits and pineapple transformation plants, setting up a cassava flour transformation plant in the KUMOSO plain, tomato processing plants, etc.

Investment Incentives

Performance requirements or incentives are applied fairly and uniformly to both international and domestic investors. To encourage investment, Burundi

applies investment incentives to both international and domestic companies in the form of income tax deferrals, and exemption from import and export duties. To qualify for these incentives, however, the investor must meet special requirements concerning the size of the investment, the number of jobs created, and the location of the business. For example, a business may be granted extra incentives to locate and invest in rural areas. There is no general requirement that the business purchase goods from local sources. An exception is made, though, for companies licensed for export only which operate in the Free Economic Zone (FEZ). Companies which take advantage of FEZ tax incentives are required to purchase goods in Burundi, where possible.

There is no requirement that Burundian nationals should own shares in the foreign investment, or that technology be transferred to Burundian entities over the time of the investment. The share of the foreign-owned equity in the investment need not be reduced over time. No “offset” requirements, whereby major procurements are approved only if the foreign supplier invests in items related to the host country, are required.

Burundi does not impose conditions on permission to invest, except for companies that apply for special

incentives, such as specialized tax advantages embedded in the Investment Code. The Government of Burundi does not impose enforcement procedures on companies, and investors are not required to disclose proprietary information to the government as part of the regulator process. Burundi does not impose any discriminatory or excessively onerous visa residence, or work permit requirements that would hinder a foreign investor’s mobility, or operate tariff barriers that would constitute preferential or discriminatory export or import policies.

The fiscal incentives include: tax exemption for real estate purchases related to new investment; tax reductions for goods used to establish new business; profit tax breaks for investors employing more than 50 Burundian workers; tax credit on investment at least Bufr 100 mn that create at least 10 permanent jobs for Burundian citizens; and waiving of mutation on the acquisition of property rights and land.

Special Investment Zones

The free zone regime established in 1992, gives legal status to companies who automatically qualify for a set of tax and customs exemptions. The regime has the distinction of being organized as a legal unlimited geographical

area. Free zone companies are divided by sector and are referred to as free companies in the industrial, commercial, services or agricultural sectors. The main criteria for eligibility are the export of all production; creation of substantial value addition; compliance with environmental, health and safety regulations; and the importation or re-export after further processing or packaging of imported products based on a list established by the minister responsible for the free zone.

The main benefits of the free zone are: full exemption from corporate tax for the first ten years of operation and payment of a reduced rate of 15 percent thereafter; tax exemption on dividends for an unlimited period; right to repatriate capital and income; permission to have foreign currency bank deposits; more flexible labor regulations than that provided in the Labor Code; exemption from all duties and taxes, direct or indirect, without an import license; and duties on exports.

Table 4.3: Tax Regime in Burundi

Type	Percentage
Income Tax (no distinction between personal and corporate)	35 percent
Corporate tax	30 percent
Custom duties	
Basic products	0 percent
Building equipment and materials	5 percent
Semi-finished products	15 percent
Consumer products	30 percent
Transaction tax	17-20 percent
On-account payment on revenue	4 percent
Withholding tax	15 percent
Capital gains tax	35 percent
VAT	18 percent (sales tax: 18 percent)

Source: EAC Investment Guide 2013

KENYA¹⁵

Kenya is the leading economy and strategic trading hub in East Africa. Kenya has a liberalized economy with a vibrant private sector. It is a regional financial hub with well developed financial services. Since early 2000, the government has introduced market oriented reforms and more incentives for both local and foreign private investors. Kenya is a signatory to a large and growing number of tax treaties and investment promotion and protection Agreements such as the Multilateral Trade System (MTS) ACP Cotonou Agreement, and the Africa Growth and Opportunities Act (AGOA). The country has access to large pool of highly educated and skilled work force. Kenya has fully liberalised its economy by removing all obstacles that previously hampered the free flow of trade and private investment. These include exchange controls, import and export licensing, as well as restrictions on remittances of profits and dividend.

Kenya is making efforts to lower the cost of doing business by conducting extensive business regulatory reforms intended to substantially reduce the number of licensing requirements and to make the licensing regimes more

simple and transparent and focused on legitimate regulatory purposes. Kenya offers diversified business and investment opportunities as a premium service provider in the EAC region. As the leading economy in East Africa, Kenya's strategic location and its well developed business infrastructure make it a natural choice for investors and many international firms to make it their regional hub. This grants investors' access to the larger East African Community and regional markets with access to over 385 mn consumers. Nairobi is also a major transport hub in East Africa.

Kenya has a comparative advantage in the export of services compared to the other countries at similar levels of development. The most competitive sectors in services exports are transportation, communication, financial and cultural services while other higher value added services such as business process outsourcing (BPO), ICT, and insurance services are starting to be exported. Most of the investment was made into labor intensive industries such as the communication sector. The recent discovery of oil in the north western region and the Government's strong commitment to infrastructure development is expected to trigger

¹⁵EAC Investment Guide 2013, and Kenya Investment Authority

significant new investment inflow into the economy.

Investment Policy

The legal investment framework includes the Investment Code under the Investment Promotion Act (2004), Foreign Investment Protection Act, the Companies Ordinance, and the Partnership Act. The Minimum foreign investment threshold is US\$ 100,000. The treatment is similar between foreign and local investors and there is no discrimination between local and foreign owned goods in the government's export promotion programs. There is no restriction on foreign ownership of equity except for telecommunications (80 percent) and insurance (66.7 percent). Investors are free to convert and repatriate profits, and there is no restriction on converting or transferring funds associated with investment. Non-citizens may not own land but is allowed to lease land for a maximum period of 99 years. There are special incentives to investors in manufacturing and tourism, and trans-national corporations that invest in less developed areas.

Investment Incentives

Fiscal incentives include:

- MUB (manufacturing- under-bond Program) – 100 percent

investment allowance; duty and VAT exemption on machinery, equipment, and raw materials;

- Duty Remission- Exemption on duties and VAT on raw materials utilized to process confirmed exports orders;
- Capital expenditure- Duties paid for capital expenditure in excess of US\$ 70,000 can be recovered from corporate tax. Capital goods and basic raw materials are zero rated;
- Loss-Carry forward- Business must recover previous losses before paying corporate tax.

Industry Clusters

Kenya has adopted cluster development as part of its regional and national competitiveness strategies with plans underway to develop industry clusters in strategic locations across the country.

Kenya Industrial Estates (KIE)

Kenya Industrial Estates (KIE) provide serviced workspace through construction of industrial estates/incubators in fast growing business centres. These facilities provide entrepreneurs with specific services to nurture and encourage growth of their enterprises to sustainable levels.

Apart from flexible and affordable workspace, the enterprises within the incubators are able to access financial support for machinery, equipment and working capital, shared utility services, management and technical assistance including skills upgrading, marketing, accounting, legal, secretarial services and internet and networking.

Export Processing Zones (EPZs)

The Kenya Export Processing Zone (EPZ) program offers a range of attractive incentives to ensure low cost operations, fast set up, smooth operations and high profitability. An effective one-stop-shop service at the EPZ Authority facilitates the investment process. EPZs constituted under the umbrella of and managed and promoted by the Export Processing Zones Authority (EPZA). The EPZA welcomes all export-oriented investments in the manufacturing and services industries (Business Process Outsourcing and IT Enabled Services).

Tax Benefits under EPZA:

- Single license: License by the EPZ Authority as an EPZ enterprise is required;
- Duty and VAT Exemption: payment of excise duties as specified in the Customs and Excise Act;
- 10 year corporation tax holiday: Exemption from payment of income tax for the first 10 years as an EPZ enterprise, except that the income tax rate shall be limited to 25 percent for the 10 years following the expiry of the exemption;
- 10 year withholding tax exemption on dividend remittance;
- Duty and VAT exemption on all inputs except motor vehicles;
- Exemption from withholding tax on dividends and other payments made to non-residents during the period that the EPZ enterprise is exempted from payment of income tax;
- Exemption from stamp duty on the execution of any instruments relating to the business activities of an EPZ enterprise;
- 100 percent investment allowance;
- Import duty exemptions on machinery, raw materials, and inputs;
- No restrictions on management or technical arrangements;
- Support services of power and water.

Special Incentives for Manufacturing and Tourism Sectors:

- 100 percent investment allowance for new investments in manufacturing and tourist hotels;
- Investment allowance for imported manufacturing materials for export or for duty free items for domestic sale;
- Import duty relief for imported raw materials and intermediates for the manufacture of goods for exports;
- Zero-rated VAT for locally financed materials and equipment for use of construction or refurbishment of tourist hotels;
- 25 percent corporate tax for companies issuing initial public offers in the Nairobi Stock Exchange;
- Foreign investors are allowed to bring in cars for personal use duty free;
- Computers are duty free.

Table 4.4: Tax Regime in Kenya

Type	Percentage
Income Tax	pay-as-you-earn, maximum 30 percent of income
Corporate Tax for local companies	30 percent
Corporate Tax for Non-resident company (branches)	37.5 percent
Corporate income tax for newly listed companies	
List at least 20 percent of its shares	27 percent for 3 years
List at least 30 percent of its shares	25 percent for 5 years
List at least 40 percent of its shares	20 percent for 5 years
Withholding Tax	5 percent
Capital Gain Tax	0 percent
VAT	16 percent Standard Rate
Real Estate Investment Trusts	Exempt
Customs duty	0-35 percent

Source: EAC Investment Guide 2013

RWANDA¹⁶

Although it is a landlocked country, Rwanda is positioning itself as a transport hub linking Central and East Africa taking advantage of its geographic location bordering with DR Congo, Uganda, Burundi and Tanzania. Rwanda, well known for zero-tolerance for corruption, has made notable improvements in its business environment.

According to the Doing Business reports, Rwanda is among the top global reformers in business climate in the recent years. The country has strong internet connectivity, and is among the top three African countries in case of internet connectivity. Rwanda has simple taxation, developed industrial parks and free trade zones. Since 2006, the government has implemented an intensive privatization program to attract foreign investment, especially in telecommunications, tourism, banking, and agriculture sectors, while continuing to hold minority shares in telecommunications, insurance, and hotels. The Vision 2020 of Rwanda has set out a clear vision for growth through private investment. Rwanda is a stable country with well-functioning institutions and rule of law. Rwanda has very high labor efficiency

and offers an excellent and flexible supply of labor.

The Rwanda Development Board provides a quick and efficient registration service where a local enterprise or a foreign subsidiary can be registered within 6 hours. This process involves simultaneously obtaining the certificate of incorporation (business registration), Tax Identification Number (tax registration) and the Social Security registration for employee pension submission.

Investment Policy

The legal investment framework of Rwanda is the Investment Code of 1998. Initial capital requirement for official registration and investment certificates is US\$ 250,000 for foreign investors and US\$ 100,000 for domestic and COMESA investors. No sectors are barred to foreign investors and there are no limits on foreign ownership or control. There is no mandatory screening of foreign investment, but Rwanda Development Board (RDB) evaluates business plans for better allocation of incentives and recording inflows. There is no restriction on the right of a foreign investor to repatriate returns from an investment. There is no legal requirement to purchase from local source or export a certain percentage of their output.

¹⁶EAC Investment Guide 2013, and Rwanda Development Board

Land acquisition with a general limit on land ownership (lease hold agreement from 50-99 years) is available. Investors who demonstrate capacity to add more value, technology transfer, and invest in priority sectors may also receive enhanced tax and investment incentives, while there are additional incentives for an investor operating in a Free Export Economic Processing Zone including greater tax benefits. There are preferential tax incentives to investors contributing significant export driven growth; export at least 80 percent of total production (minimum 10 percent if under Manufacturing under Bond Program), or capital investment of at least US\$ 250,000 for foreign investors or US\$ 100,000 for local and COMESA members.

Investment Incentives

- Import duty exemption: 5 percent flat rate on importation of building and construction materials for investments (worth US\$ 1.8 mn) in tourism, education, health and agricultural sectors;
- VAT exemption: On all imported raw materials, imported vehicles for investors and their foreign employees;
- Investment allowances: 40 percent in the first year for investments in Kigali and 50 percent outside of Kigali;

- 100 percent write off of R&D costs: Additional deduction from taxable income of 50 percent of training, research and product development costs;
- Duty drawback: The right to fully offset the cost of providing infrastructure to the site of the business operations; and duty drawback for all duties and taxes paid on imported raw materials if the investor is an exporter who is operating outside a free export economic zone.

Free Economic Zone (FEZ)

FEZs are designed to accommodate heavy and light manufacturing industries, wholesalers, chemicals, pharmaceuticals and plastics, tourism and service industries, warehousing, and information Technology Park. The incentives for FEZ include:

- Duty free importation of machinery, equipment and raw material (for the industry) and other goods;
- Zero corporate tax (unlimited period);
- Exemption from withholding tax.

To benefit from incentives in a planned export zone, investors will be required to export a certain percentage of the finished product. Companies establishing their International

Table 4.5: Tax Regime in Rwanda

Type	Percentage
Income Tax	Progressive from 0, 20, and 30 percent
Corporate tax	30 percent
For the company employing between 100-200 employees	2 percent reduction
For the company employing between 201-400 nationals	5 percent reduction
For the company employing between 400-900 nationals	6 percent reduction
For the company employing more than 900 nationals	7 percent reduction
For the company exporting valued at US\$ 3-5 mn	3 percent reduction
For the company exporting valued over US\$ 5 mn	5 percent reduction
Excise duties	
Telephone communication	3 percent
Fruit juice, vehicles with an engine capacity of less than 1500cc	5 percent
Powdered milk, mineral water, vehicles (1500-2500cc)	10 percent
Vehicles (greater than 2500cc)	15 percent
Soda and lemonade	39 percent
Beer	60 percent
Wine, brandies, liquors and whiskeys	70 percent
Fuel and lubricants	76 percent
Cigarettes	150 percent
Withholding tax	15 percent
VAT	18 percent

Source: EAC Investment Guide 2013

Headquarter operation in Rwanda are accorded similar incentives to those in FEZs.

TANZANIA¹⁷

Tanzania has a sizeable domestic and regional market with supply of local raw material. Tanzania is strategically located as a gateway to East Africa and the landlocked countries in Central Africa. Tanzania became one of the largest FDI recipients among the EAC countries once it eased restriction on foreign investment in the late 1980s. Although the economy still heavily depends on agriculture, other sectors including energy, financial services, telecommunications, and tourism show significant investment potential. With major discoveries of natural gas reserves in Songo Songo and Mnazi Bay, the world's leading oil and gas exploration companies continue to scale up their operations in Tanzania.

Tanzania Investment Centre (TIC) is the primary agency of the government responsible for coordinating, encouraging, promoting and facilitating investment. The TIC promotes trade and investment opportunities in agriculture, mining, tourism, telecommunications, financial services, and energy and transportation infrastructure. A one stop facilitation centre assists investors

(local and foreign) provided they have projects worth US\$ 100,000 for Tanzanians and US\$ 300,000 for foreigners. The Tanzania Revenue Authority (TRA) is in charge of all tax laws and related issues and is a semi-autonomous government agency. Zanzibar Investment Promotion Authority has been established by the Zanzibar Investment Promotion and Protection Act, 2004. The Act regulates all investments that are undertaken on Zanzibar and the island of Pemba.

Tanzania has earmarked areas to Invest EPZ/SEZ sites in 14 regions where investors are invited to develop infrastructure in the earmarked sites with various forms of partnership (BOT, BOOT, Land Concession Agreement etc). The sizes of the sites are between 2000 – 9000 Ha. Investment focus areas are agriculture and agro processing, metal products, machinery and transport equipment, electronics and electrical appliances, chemical, paper and plastics, light industries, mining, ceramics and gemstones. Although Tanzania has largely made its economic transition to a liberalized economy, the government retains its presence in some sectors such as telecommunications, banking and mining, and imposes restrictions on Tanzanian citizens investing abroad through capital controls.

¹⁷EAC Investment Guide 2013, and Tanzania Development Center

Investment Policy

The investment legislation, the Tanzania Investment Act, 1997 is aimed at creating a sound regulatory framework for investment promotion and the administration of incentives. Tax incentives are provided in tax legislations. The Tanzania Investment Act of 1997 does not apply to mining and oil exploration which comes under the Petroleum Act (1980) and the Mining Act (1998); Zanzibar is administered under a separate legislation; and investment below US\$ 300,000 and US\$ 100,000 for foreign and local investors, respectively.

The national treatment applies to foreign investors without any performance requirements, except for operating travel agencies, car rental services, and those who engage in tour guiding (Tourism Act, 2008). There is no requirement to buy local sources, export a certain percentage of output or only access foreign exchanges in relation to exports. Approved projects by the Tanzania Investment Centre (TIC) receive investment certificates of incentives, are allowed 100 percent foreign ownership, VAT and import duty exemptions, and repatriation of 100 percent of profits, dividends, capital after tax and other obligations. Review process of investment plan is 10 days and there are no remittance restrictions. The land ownership is

restricted as land is state property, but it can be leased up to 99 years.

Investment Incentives

Tax incentives are granted in the form of enhanced capital deductions and allowance structured according to lead and priority sectors which include agriculture, agro-based industries, mining, tourism, petroleum and gas and economic infrastructure (road, railways, air and sea transport, port facilities), telecommunication, banking and insurance.

- MUB (manufacturing- under-bond): All factories registered to manufacture goods under bond for export purpose are exempted from import duty and other taxes on inputs used to manufacture such goods;
- Import duty drawback: Import duty charged on imported inputs used for producing goods for export and goods sold to foreign institutions like UN in Tanzania, is refunded;
- Zero custom duty and deferred corporate tax and VAT: On capital goods for investments in sectors such as mining, infrastructure, road construction, bridges, railways, airports, electricity generation, agro-processing, telecommunications and water services;

- 100 percent Capital allowance: Deduction in the years of income for the above mentioned types of investments;
- Interest deduction: On Capital loans; removal of the 5 year limit for carrying forward losses of investors;
- No remittance restrictions: No restriction on the right of a foreign investor to repatriate returns from an investment.

Non-fiscal incentives include immigration quota of up to 5 people, guaranteed transfer of net profits or dividends of the investment, payment in respect of foreign loans, remittance of proceeds net of all taxes and other obligations, royalty fees and other charges, payment of emolument and other benefits to foreign personnel. Special incentives are provided to strategic investors with projects of over US\$ 20 mn that offer specific/great impact to the society or economy.

Special Economic Zones (SEZs)

According to SPEZA (The Special Economic Zones Act, 2006), the SEZs are established to encourage green field investment in the light industry, tourism, commercial activities, forestry,

ICT, and banking and finance. The Act provides outlines for industrial parks, export processing zones, free trade zones, tourist parks, and science and technology parks, which may be regarded as SEZs. Specific regions for light industry are Dar es Salaam, Tanga, Kigoma, and Mtwara.

Export Processing Zones (EPZs)

Export Processing Zones (EPZs) aims at using local materials for the production of textiles and garments, leather goods, value added agro processing and electronics. 4,000 hectare for export clusters is earmarked.

- Remission of customs duty, VAT and any other tax payable on goods purchased for use as raw materials, equipment, and machinery, or goods and services related to manufacturing in the EPZs (except for motor vehicles, spare parts and consumables): payment of excise duties as specified in the Customs and Excise Act;
- 10 year tax holiday: Exemption from corporate income tax for the first 10 years; after 10 years, a reduced tax of 25 percent (ordinarily 30 percent);

Table 4.6: Investment Incentives in Tanzania

Category	Incentives
Infrastructure developer	<ul style="list-style-type: none"> Exemption from payment of taxes and duties on all capital goods related to EPZs/SEZs
	<ul style="list-style-type: none"> 10 year tax holiday (corporate tax, withholding tax on rent, dividends and interest, property tax)
	<ul style="list-style-type: none"> Exemption from VAT on utility charges
	<ul style="list-style-type: none"> Exemption from pre-shipment or destination inspection requirements
Investors producing for the sale within the custom territory	<ul style="list-style-type: none"> Remission of custom duty, VAT and other taxes on raw materials and goods of capital nature related to production in zone
	<ul style="list-style-type: none"> Withholding tax exemption on interest on foreign sources loan
	<ul style="list-style-type: none"> On-site inspection of goods in the zone
	<ul style="list-style-type: none"> Unconditional transferability of profits, dividends, royalties etc.
	<ul style="list-style-type: none"> Provision of visa for entry of key personnel
	<ul style="list-style-type: none"> One-stop-service center in the zone
Investors producing for the export market (at least 80 percent of production)	<ul style="list-style-type: none"> 10-year tax holiday (corporate tax and withholding tax on rent, dividends and interest)
	<ul style="list-style-type: none"> Remission of custom duty, VAT and other taxes on raw materials and goods of capital nature related to production in the zone
	<ul style="list-style-type: none"> Exemption from taxes and levies imposed by local government authorities on products produced in EPZs
	<ul style="list-style-type: none"> Exemption from VAT on utility charges
	<ul style="list-style-type: none"> Unconditional transferability of profits, dividends, royalties etc.
	<ul style="list-style-type: none"> Lower port charges
	<ul style="list-style-type: none"> Access to the export credit guarantee scheme
	<ul style="list-style-type: none"> On-site customs inspection in the zone

Source: EAC Investment Guide 2013

- Exemption from withholding tax on dividends and interest for the first 10 years;
- Exemption from all taxes and levies imposed by local government for goods and services produced or purchased in the EPZs;
- On-site customs inspection in lieu of off site inspection;
- Provision of temporary visas at the point of entry to key technical,

Table 4.7: Tax Regime in Tanzania

Type	Percentage
Income Tax for individuals	Progressive from 18.5 percent to 30 percent
Income Tax for non-resident individuals	A flat rate of 20 percent applies (for an employer of a non-resident, deduction of PAYE at the rate of 15 percent from the payroll)
Corporate tax for local and non-resident companies	30 percent
Total income of a domestic permanent establishment	N/A for resident, 30 percent for non-resident
Repatriated income of branch	N/A for resident, 10 percent for non-resident
Taxable value of employment benefits - Skills and development levy	Generally all benefits are taxable 6 percent of the gross emoluments paid to employees (except for farm workers)
Withholding tax	Dividends (10 percent), interest (10 percent), royalties (15 percent) and management fee (15 percent)
Capital gains tax	The gain/loss upon sale realization is included in business income and taxed at the general rate
VAT	18 percent (export of certain goods and professional and communications services are subjected at zero rate)

Source: EAC Investment Guide 2013

management and training staff for up to 30 days;

- No local authority taxes for 10 years on products produced in the EPZ;
- No stamp duty;
- Exemption from foreign exchange control restrictions, exemption from the pre-shipment or destination

inspection requirement, and entitlement to on-site customs inspection.

UGANDA¹⁸

Uganda enjoys a unique location at the heart of the Sub-Saharan Africa, giving it a commanding base for regional trade and investment. Uganda is one of the most economically liberalized

¹⁸EAC Investment Guide 2013, and Uganda Investment Authority (UIA)

countries in the Sub-Saharan Africa. Uganda has strong economic growth, open markets and abundant natural resources. The country allows 100 percent foreign ownership of investment, free inflow and outflow of capital. Uganda's investment regime provides incentives targeting medium and long-term foreign investors and encourages investment in value-added manufacturing and agro-processing. The Government released an environmental monitoring plan and guidelines following the extraction of oil and gas in the Alberine region.

However, Uganda is not fully reaping its investment and business potential due to poor road networks and high energy costs. As a landlocked country, Uganda is heavily dependent on a highway from Kenya that is handling 80 percent of total trade and Mombasa Port. Uganda also relies on imported fuel from the refinery at Mombasa. To reduce the costs of transport and energy, the government has increased public sector investment in enhancing infrastructure and is actively seeking private partners; the government is planning to construct an oil refinery, upgrade and expand the Kampala- Mombasa railway (five year project financed by the Rift Valley Railways consortium) and exploring the possibility of building a railway between Tanga port (Tanzania) and Musoma (Lake Victoria).

Investment Policy

The investment legislation, the Investment Code of 1991 provides the legal investment framework for Uganda. The Uganda Investment Authority (UIA) is a semi-autonomous government agency operating in partnership with the private sector and Government of Uganda to drive national economic growth and development. The Authority was setup by Investment Code 1991, which was later revised to the Edition 2000 Laws of Uganda, with the aim of promoting and facilitating private sector investment in Uganda. The one-stop facilitation service is operational at the UIA Headquarters. Every investor's first point of contact for business registration with the Uganda Registration Services Bureau is available at the UIA.

An investment license is required in case of a company in which more than 50 percent of the shares are held by a person who is not a citizen of Uganda; / investor making a capital investment or an equivalent in capital goods worth at least US\$ 500,000 by way of capital invested; /a minimum of US\$ 100,000 in planned investment over three years (US\$ 50,000 for local). Local investors, however, may proceed with their investment without licensing with the Uganda Investment Authority. The license is very crucial to foreign investors as it is the instrument that legalizes their investment in Uganda.

100 percent foreign owned limited or unlimited liability companies are allowed to operate in Uganda. Foreign investors are allowed to acquire domestic enterprises or to establish greenfield ventures. Creation of single-person companies, and registration of companies incorporated outside Uganda are also permitted. There is no mandatory performance requirement. Land in Uganda could be leased for

49-99 years. There is no restriction on capital transfers. Tax incentives are available in four priority areas: ICT, tourism, value-added agriculture, and value-added mineral extraction.

There are First Arrival Privileges in the form of duty exemptions for personal effects and motor vehicle (previously owned for at least 12 months) to all investors and expatriates coming to Uganda.

Table 4.8: Investment Incentives in Uganda

Type	Description
Duty and tax free	On plant and machinery imports
10 year tax holiday	For investors engaged in export oriented production
Investment capital allowances	Initial allowance on plant and machinery: 50-75 percent
	Initial allowance on hotel, hospitals and industrial buildings: 20 percent
	Start-up cost spread over 4 years: 25 percent p.a
	Scientific research expenditure: 100 percent
	Training expenditure: 100 percent
	Mineral exploration expenditure: 100 percent
Deductible annual allowance	Depreciation rates of assets range: 20-40 percent
	Depreciation rate for hotels, industrial buildings and hospitals: 5 percent
Duty draw back	A refund of all or part of any duty paid on materials, inputs imported to produce export products
Withholding tax exemption	On plant and machinery, scholastic materials, human and animal drugs, and raw material
Duty remission scheme	For exporters involved in value addition

Source: EAC Investment Guide 2013

Economic Free Zone

The Government planned to build 22 fully serviced industrial parks; the first park is located eight miles east of Kampala in Namanve (650 hectares) with four industrial clusters of food processing, light industry, heavy industry, and SMEs. Kampala Industrial and Business Park is open. Other parks are planned for Jinja, Kasese, Mbarara, Mbale, Gulu, and Soroti. UIA Industrial Parks access free land to agro processing, ICT and mineral beneficiation. Incentives include:

- Full exemption from corporate tax for the first 10 years of operation and payment of a reduced rate of 15 percent thereafter;
- Tax exemption on dividends for an unlimited period;
- Right to repatriate capital and income;
- Permission to have foreign currency bank deposits;
- Flexible labor regulations than the provided in the Labor Code;
- Imports are exempt from all duties and taxes, without an import license;
- 49 year lease in an industrial park without paying a premium of US\$ 80,000 for the Investors in priority sectors.

Table 4.9: Tax Regime in Uganda

Type	Percentage
Personal Income Tax	0-30 percent
Corporate tax	30 percent
For mining companies	25-45 percent
Withholding tax	
For supply or importation of plant and machinery	0 percent or 6 percent
For payment of interest to resident persons	15 percent
For payment of dividends to resident shareholders	10-15 percent
Stamp duty	1 percent of the total value of the transfer
VAT	18 percent (zero rate applies to supplies including agricultural products in an unprocessed state, financial and insurance services, and computer hardware and software)

Source: EAC Investment Guide 2013

5. INDIA'S ENDEAVOURS IN EAST AFRICAN COMMUNITY COUNTRIES

Eastern African Community countries have historically enjoyed close economic ties with India and much of it is through investment-led trade, in sectors like textiles, agribusiness and in natural resources. India's relation with East Africa is one of the oldest links of India, dating back to thousands of years. East Africa is one of the economically vibrant regions of Africa. The importance of East Africa is increasing in the recent events of insecurity in other parts of Africa, unrest in the Middle East and increasing energy nationalism. The EAC region with its huge reserves of oil and natural gas is crucial to India's quest for energy security. The proximity of East Africa to Indian Ocean provides an added advantage to increasing trade and investment relations with India. The current scale and pace of India's trade and investment flows with the EAC is unprecedented even though it constitutes a very small part in comparison to few other regions and the world economy.

TRENDS IN INDIA - EAC TRADE

The increasing imports from Africa and especially the EAC countries

has been supported by the 'Duty Free Tariff Preference Scheme' of India government announced in April 2008, where India provides preferential market access for exports from 48 Least Developed Countries, 33 of which are in Africa. Except for Kenya, the other four EAC countries come under this scheme. With the increasing diversification of India's global trade towards other developing countries, the EAC has emerged as an important partner for India, both as an export destination as also an import source. Though India's total trade with the EAC countries are not as large as India's trade with other trade blocs in Africa, its close economic ties with India make it an important trade partner. The potential for further expansion of bilateral trade is huge due to the large consumer markets in the EAC and India. Countries such as Kenya and Tanzania, among others, are not only important trading partners for India, but also major destinations for India's global overseas investments.

The synergy in India's trade relations with the EAC region can be assessed from the fact that bilateral trade

between India and the EAC has risen 13-fold, from US\$ 490.8 mn in 2002 to touch US\$ 6.6 billion in 2012 (**Chart 5.1 and Table 5.1**), accounting for 9.3 percent of India's total trade with Africa and 0.8 percent of India's total trade. This robust trend has been underlined by rise in both India's exports to and imports from the members of the EAC, viz. Kenya, Tanzania, Uganda, Rwanda and Burundi, with the former having risen faster. India's exports to the EAC countries increased at a robust CAGR of 32 percent during the period 2002 to 2012, while India's imports from the EAC grew at a CAGR of 17.8 percent during the same period. On account of increased exports to the region, India has a positive trade balance with the region, with the trade surplus increasing from US\$ 247.8 mn in 2002 to US\$ 5.3 billion in 2012.

Reflecting the increased importance of the EAC as India's trading partner, India's exports to the EAC countries have risen significantly by 16-fold from US\$ 369.3 mn in 2002 to touch US\$ 5.9 billion in 2012. As a result, the share of the EAC countries in India's total exports to Africa has risen from 12.2 percent in 2002 to a healthy 21.7 percent in 2012.

India's imports from East Africa have also increased in the recent years,

albeit at a lesser rate considered to other African trade blocs. India's imports from the EAC region have risen over 5-fold from US\$ 121.5 mn in 2002 to US\$ 624.1 mn in 2012, accounting for 1.5 percent of India's total imports from Africa. Although, there is an increasing trend, there is immense potential for the region to increase its share of exports to India. Some of the factors hindering the region's trade with India include difficulty to access African buyers, trade finance, transport and logistics cost, informal controls and poor business environment.

To sustain the growth in India-Africa trade there is a need to broaden the trade basket, especially for India's imports from these countries. Greater value-addition to commodities within Africa is necessary to enable African economies to benefit further from expanding trade with India. Exports of value-added products require, inter alia, a positive business environment, access to capital, skilled labour and sustained FDI that can be achieved through mainstreaming of trade in national development strategies. India's relations with various African Regional Economic Communities (RECs) have improved recently which will help strengthening the trade relations between India and African countries and especially countries

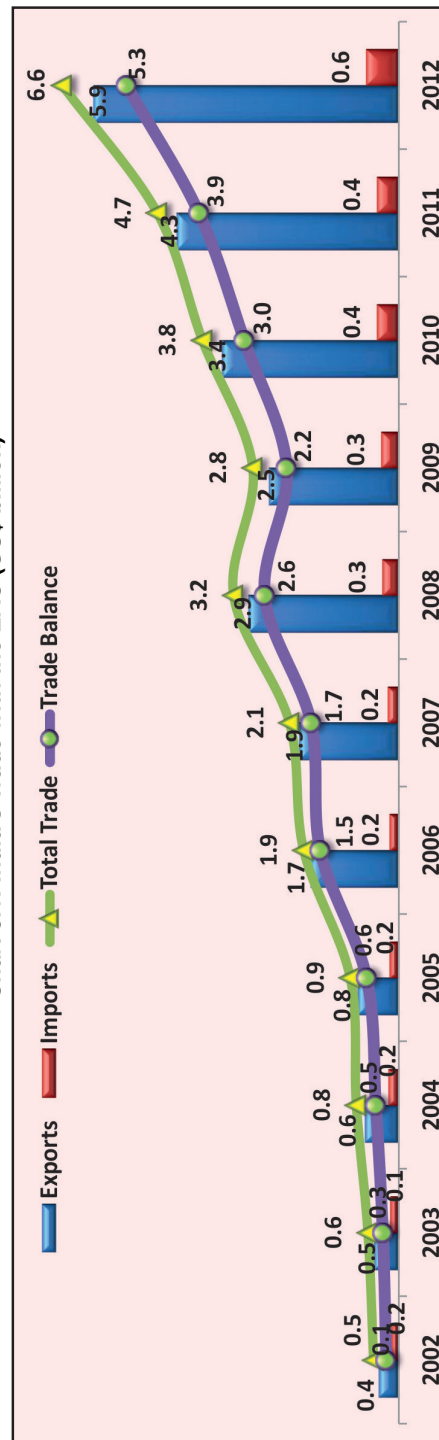
Table 5.1: India's Trade with the EAC, 2002-2012 (US\$ mn)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
India's total exports to EAC	369.3	458.0	638.6	788.8	1692.7	1919.9	2914.9	2512.5	3417.2	4299.4	5925.9
% Growth	19.8	24.0	39.4	23.5	114.6	13.4	51.8	-13.8	36.0	25.8	37.8
% Share in EAC's Global Imports	6.1	6.2	6.9	6.7	11.1	9.8	11.6	11.2	13.6	12.5	16.7
India's total imports from EAC	121.5	142.8	187.8	157.0	159.5	208.2	301.3	329.9	405.8	403.6	624.1
% Growth	7.1	17.6	31.5	-16.4	1.6	30.5	44.7	9.5	23.0	-0.5	54.6
% Share in EAC's Global Exports	4.3	3.2	3.8	2.5	2.4	2.6	2.9	3.5	3.7	3.0	4.5
Total Trade	490.8	600.8	826.4	945.8	1852.2	2128.1	3216.1	2842.4	3823.0	4703.0	6550.1
Trade Balance	247.8	315.1	450.8	631.8	1533.2	1711.8	2613.6	2182.6	3011.3	3895.8	5301.8

Note: Imports include oil imports from 2006 onwards

Source: ITC Geneva, and Exim Bank Analysis

Chart 5.1: India's Trade with the EAC (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

in the EAC region. As part of the continuing engagement between India and Africa on an institutional basis, the first ever meeting between India and the RECs was held in New Delhi during November 14-16, 2010.

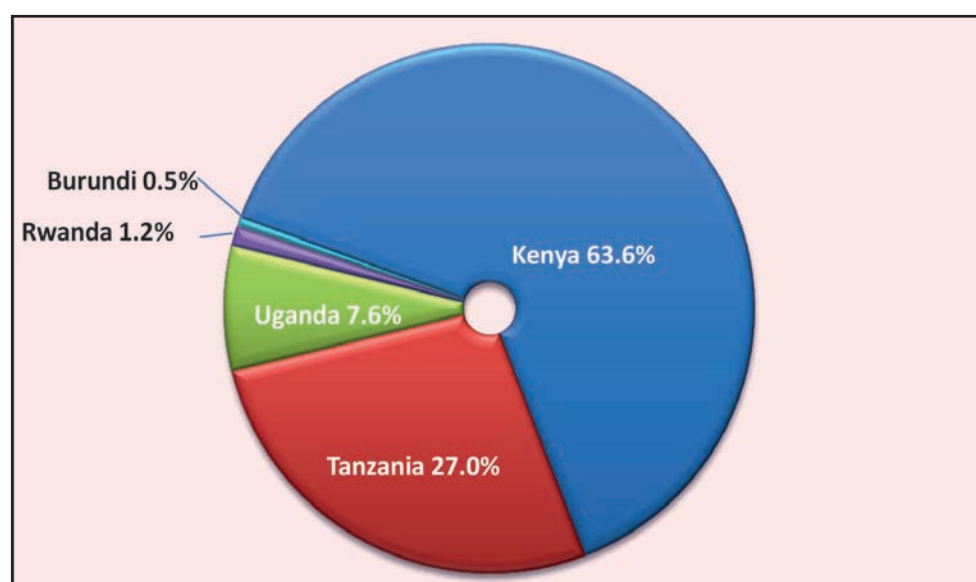
INDIA'S TRADE WITH THE EAC COUNTRIES

India's trade with the EAC countries has been increasing throughout the last few years, with the trade being highly concentrated among few countries. Kenya alone accounts for more than half of India's total trade with the EAC countries. Globally, Kenya is the 22nd largest export destination of India in 2012. There is ample scope for

growing bilateral trade relations with the rest of the EAC countries.

Kenya is India's leading export destination among the EAC countries and is the second largest among African countries, after South Africa. Kenya accounts for 63.6 percent of India's total exports to EAC, 13.8 percent of India's total exports to Africa, and 1.3 percent of India's global exports in 2012. The other major export destinations in the EAC region during the same year include Tanzania (27 percent) and Uganda (7.6 percent) (**Chart 5.2 and Table 5.2**). India's exports to all the EAC countries have shown a sharp rise in 2012 compared to its 2002 exports levels.

Chart 5.2: India's Exports to the EAC Countries, 2012 (% share)



Source: ITC Geneva, and Exim Bank Analysis

Table 5.2: India's Exports to the EAC Countries, 2002-2012 (US\$ mn)

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Kenya	183.6	215.1	375.4	453.3	1,286.2	1,305.4	1,634.4	1,358.2	1,995.7	2,041.9	3,769.0
Tanzania	112.9	149.8	172.8	229.1	277.6	457.3	1,063.9	887.1	1,121.9	1,767.7	1,602.5
Uganda	62.1	83.8	77.3	84.8	109.8	133.8	183.5	226.9	247.8	428.6	452.1
Rwanda	6.2	4.6	6.9	11.2	10.4	15.4	21.2	28.9	34.5	40.0	70.4
Burundi	4.4	4.7	6.1	10.3	8.7	8.0	11.8	11.4	17.2	21.3	32.0
Total Exports to EAC	369.3	458.0	638.6	788.8	1,692.7	1,919.9	2,914.9	2,512.5	3,417.2	4,299.4	5,925.9
Total Exports to Africa	3,018.1	3,622.0	4,804.8	6,734.2	9,470.6	12,441.8	15,383.3	13,311.0	17,887.3	23,346.0	27,314.7

Source: ITC Geneva

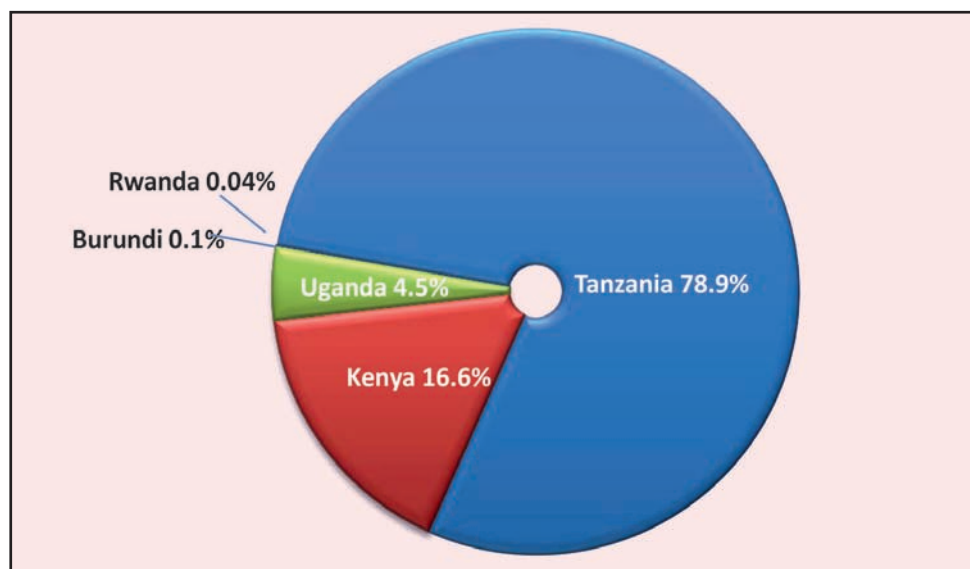
Table 5.3: India's Imports from the EAC Countries, 2002-2012 (US\$ mn)

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Tanzania	84.8	105.0	131.4	104.7	102.6	113.6	196.9	240.6	283.1	255.3	492.3
Kenya	34.9	36.3	48.6	49.2	53.1	78.4	82.1	77.3	109.2	130.4	103.3
Uganda	1.8	1.5	6.4	2.9	3.0	13.9	18.8	11.1	13.1	17.0	27.8
Burundi	-	0.04	0.7	0.04	-	1.7	0.8	0.7	0.2	0.7	0.4
Rwanda	-	-	0.7	0.05	0.8	0.6	2.5	0.1	0.2	0.2	0.2
Total Imports from EAC	121.5	142.8	187.8	157.0	159.5	208.2	301.3	329.9	405.8	403.6	624.1
Total Imports from Africa	3,304.8	3,256.3	3,380.2	4,925.0	12,763.0	18,310.8	26,653.3	21,116.5	31,440.6	39,780.2	43,017.0

Note: '-' denotes nil or negligible

Source: ITC Geneva

Chart 5.3: India's Imports from the EAC Countries, 2012 (% share)



Source: ITC Geneva, and Exim Bank Analysis

As far as imports are concerned, Tanzania is the largest supplier to India among the EAC countries, mainly due to the large scale imports of cashew nuts from the country. Tanzania accounted for 78.9 percent of India's imports from the EAC region in 2012. It is followed by Kenya (16.6 percent of total imports) and Uganda (4.5 percent) (**Chart 5.3 and Table 5.3**).

COMMODITY COMPOSITION OF BILATERAL TRADE

India's Major Export Items to the EAC Region

Table 5.4 presents trends in India's major export items to the EAC region.

As can be seen from the table, mineral fuels were the largest items in India's export basket to the EAC region, with a share of 52.7 percent of India's total exports to the region in 2012. Other important items of India's exports to the EAC region include pharmaceutical products, machinery and instruments, electrical and electronic equipment, vehicles, iron and steel, and sugars and sugar confectionery. In 2002, pharmaceutical products were the major export items of India to the EAC region. Though pharmaceuticals are still a major export item, mineral fuels overtook pharmaceutical products to become the leading export commodity by 2005.

The EAC is increasingly emerging as an important destination for India's exports of petroleum oils – not crude (HS-2710). During the period 2005-2012, while India's global exports of petroleum oils – not crude rose more than 5-fold, from US\$ 10.1 billion to US\$ 52.8 billion, India's exports to the EAC region rose more than 20-fold, from US\$ 152.8 mn to US\$ 3.1

billion, with the major markets being Kenya, Tanzania, and Uganda. In fact, Kenya is India's major destination for petroleum oils – not crude exports to Africa, accounting for 38.6 percent of India's total exports to Africa. The EAC currently, accounts for 5.9 percent of India's global exports and 50.1 percent of India's exports to Africa of petroleum oils – not crude.

Table 5.4: India's Major Export Items to the EAC Region, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total exports to EAC	369.3	788.8	3,417.2	4,299.4	5,925.9
27	Mineral fuels, oils and distillation products	4.3	154.0	1,524.8	1,642.3	3,121.0
30	Pharmaceutical products	39.7	85.0	331.6	419.7	474.0
84	Machinery and instruments	38.1	101.7	231.2	273.0	302.3
85	Electrical and electronic equipment	10.9	30.5	163.0	264.7	274.3
87	Vehicles other than railway	29.6	56.4	194.2	230.0	228.4
72	Iron and steel	21.0	26.1	114.1	200.4	188.6
17	Sugars and sugar confectionery	1.2	0.4	9.0	93.0	110.2
10	Cereals	14.0	4.5	1.4	36.8	106.7
39	Plastics and articles	17.1	32.7	82.4	112.5	106.0
73	Articles of iron or steel	15.4	25.6	66.4	98.8	93.7
40	Rubber and articles	18.1	27.9	60.7	72.9	82.8
48	Paper and paperboard	5.7	14.1	40.7	66.1	63.2
76	Aluminium and articles	7.1	7.9	25.9	95.5	56.6
29	Organic chemicals	13.1	17.5	36.6	45.4	56.0
55	Manmade staple fibres	6.1	12.6	39.8	59.5	54.1

Source: ITC Geneva

India's Major Import Items from the EAC Region

Table 5.5 presents the major items in India's import basket from the EAC region, as per 2-digit HS code. Reflecting the increased importance of the EAC region as source for India's cashew nuts imports, edible fruit and nuts (HS-08) are the largest items in India's import basket from the EAC region, accounting for as much as 25.7

percent of India's total imports from the region in 2012. The EAC region accounts for 18.6 percent of India's cashew nuts imports from Africa and 17.3 percent of India's global imports. Tanzania is India's third largest global source of cashew nuts in 2012.

As regards pearls and precious stones, the second largest items of India's imports from the EAC region, the region is a major source for India's imports of unwrought gold or semi-

Table 5.5: India's Major Import Items from the EAC Region, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total imports from EAC	121.5	157.0	405.8	403.6	624.1
08	Edible fruit and nuts	54.6	49.4	122.8	114.4	160.1
71	Pearls and precious stones	13.9	9.4	10.9	11.9	106.6
07	Edible vegetables and roots	18.3	25.7	134.6	65.1	100.3
52	Cotton	5.8	6.9	1.5	1.0	49.6
09	Coffee, tea and spices	4.4	13.4	31.9	28.4	42.1
28	Inorganic chemicals	9.3	13.6	19.5	36.5	37.6
72	Iron and steel	1.6	6.3	15.9	25.0	22.0
41	Raw hides, skins and leather	3.5	7.5	13.7	20.6	17.8
23	Residues and animal fodder	-	-	1.3	0.1	11.5
44	Wood and articles of wood	0.7	9.9	11.4	13.4	11.1
29	Organic chemicals	0.3	0.1	0.9	2.7	10.0
25	Salt, sulphur, earth, stone, plaster, lime and cement	1.6	3.6	7.3	17.0	9.3
18	Cocoa and cocoa preparations	-	-	1.9	3.2	4.1
74	Copper and articles	0.2	0.3	6.9	3.6	3.9
76	Aluminium and articles	0.2	0.5	2.4	3.6	3.6

Note: '-' denotes nil or negligible

Source: ITC Geneva

manufactured gold. In 2012, pearls and precious stones accounted for 17.1 percent of India's total imports from the EAC region. Other important items of imports from the EAC region include edible vegetables and roots, cotton, coffee, tea and spices, inorganic chemicals, iron and steel, and raw hides, skins and leather.

INDIA'S BILATERAL TRADE WITH THE EAC COUNTRIES

KENYA

To promote bilateral trade between two countries, India and Kenya had signed a Trade Agreement in 1981, under which both countries accorded Most Favoured Nation status to each other. As a follow-up to the Agreement, the India-Kenya Joint Trade Committee (JTC) was set up at Ministerial level in 1983. In addition to this, a Joint Business Council was set up in 1985 by the Federation of Indian Chambers of Commerce and Industry and the Kenya National Chamber of Commerce and Industry (KNCCI). All these initiatives tremendously helped in promoting bilateral trade between the two countries.

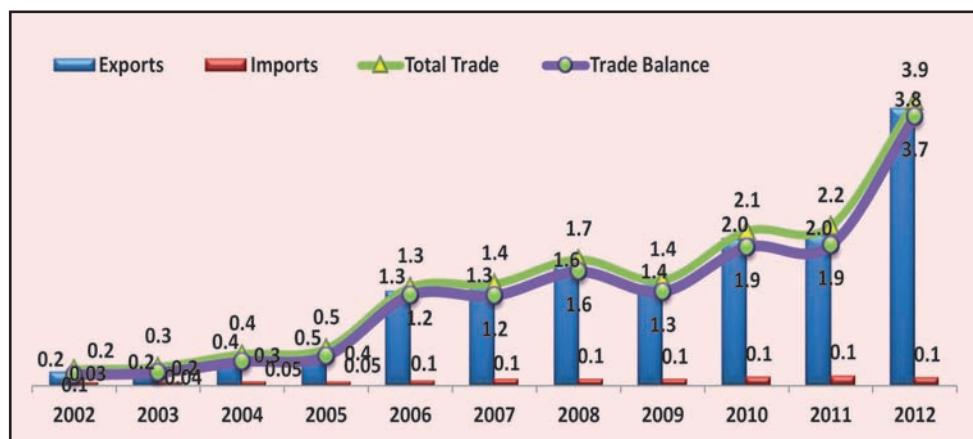
According to Kenya National Bureau of Statistics, India is Kenya's largest Asian trading partner in 2012. Kenya is India's largest trading partner, largest export destination and second

largest import source among the EAC countries. Kenya accounted for 59.1 percent of total trade, 63.6 percent of total exports and 16.6 percent of total imports of India among the EAC countries in 2012. India is currently undergoing negotiations with Kenya on a Bilateral Investment Promotion and Protection Agreement (BIPA).

Bilateral trade between India and Kenya has registered substantial increase over the last decade with the total trade volume growing at a CAGR of 33.3 percent, to US\$ 3.9 billion in 2012 from US\$ 218.5 mn in 2002. Relative proximity of the two countries, particularly of ports on the west coast of India, and the quality of Indian products at an affordable cost are among the major factors supporting increased Indian exports to Kenya. India has a trade surplus with Kenya, which increased from US\$ 148.7 mn in 2002 to US\$ 3.7 billion in 2012 (**Chart 5.4**).

Kenya is India's 22nd largest global export destination, and second largest export destination in Africa, after South Africa. It accounts for 1.3 percent of India's global exports in 2012. Over the decade, India's exports to Kenya grew by a CAGR of 35.3 percent to reach US\$ 3.8 billion in 2012 from US\$ 183.6 mn in 2002. In year on year basis, India's exports to Kenya witnessed a quantum jump of 84.6 percent in 2012

Chart 5.4: India's Trade with Kenya (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

from US\$ 2 billion in 2011, mainly owing to a 290 percent rise in India's exports of mineral fuels, oils and distillation products to Kenya. Kenya is India's seventh largest export market for petroleum oil-not crude globally, and the largest market in Africa in 2012. It is also the seventh largest global market for India's exports of pharmaceuticals, and tenth largest destination of ceramic products. It is also the largest destination of Indian exports of vegetable, fruit and nut food preparations, second largest destination of machinery and inorganic chemicals, and fourth largest destination of fertilizers and organic chemicals to Africa in 2012.

India's exports to Kenya are dominated by mineral fuels, oils and distillation products, contributing 63.6 percent of India's total exports to the country.

Other principal commodities in India's export basket to Kenya include pharmaceutical products (6.1 percent of total exports), machinery and instruments (4.3 percent), electrical and electronic equipment (3.8 percent), and iron and steel (3.6 percent) (**Table 5.6**).

India's imports from Kenya remained marginal throughout the last decade. During 2012, Kenya accounted for a marginal 0.02 percent of India's global imports. Imports from Kenya increased marginally from US\$ 34.9 mn in 2002 to US\$ 103.3 mn in 2012. Kenya is India's fifth largest source of imports of coffee globally, and the second largest source in Africa, after Uganda, in 2012. It is second largest global source and largest source in Africa of tea imports of India. Kenya is also the tenth largest global supplier and largest

Table 5.6: India's Major Export Items to Kenya, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total exports to Kenya	183.6	453.3	1995.7	2041.9	3769.0
27	Mineral fuels, oils and distillation products	1.1	124.8	981.8	615.2	2398.9
30	Pharmaceutical products	17.1	29.9	155.7	200.6	229.1
84	Machinery and instruments	22.4	54.6	121.4	158.2	161.3
85	Electrical and electronic equipment	6.8	18.5	117.1	150.5	144.3
72	Iron and steel	10.6	15.6	85.8	138.6	133.9
87	Vehicles other than railway	12.4	21.5	67.2	83.5	75.4
73	Articles of iron or steel	10.1	13.4	35.1	54.3	61.2
39	Plastics and articles	10.2	18.3	47.5	64.0	47.3
48	Paper and paperboard	2.1	7.6	27.0	50.1	43.9
40	Rubber and articles	9.1	16.5	42.1	39.0	40.0
55	Manmade staple fibres	4.5	9.5	28.1	37.4	37.2
76	Aluminium and articles	5.4	6.2	19.7	68.9	34.7
17	Sugars and sugar confectionery	0.2	0.2	5.6	61.4	33.5
10	Cereals	4.2	3.0	0.7	31.6	26.6
29	Organic chemicals	7.4	8.7	20.3	23.1	26.0

Source: Trade Map, ITC Geneva

supplier in Africa of India's imports of raw hides, skins and leather.

Inorganic chemicals dominated India's imports from Kenya in 2012, accounting for 36 percent of total imports from the country (**Table 5.7**). Other major import items include raw hides, skins and

leather (12.4 percent of total imports), coffee, tea and spices (11.8 percent of total imports), salt, sulphur, earth, stone, plaster, lime and cement (8.9 percent), edible vegetables and certain roots (6.2 percent), iron and steel (3.7 percent), and electrical and electronic equipment (2.3 percent).

Table 5.7: India's Major Import Items from Kenya, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total imports from Kenya	34.9	49.2	109.2	130.4	103.3
28	Inorganic chemicals	9.3	13.6	19.5	36.2	37.2
41	Raw hides, skins and leather	3.1	6.7	11.3	12.6	12.9
09	Coffee, tea and spices	3.7	7.3	13.8	12.9	12.2
25	Salt, sulphur, earth, stone, plaster, lime and cement	1.6	3.6	7.3	17.0	9.2
07	Edible vegetables and roots	5.0	0.7	33.7	4.0	6.4
72	Iron and steel	0.6	3.3	6.9	5.7	3.8
85	Electrical and electronic equipment	0.01	0.04	0.2	0.5	2.4
51	Wool, yarn and fabric	0.5	1.8	2.0	2.3	2.4
47	Pulp of wood and fibrous cellulosic material	-	-	1.5	1.2	2.2
53	Vegetable textile fibres, paper yarn and woven fabric	0.5	0.9	1.4	1.8	1.8
78	Lead and articles	-	-	1.8	2.2	1.4
84	Machinery and instruments	0.1	0.1	1.1	6.3	1.4
29	Organic chemicals	0.1	0.1	0.3	0.7	1.4
26	Ores, slag and ash	0.2	0.4	1.5	1.5	1.0
74	Copper and articles	0.2	0.2	1.7	1.7	1.0

Note: '-' denotes nil or negligible

Source: ITC Geneva

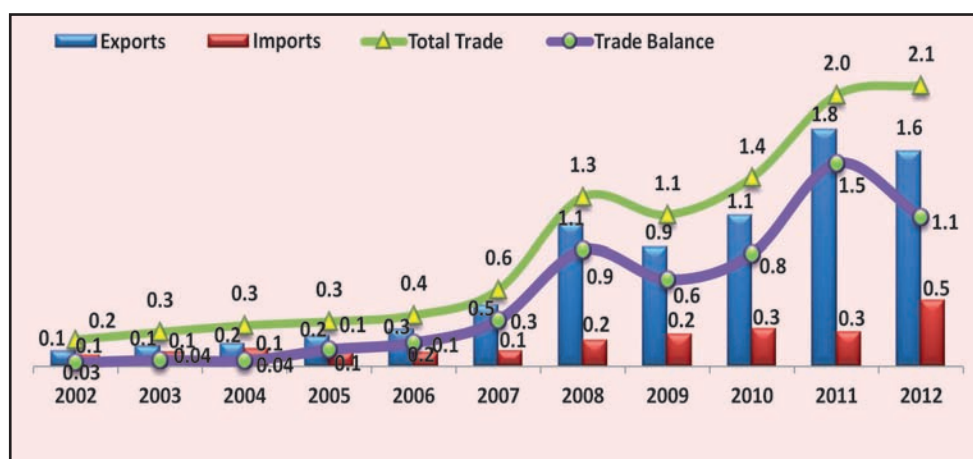
TANZANIA

Tanzania and India have traditionally enjoyed close, friendly and cooperative relations, which has extended to the present times. Indo-Tanzanian ties have evolved in recent years into a modern and pragmatic relationship with greater and diversified economic engagement and development partnership. A Trade Agreement was signed by both countries on December 12, 1972, and a Joint Trade Committee was established on January 14, 2000 pursuant to the agreement. India is currently undergoing negotiations with Tanzania on Bilateral Investment Promotion and Protection Agreement (BIPA). Tanzania is India's 39th largest export destination globally in 2012, with a share of 0.6 percent, and the

fifth largest destination in Africa, with a share of 5.9 percent, after South Africa, Kenya, Egypt, and Nigeria. It is also the 69th largest import source of India globally, with a share of 0.1 percent, and the 11th largest import source from Africa, with 1.1 percent share in 2012.

Tanzania is the second largest trading partner of India among the EAC countries. Bilateral Trade between India and Tanzania has reached new heights in the recent years, with total trade increasing eleven-fold over the last decade to US\$ 2.1 billion in 2012 from US\$ 197.7 mn in 2002. India has maintained a trade surplus with Tanzania which increased sharply from US\$ 28.2 mn in 2002 to US\$ 1.1 billion in 2012 (**Chart 5.5**).

Chart 5.5: India's Trade with Tanzania (US\$ billion)



Source: ITC Geneva, and Exim Bank Analysis

Tanzania is the second largest export destination of India in the EAC region, accounting for 27 percent of India's total exports to the region in 2012. India's total exports to Tanzania increased over fourteen-fold during this decade to reach US\$ 1.6 billion in 2012 from US\$ 112.9 mn in 2002. Major drivers of exports in 2012 include petroleum coke, petroleum bitumen and other residues of petroleum oils, pharmaceuticals, cereals, and sugars and sugar confectionery.

Mineral fuels and pharmaceuticals constitute 52 percent of India's total exports to Tanzania in 2012. Exports of petroleum products have shown a robust growth over the past decade increasing from a meagre US\$ 2.8 mn in 2002 to more than US\$ 717 mn in 2012 (**Table 5.8**). Other major items of exports include machinery and instruments (5.4 percent), vehicles (5 percent), and cereals (4.8 percent). Tanzania is the second largest market for Indian exports of fertilizers, third

Table 5.8: India's Major Export Items to Tanzania, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total exports to Tanzania	112.9	229.1	1121.9	1767.7	1602.5
27	Mineral fuels, oils and distillation products	2.8	28.7	539.9	1023.2	717.3
30	Pharmaceutical products	7.8	20.1	74.2	90.6	112.8
84	Machinery and instruments	10.8	34.1	75.3	69.0	86.6
87	Vehicles other than railway	7.7	21.1	80.8	68.6	80.1
10	Cereals	8.0	1.5	0.5	4.9	76.7
17	Sugars and sugar confectionery	0.8	0.1	3.3	27.0	74.2
85	Electrical and electronic equipment	2.2	6.0	23.3	54.3	46.5
72	Iron and steel	6.2	9.3	25.4	56.9	45.7
39	Plastics and articles	5.0	11.3	24.9	36.0	41.8
62	Articles of apparel, accessories, not knit or crochet	2.0	3.1	30.2	32.0	37.5
40	Rubber and articles	3.5	6.9	14.1	20.5	24.0
73	Articles of iron or steel	3.1	8.9	24.6	27.0	19.8
63	Other made textile articles and sets	2.6	2.5	12.7	19.9	19.8
54	Manmade filaments	4.4	6.0	42.9	28.2	17.9

Source: ITC Geneva

largest market of mineral fuels, fourth largest destination of inorganic chemicals, fifth largest market of pharmaceuticals, sixth largest market for machinery and vehicles other than railway, seventh largest market for electrical and electronic equipment, and eighth largest market for exports of cereals to Africa in 2012.

Tanzania is India's largest supplier in the EAC region, accounting for 78.9 percent of India's total imports

from the region. Total imports from Tanzania amounted to US\$ 492.3 mn in 2012, increasing over five-fold from US\$ 84.8 mn in 2002. Edible fruits and nuts are India's largest imports from Tanzania in 2012, accounting for 32.5 percent of India's imports from the country in 2012. Other major imports include pearls and precious stones (21.5 percent of imports), edible vegetables and roots (19.1 percent), cotton (8.6 percent), and coffee, tea and spices (3.8 percent) (**Table 5.9**).

Table 5.9: India's Major Import Items from Tanzania, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total imports from Tanzania	84.8	104.7	283.1	255.3	492.3
08	Edible fruits and nuts	49.8	43.3	122.3	114.1	160.0
71	Pearls and precious stones	11.4	7.0	9.9	11.1	105.8
07	Edible vegetables and roots	13.3	24.9	100.5	61.1	93.9
52	Cotton	5.2	5.5	1.3	1.0	42.3
09	Coffee, tea and spices	0.7	5.5	9.7	6.6	18.9
72	Iron and steel	1.0	3.0	8.8	19.2	17.7
23	Residues and animal fodder	-	-	1.3	0.1	9.8
44	Wood and articles of wood	0.7	9.5	11.1	12.2	9.6
29	Organic chemicals	-	-	0.4	1.8	8.5
33	Essential oils, perfumes, cosmetics and toiletries	-	0.1	1.3	1.3	2.9
76	Aluminium and articles	-	0.1	1.2	3.1	2.9
74	Copper and articles	-	0.1	5.1	1.9	2.9
41	Raw hides, skins and leather	0.1	0.3	1.5	6.4	2.9
12	Oil seed and oleagic fruit	0.02	0.2	0.8	0.8	2.3
86	Railway and tramway locomotives	-	0.01	-	0.4	2.1

Note: '-' denotes nil or negligible

Source: ITC Geneva

Globally, Tanzania is the fourth largest source of India's imports of edible fruits and nuts, fifth largest source of cotton, sixth largest source of coffee, tea and spices, and edible vegetables and roots in 2012. Tanzania is also the second largest source of India's imports of unwrought gold and gold in semi manufactured forms from Africa, after South Africa.

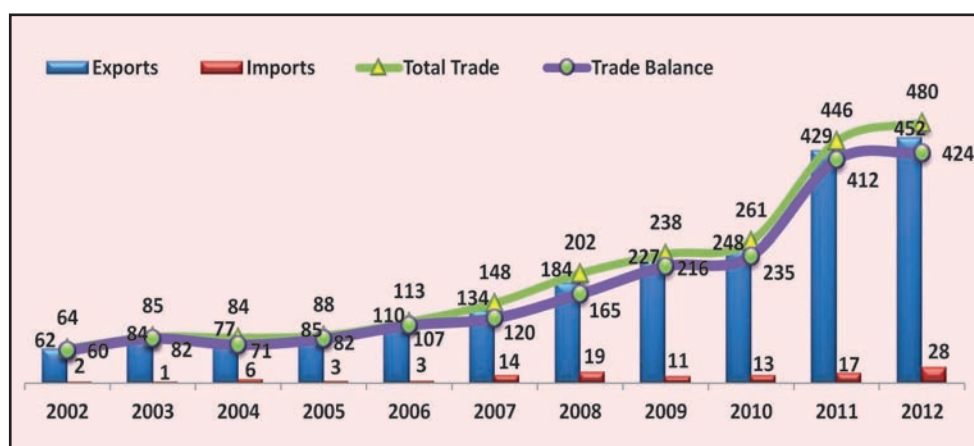
UGANDA

Uganda is India's third largest trade partner, third largest export destination and third largest import source among the EAC countries. Bilateral trade between both countries has reached US\$ 479.9 mn in 2012 from US\$ 64 mn in 2002. India has a trade surplus with Uganda, which has increased from US\$ 60.3 mn in 2002 to US\$ 424.2 mn in 2012 (**Chart 5.6**). India's trade with

Uganda has shown dynamism both in terms of exports and imports.

India's exports to Uganda have made a quantum jump from US\$ 62.1 mn in 2002 to US\$ 452.1 mn in 2012, growing at a CAGR of 21.9 percent. Pharmaceutical products accounted for 22.5 percent of total exports of India to the country in 2012 (**Table 5.10**). In 2012, Uganda imports almost 41 percent of its pharmaceuticals from India. Other major export commodities in the same year include electrical and electronic equipment (16 percent of exports), vehicles other than railway (13.6 percent), machinery and instruments (10 percent), and organic chemicals (4.5 percent). Uganda is the second largest global destination of India's exports of matches other than pyrotechnic articles, after Nigeria. Uganda is India's third largest market

Chart 5.6: India's Trade with Uganda (US\$ mn)



Source: ITC Geneva

of cereal, flour, milk preparations and products, fifth largest market for organic chemicals, and sixth largest export destination of pharmaceutical products to Africa.

India's imports from Uganda also displayed a greater dynamism rising from US\$ 1.8 mn in 2002 to US\$ 27.8 mn in 2012, growing at a CAGR of 31.3 percent. Major imported items

Table 5.10: India's Major Export Items to Uganda, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total exports to Uganda	62.1	84.8	247.8	428.6	452.1
30	Pharmaceutical products	12.4	21.4	75.6	106.8	101.9
85	Electrical and electronic equipment	1.7	5.7	21.0	57.3	72.2
87	Vehicles other than railway	8.9	12.7	44.0	70.3	61.5
84	Machinery and instruments	4.2	12.3	27.1	39.8	45.3
29	Organic chemicals	2.5	2.1	4.9	10.4	20.1
76	Aluminium and articles	0.8	0.6	1.2	10.8	18.4
40	Rubber and articles	5.3	4.2	3.2	12.7	16.5
39	Plastics and articles	1.8	2.7	8.9	10.6	13.1
19	Cereal, flour, milk preparations and products	0.1	0.2	3.3	12.0	9.5
38	Miscellaneous chemical products	1.9	2.5	4.9	10.8	9.2
73	Articles of iron or steel	2.0	3.1	5.6	14.3	8.3
63	Other made textile articles and sets	2.5	0.6	5.4	7.1	8.2
22	Beverages, spirits and vinegar	0.02	0.02	0.1	1.4	6.3
90	Optical, photo, technical and medical apparatus	1.4	2.1	2.4	7.2	5.9
36	Pyrotechnics, matches and pyrophorics	0.1	0.3	1.9	2.4	4.7

Source: ITC Geneva

of India from Uganda in 2012 include coffee, tea and spices (38.7 percent of total imports), cotton (25.2 percent), cocoa and cocoa preparations (14.7 percent), raw hides, skins and leather (6.6 percent), and residues and animal fodder (5.9 percent) (**Table 5.11**). Uganda is the third largest source of India's imports of coffee, after Vietnam

and Indonesia, accounting for 8.5 percent of India's global imports of the same. Uganda is also the largest source of India's imports of dairy products, and second largest source of India's imports of cocoa and cocoa preparations, and residues and animal fodder from Africa.

Table 5.11: India's Major Import Items from Uganda, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total imports from Uganda	1.8	2.9	13.1	17.0	27.8
09	Coffee, tea and spices	-	0.6	8.2	8.8	10.8
52	Cotton	0.6	1.3	0.2	-	7.0
18	Cocoa and cocoa preparations	-	-	1.9	3.2	4.1
41	Raw hides, skins and leather	0.3	0.5	0.7	1.3	1.8
23	Residues and animal fodder	-	-	-	-	1.6
44	Wood and articles of wood	-	0.4	0.1	0.5	0.6
72	Iron and steel	-	-	0.2	0.1	0.4
84	Machinery and instruments	0.1	0.01	0.01	1.1	0.3
04	Dairy products, eggs and honey	-	-	0.2	-	0.3
33	Essential oils, perfumes, cosmetics and toiletries	-	-	-	-	0.2
90	Optical, photo, technical, medical and apparatus	-	-	-	0.05	0.2
26	Ores, slag and ash	-	0.01	0.8	0.1	0.1
39	Plastics and articles	-	-	-	0.03	0.1
73	Articles of iron or steel	-	-	-	0.6	0.1
29	Organic chemicals	0.2	-	0.1	0.2	0.1

Note: '-' denotes nil or negligible
Source: ITC Geneva

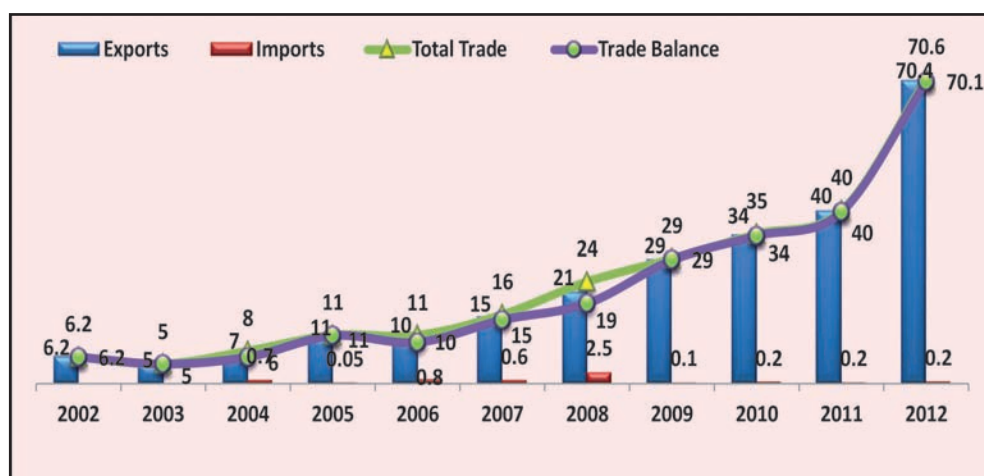
RWANDA

India's total trade with Rwanda increased by a CAGR of 27.6 percent over the last decade from US\$ 6.2 mn in 2002 to US\$ 70.6 mn in 2012. India's trade with Rwanda is mainly driven by Indian exports. Hence, India's trade surplus with Rwanda has increased from US\$ 6.2 mn in 2002 to US\$ 70.1 mn in 2012 (**Chart 5.7**).

Rwanda is India's fourth largest export destination in the EAC region, with total exports amounting to

US\$ 70.4 mn in 2012, increasing from US\$ 6.2 mn in 2002. Pharmaceutical products alone accounted for 25.8 percent of total exports, due to a sharp pick up in 2012. Other major exported items in 2012 include vehicles other than railway (12.2 percent of total exports), machinery and instruments (11.4 percent), electrical and electronic equipment (11 percent), iron and steel (6.4 percent), articles of iron or steel (5.9 percent), and other made textile articles and sets (4.3 percent). Trends in India's exports to Rwanda are presented in **Table 5.12**.

Chart 5.7: India's Trade with Rwanda (US\$ mn)



Source: ITC Geneva

Table 5.12: India's Major Export Items to Rwanda, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total exports to Rwanda	6.2	11.2	34.5	40.0	70.4
30	Pharmaceutical products	0.8	6.3	16.2	11.7	18.2
87	Vehicles other than railway	0.2	0.5	1.8	6.3	8.6
84	Machinery and instruments	0.4	0.6	6.2	5.2	8.0
85	Electrical and electronic equipment	0.1	0.3	1.2	2.2	7.7
72	Iron and steel	0.6	0.1	0.6	0.5	4.5
73	Articles of iron or steel	0.03	0.2	1.0	2.8	4.1
63	Other made textile articles and sets	0.01	-	1.2	2.9	3.0
39	Plastics and articles	0.1	0.2	0.4	1.0	2.1
90	Optical, photo, technical and medical apparatus	0.1	0.2	1.1	1.8	2.1
62	Articles of apparel, accessories, not knit or crochet	0.4	0.02	0.1	0.03	1.6
10	Cereals	1.6	-	-	-	1.6
40	Rubber and articles	0.2	0.2	0.7	0.5	1.4
61	Articles of apparel, accessories, knit or crochet	0.02	0.03	0.03	0.02	0.9
49	Printed books, newspapers and pictures	0.02	0.1	1.5	1.4	0.9
36	Pyrotechnics, matches and pyrophorics	-	0.1	0.1	0.3	0.7

Note: '-' denotes nil or negligible

Source: ITC Geneva

India's imports from Rwanda amounted to a marginal US\$ 0.25 mn in 2012, increasing from US\$ 0.05 mn in 2005. The import basket from Rwanda is dominated by coffee, tea and spices, accounting for 64.9 percent of India's total imports from the country during 2012. Rwanda is the fifth largest

source of India's imports of tea from Africa. Other major commodities imported from Rwanda include iron and steel (31 percent), pearls and precious stones (1.6 percent), and ores, slag and ash (0.4 percent) (**Table 5.13**).

Table 5.13: India's Major Import Items from Rwanda, 2005-2012 (US\$ mn)

HS Code	Commodities	2005	2010	2011	2012
	India's total imports from Rwanda	0.05	0.20	0.15	0.25
09	Coffee, tea and spices	-	0.17	0.14	0.16
72	Iron and steel	0.01	-	-	0.08
71	Pearls and precious stones	0.01	0.03	0.01	0.004
26	Ores, slag and ash	-	-	-	0.001

Note: '-' denotes nil or negligible

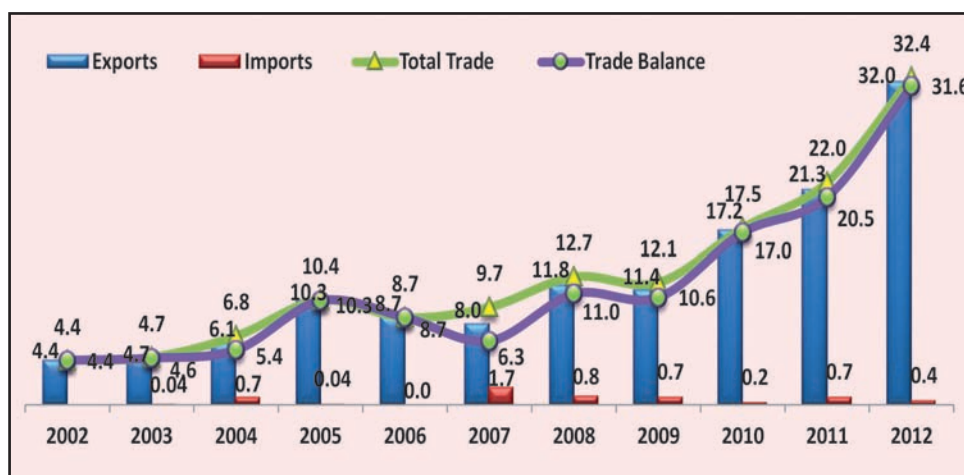
Source: ITC Geneva

BURUNDI

Bilateral Trade between India and Burundi have witnessed a significant rise during the last decade. India's total trade with Burundi has risen from

US\$ 4.4 mn in 2002 to US\$ 32.4 mn in 2012. This buoyant trend has been supported by significant rise in both India's exports to and imports from Burundi. In 2012, Burundi was India's fifth largest trading partner among the

Chart 5.8: India's Trade with Burundi (US\$ mn)



Source: ITC Geneva

EAC countries, with a share of 0.5 percent of India's total trade with the region. India has maintained a trade surplus with Burundi which increased from US\$ 4.4 mn in 2002 to US\$ 31.6 mn in 2012 (**Chart 5.8**).

During 2012, Burundi was the fifth largest export destination of India, with a share of 0.5 percent of India's total exports to the EAC region. India's exports to Burundi increased by a CAGR of 21.9 percent to reach

US\$ 32 mn in 2012 from US\$ 4.4 mn in 2002, due to rise in exports of pharmaceuticals products and electrical and electronic equipment to Burundi. Pharmaceutical products accounted for 37.4 percent of total exports to Burundi in 2012, followed by electrical and electronic equipment (10.9 percent), vehicles other than railway (8.8 percent), plastics and articles (5.1 percent), and other made textile articles and sets (4.3 percent) (**Table 5.14**).

Table 5.14: India's Major Export Items to Burundi, 2002-2012 (US\$ mn)

HS Code	Commodities	2002	2005	2010	2011	2012
	India's total exports to Burundi	4.4	10.3	17.2	21.3	32.0
30	Pharmaceutical products	1.6	7.3	9.8	9.9	12.0
85	Electrical and electronic equipment	0.1	0.1	0.4	0.4	3.5
87	Vehicles other than railway	0.3	0.5	0.4	1.3	2.8
39	Plastics and articles	0.02	0.1	0.7	0.8	1.6
63	Other made textile articles and sets	0.1	-	1.2	1.1	1.4
38	Miscellaneous chemical products	0.01	0.04	0.1	0.9	1.2
84	Machinery and instruments	0.2	0.1	1.2	0.8	1.0
40	Rubber and articles	0.02	0.1	0.5	0.3	0.8
27	Mineral fuels, oils and distillation products	0.01	-	0.04	0.2	0.8
52	Cotton	0.2	-	0.2	0.3	0.8
54	Manmade filaments	-	-	-	0.5	0.8
28	Inorganic chemicals	0.02	-	0.2	0.2	0.8
22	Beverages, spirits and vinegar	0.01	0.01	0.3	0.1	0.5
55	Manmade staple fibres	0.01	-	0.4	1.4	0.4
49	Printed books, newspapers and pictures	-	-	0.3	0.3	0.4

Note: '-' denotes nil or negligible

Source: ITC Geneva

Burundi was the fourth largest source of imports for India among the EAC countries, with a share of 0.9 percent of India's total imports from the region. India's imports from Burundi increased by almost 11-fold to reach US\$ 0.4 mn in 2012 from US\$ 0.04 mn in 2003. As regards India's import composition from Burundi, raw hides, skins and leather dominate the import basket, accounting for as much as 49.3 percent of India's total imports from Burundi. Other major imports of India from Burundi comprised organic chemicals (22.4 percent of total imports), miscellaneous chemical

products (18.3 percent), as well as electrical and electronic equipment (7.2 percent) (**Table 5.15**).

TRENDS IN INDIA'S INVESTMENT WITH THE EAC COUNTRIES

The EAC countries have recognized the importance of FDI in sustaining their growth levels and technology transfer. The EAC region remained a significant investment partner for India over the past many years. Integration of the Indian economy with the EAC region is evident from the increased Indian investment flows into the EAC

Table 5.15: India's Major Import Items from Burundi, 2003-2012 (US\$ mn)

HS Code	Commodities	2003	2005	2010	2011	2012
	India's total imports from Burundi	0.04	0.04	0.2	0.7	0.4
41	Raw hides, skins and leather	-	-	0.2	0.3	0.2
29	Organic chemicals	-	-	-	-	0.1
38	Miscellaneous chemical products	-	-	-	-	0.1
85	Electrical and electronic equipment	-	-	-	0.1	0.03
72	Iron and steel	0.02	-	0.01	-	0.01
84	Machinery and instruments	-	-	-	0.03	0.002
44	Wood and articles of wood	0.02	-	-	-	-
12	Oil seed and oleagious fruits	-	0.04	-	0.3	-
28	Inorganic chemicals	-	-	-	0.02	-

Note: '-' denotes nil or negligible
Source: ITC Geneva

countries in the recent years. Inward FDI flows to India from the EAC countries increased at a lower pace compared to that of outward FDI flows from India to the EAC countries. Although, bilateral investment between India and the other EAC countries have improved a lot, there is still vast potential for development with huge untapped markets and resources.

India is currently undergoing negotiations with Kenya and Tanzania on Bilateral Investment Promotion and Protection Agreement (BIPA), for the reciprocal encouragement, promotion and protection of investments in each other's territories by the companies based in either country. The purpose of BIPA is to create such conditions which are favourable for fostering greater investments by the investors of one country in the territory of the other country. Such agreements are beneficial for both the countries because they stimulate their business initiatives and thus enhance their prosperity.

India has also signed a comprehensive Double Taxation Avoidance Agreement (DTAA) for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, with Kenya (April 1985), Uganda (April 2004), and Tanzania (May 2011).

FDI Inflows to India from the EAC Countries

Kenya is the largest source of FDI into India from the EAC countries. During April 2000 to February 2014, investment flowed in from Kenya to the tune of US\$ 21.07 mn, accounting for 88.6 percent of total investment from the EAC region. Tanzania is the second largest FDI source of India among the EAC countries at US\$ 1.6 mn, followed by Uganda at US\$ 1.1 mn (**Table 5.16**).

FDI Outflows from India to the EAC Countries

Cumulatively, during April 1996 to March 2014, the Indian direct investments in the EAC region in joint ventures (JVs) and wholly owned subsidiaries (WOS), in terms of equity, loan and guarantees issued amounted to US\$ 276 mn, accounting for 0.1 percent of India's global overseas investments (**Table 5.17**). During 2013-14, India's FDI Outflows to the EAC region stood at US\$ 8.6 mn, increasing from US\$ 3.1 mn recorded during 2008-09. Out of the total FDI outflows from India to the EAC region during 2013-14, 25.9 percent was through equity investment and the remaining were through loan investments.

Table 5.16: FDI Inflows into India from the EAC Countries (US\$ mn)

Country	2010-11	2011-12	2012-13	April 2000 to February 2014
Kenya	3.0	1.3	1.1	21.1
Tanzania	0.4	-	-	1.6
Uganda	-	-	0.3	1.1
Total Inflows from EAC	3.4	1.3	1.4	23.8
India's Global FDI Inflows	21,383	35,121	22,423	214,048
Share of EAC	0.02	0.004	0.01	0.01

Note: '-' denotes nil or negligible

Source: Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry (MOCI), Government of India, and Exim Bank Analysis

Table 5.17: FDI Outflows from India to the EAC Countries (US\$ mn)

Country	April 1996 to March 2008	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	April 1996 to March 2014
Kenya	149.5	0.6	0.8	0.7	1.8	8.7	1.8	163.8
Tanzania	15.0	0.1	21.3	6.6	7.4	7.4	3.8	61.6
Uganda	2.6	1.0	-	23.3	0.3	0.5	0.7	28.4
Rwanda	17.6	1.4	-	-	-	1.0	2.3	22.2
Total Outflows to EAC	184.6	3.1	22.1	30.6	9.5	17.5	8.6	276.0
India's Global FDI Outflows	54,345.1	17,147.4	17,987.2	43,929.2	30,862.9	26,872.4	36,900.5	228,044.8
Share of EAC	0.3	0.02	0.1	0.1	0.03	0.1	0.02	0.1

Note: '-' denotes nil or negligible; FDI Outflows include equity, loans and guarantees issued

Source: RBI, MOF, GOI, and Exim Bank Analysis

Kenya attracted US\$ 163.8 mn worth investments from India (59.4 percent of India's total investments to the region) during April 1996 to March 2014. Tanzania followed Kenya as the second largest investment destination during the same period, accounting for 22.3 percent of total FDI outflows to the region. The favourable business environment and availability of natural resources, has made these countries favourable Indian investment destinations in the EAC region. India's major investments in the EAC countries during 2013-14 are:

Kenya

- Sujan Luxury Hospitality Private Ltd. in wholesale, retail trade, restaurants and hotels sector - US\$ 0.3 mn;
- ADCC Infocad Private Ltd. in financial, insurance and business services - US\$ 0.18 mn;
- Astral Poly Technik Ltd. in wholesale, retail trade, restaurants and hotels sector - US\$ 0.13 mn;
- Sunrise Buildhome Private Ltd. in wholesale, retail trade, restaurants and hotels sector - US\$ 0.11 mn;
- Supreme and Company Pvt. Ltd. in manufacturing sector - US\$ 0.1 mn;

- Quick Heal Technologies Private Ltd. in financial, insurance and business services - US\$ 0.1 mn.

Rwanda

- Nyagatare Agro Ventures Private Ltd. in agriculture and mining sector - US\$ 2.1 mn;
- Onmobile Global Ltd. in financial, insurance and business services - US\$ 0.02 mn.

Tanzania

- Fair Deal Cars Pvt Ltd. in manufacturing sector - US\$ 2.4 mn;
- Tanworld International Pvt Ltd. in agriculture and mining sector - US\$ 0.9 mn;
- Vasista Mines Private Ltd. in agriculture and mining sector - US\$ 0.3 mn;
- R J Feeds Pvt Ltd. in manufacturing sector - US\$ 0.14 mn.

Uganda

- Majoris Trade and Exports Private Ltd. in agriculture and mining sector - US\$ 0.22 mn;
- Sea Deals Trade Private Ltd. in manufacturing sector - US\$ 0.13 mn;
- Onmobile Global Ltd. in financial, insurance and business services - US\$ 0.1 mn;

- Healthcare Global Enterprises Ltd. in community, social and personal services - US\$ 0.06 mn.

In Kenya, Indian firms have invested in sectors such as telecommunications, petro-chemicals and chemicals, floriculture, etc. Some notable Indian investments in Kenya are Essar Energy (petroleum refining); Bharti Airtel (telecom); Reliance Industries Ltd. (petroleum retail); Tata (Africa) (automobiles, IT, pharmaceuticals); KEC (power transmission); Kalpataru Power Transmission Ltd. (power transmission); Power Grid Corporation of India Ltd. (power transmission); Karuturi Ltd. (horticulture); Kirloskar Brothers Ltd. (irrigation); Mahindra and Mahindra (automobiles); Thermax (power); WIPRO (IT); Jain Irrigation System Ltd. (irrigation); Punj Lloyd (roads); VIL Ltd. (roads); Pharma companies including Emcure, Dr. Reddy; Cipla; Cadila; TVS (two-wheelers); Mahindra Satyam (IT), etc. Indian Banks/Insurance Companies in Kenya include Bank of India; Bank of Baroda; HDFC; Central Bank of India; and KenIndia Assurance Co. Ltd.

Indian companies in Tanzania include National Mineral Development Corporation (mineral sector); Tata International Ltd; Reliance Industries Ltd (petroleum retail); Bharti Airtel (telecom); Syngen Fuels and Agri Products (agriculture); Kamal

Group (construction); Jain Irrigation System Ltd. (irrigation); Kalpataru Power Transmission Ltd. (power transmission); Simbhaoli Sugars Ltd. (sugar manufacturing); Apollo Hospitals (health sector); Escorts (tractors); Ashok Leyland (trucks); Bajaj (scooters); TVS (scooters); Wintech Elevators Ltd., etc. Indian Banks/ Insurance Companies in Tanzania include Bank of Baroda; Bank of India; and Tanzindia Assurance Co Ltd.

Indian companies in Uganda include Bharti Airtel; Tata Motors; United Telecom Ltd; Road master Cycles; Mahindra Tractors; Tungabhadra Steel Products Ltd; Hindustan Machine Tools; RITES Ltd; McLeod Russel India; and Maruti Suzuki. Indian Banks/Insurance Companies in Uganda include Bank of Baroda and Bank of India.

Major Indian companies in Rwanda include BHEL; Tata Motors; Essar Energy; Universal Empire Infrastructure Ltd.; MET Trade Overseas SARL; and Bharti Airtel.

In Burundi, Indian companies have invested in coffee plantation, manufacture of synthetic water tanks, distilleries, computer hardware, hardware stores and paints. Bajaj and TVS have appointed local dealers in Burundi for sale of two-wheeler motorcycles and three-wheeler auto-rickshaws.

6. POTENTIAL FOR ENHANCING INDIA-EAST AFRICAN COMMUNITY BILATERAL TRADE AND INVESTMENT

As highlighted in the previous chapters, both imports and exports of the EAC countries have recently shown an overall increasing trend in recent times. India too has registered a positive growth in its trade with these countries. According, the synergy in bilateral trade relations between India and the EAC region can be assessed from the robust trend in total trade which has risen 13-fold, from US\$ 490.8 mn in 2002 to touch US\$ 6.6 billion in 2012. Underlying this has been the significant rise in both India's exports to as also India's imports from the EAC region. While India's total exports to the EAC

region has risen significantly by 16-fold from US\$ 369.3 mn in 2002 to touch US\$ 5.9 billion in 2012, India's total imports from the EAC region have also risen over 5-fold from US\$ 121.5 mn in 2002 to US\$ 624.1 mn in 2012. On account of increased exports to the region, India has a positive trade balance with the region, with the trade surplus increasing from US\$ 247.8 mn in 2002 to US\$ 5.3 billion in 2012.

To further enhance India's trade with the EAC region, an important strategy would be to focus on India's export potential to the major importing

Table 6.1: Global Imports of the EAC Countries and Imports from India, 2012

	Global Imports (US\$ mn)	% share	Imports from India (US\$ mn)	% share
EAC's total imports	35,446	100.0	5,926	16.7
Kenya	15,059	42.5	3,769	25.0
Tanzania	11,716	33.1	1,602	13.7
Uganda	6,044	17.1	452	7.5
Rwanda	1,624	4.6	70	4.3
Burundi	1,003	2.8	32	3.2

Source: ITC Geneva, and Exim Bank Analysis

countries in the EAC. India and the EAC are characterized by large markets and large work force. Hence, there is large scope and potential for expanding bilateral trade and investment relations among India and the EAC countries. This chapter focuses on the various target sectors for enhancing India's bilateral trade and investment relations with the EAC countries. The share of India in the import basket of the EAC countries is given in **Table 6.1**.

Identification of potential items of India's exports to the EAC countries would be based on the following criteria:

- Identification of major items of imports of the select focus markets, and share of India in each product line of imports, based on 2-digit HS code: and
- Selection of potential items of India's exports to each of the focus markets, based on low share of India in target country's import basket of major commodities, keeping in view India's global export capability, as also the EAC countries' demand for imports of such commodities. This would further entail identification of potential export items to each focus market, up to the 6-digit HS code.

While India's current global capability could be matched with the EAC's import demand, leading to enhanced exports from India, strategy to promote bilateral trade relations could also encompass the case for enhancing domestic production in India to cater to the large demand existing in the EAC countries.

POTENTIAL ITEMS OF TRADE BETWEEN INDIA AND THE EAC COUNTRIES

While India's trade with the EAC countries has shown an upward trend over the years, it is however, important to highlight that India's share in some of the major imports of the EAC countries continues to be marginal. Potential items of India's exports, based on 2-digit HS code, to the EAC countries are given in the following paragraphs.

KENYA– POTENTIAL ITEMS OF INDIA'S EXPORTS

Kenya is India's top trading partner, largest exporter and second largest importer among the EAC countries. Kenya accounted for 59.1 percent of total trade, 63.6 percent of total exports and 16.6 percent of total imports of India among the EAC countries in 2012. Bilateral trade between India and Kenya has registered a substantial increase over the last decade with the trade volume growing at a CAGR of

Table 6.2: Kenya's Major Import Categories and India's Share, 2012

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
	All products	15,059	3,769	25.0	289,565
27	Mineral fuels, oils and distillation products	3,017	2,399	79.5	54,381
84	Machinery and instruments	1,469	161	11.0	11,070
87	Vehicles other than railway	1,198	75	6.3	12,200
85	Electrical and electronic equipment	1,130	144	12.8	10,762
72	Iron and steel	661	134	20.3	7,700
10	Cereals	548	27	4.9	8,729
30	Pharmaceutical products	507	229	45.2	9,602
39	Plastics and articles	478	47	9.9	4,936
48	Paper and paperboard	334	44	13.2	930
73	Articles of iron or steel	322	61	19.0	7,678
40	Rubber and articles	262	40	15.3	2,742
15	Animal, vegetable fats and oils	238	0.4	0.2	956
63	Other made textile articles and sets	232	18	7.9	3,973
38	Miscellaneous chemical products	213	19	9.0	2,701
94	Furniture, lighting, signs and prefabricated buildings	204	9	4.5	1,010
90	Optical, photo, technical and medical apparatus	204	14	6.7	2,030
17	Sugars and sugar confectionery	203	33	16.5	2,185
09	Coffee, tea and spices	195	7	3.8	2,694
29	Organic chemicals	161	26	16.1	12,550
54	Manmade filaments	153	20	13.4	2,261
55	Manmade staple fibres	144	37	25.9	1,997
64	Footwear, gaiters and the like	135	2	1.7	1,958
76	Aluminium and articles	117	35	29.8	1,579
52	Cotton	107	6	5.3	8,569
61	Articles of apparel, accessories, knit or crochet	106	1	1.2	5,466

Source: ITC Geneva, and Exim Bank Analysis

33.3 percent, to US\$ 3.9 billion in 2012 from US\$ 218.5 mn in 2002. **Table 6.2** presents Kenya's major import items, in terms of 2-digit HS code, and India's share in Kenya's global imports of these items, along with India's global exports. As can be seen from the table, despite India's global export capability, India's share in some of Kenya's major imports is still low, which highlights the potential for enhancing these exports to Kenya.

Based on analysis of the above table, potential export categories to Kenya would include:

- Vehicles other than railway (HS-87)
- Cereals (HS-10)
- Animal, vegetable fats and oils (HS-15)
- Other made textile articles and sets (HS-63)
- Furniture, lighting, signs and prefabricated buildings (HS-94)
- Optical, photo, technical and medical apparatus (HS-90)
- Coffee, tea and spices (HS-09)
- Footwear, gaiters and the like (HS-64)
- Cotton (HS-52)
- Articles of apparel, accessories, knit or crochet (HS-61)

Based on the above analysis, potential items of exports to Kenya under each identified category, up to the 6-digit HS code, have been presented in **Annexure IV**.

TANZANIA– POTENTIAL ITEMS OF INDIA'S EXPORTS

India is an important trading partner for Tanzania, accounting for 13.7 percent of Tanzania's global imports in 2012. India's high share in a few select items of Tanzania's import basket has resulted in the robust share of India in Tanzania's overall imports, viz. mineral fuels and products, cereals, plastics and articles, iron and steel, articles of iron and steel, rubber and articles, pharmaceutical products, sugar and confectionary, paper and paperboard, miscellaneous chemical products, inorganic chemicals, other made textile articles and sets, organic chemicals, and tools, implements and cutlery of base metal (**Table 6.3**). Further analysis reveals India's low share in other major imports of Tanzania, which would serve to highlight the scope for enhancing such exports to Tanzania, given India's global export capability. Based on analysis of the above table, potential export categories to Tanzania would include:

- Machinery and instruments (HS-84)

Table 6.3: Tanzania's Major Import Categories and India's Share, 2012

HS Code	Commodities	Tanzania's Global Imports (US\$ mn)	Tanzania's Imports from India (US\$ mn)	India's Share in Tanzania's Imports (%)	India's Global Exports (US\$ mn)
	All products	11,716	1,602	13.7	289,565
27	Mineral fuels, oils and distillation products	3,828	717	18.7	54,381
84	Machinery and instruments	1,172	87	7.4	11,070
87	Vehicles other than railway	1,127	80	7.1	12,200
85	Electrical and electronic equipment	744	46	6.2	10,762
10	Cereals	472	77	16.3	8,729
39	Plastics and articles	467	42	9.0	4,936
72	Iron and steel	426	46	10.7	7,700
15	Animal, vegetable fats and oils	298	0.1	0.05	956
73	Articles of iron or steel	246	20	8.1	7,678
40	Rubber and articles	227	24	10.6	2,742
30	Pharmaceutical products	215	113	52.5	9,602
17	Sugars and sugar confectionery	184	74	40.4	2,185
90	Optical, photo, technical and medical apparatus	139	9	6.3	2,030
48	Paper and paperboard	123	15	12.1	930
38	Miscellaneous chemical products	118	15	12.3	2,701
28	Inorganic chemicals	115	14	12.3	1,739
25	Salt, sulphur, earth, stone, plaster, lime and cement	112	3	3.1	1,727
63	Other made textile articles and sets	96	20	20.7	3,973
94	Furniture, lighting, signs and prefabricated buildings	84	6	7.6	1,010
69	Ceramic products	74	4	5.0	435
33	Essential oils, perfumes, cosmetics and toiletries	70	4	6.0	1,479
29	Organic chemicals	68	9	14.0	12,550
12	Oil seed and oleagic fruits	61	0.1	0.1	1,798
82	Tools, implements and cutlery of base metal	51	9	17.2	863
34	Soaps, lubricants, waxes, candles and modelling pastes	49	3	6.4	695

Source: ITC Geneva, and Exim Bank Analysis

- Vehicles other than railway (HS-87)
- Electrical and electronic equipment (HS-85)
- Animal, vegetable fats and oils (HS-15)
- Optical, photo, technical and medical apparatus (HS-90)
- Salt, sulphur, earth, stone, plaster, lime and cement (HS-25)
- Furniture, lighting, signs and prefabricated buildings (HS-94)
- Ceramic products (HS-69)
- Essential oils, perfumes, cosmetics and toiletries (HS-33)
- Oil seed and oleagious fruits (HS-12)
- Soaps, lubricants, waxes, candles and modelling pastes (HS-34)

Based on the above analysis, potential items of exports to Tanzania under each identified category, up to the 6-digit HS code, have been presented in **Annexure V**.

UGANDA

Uganda's imports from India amounted to US\$ 452.1 mn in 2012, accounting for 7.5 percent of Uganda's total imports in 2012. As can be seen from **Table 6.4**, India has achieved respectable share in a few of Uganda's

major import categories. In line with Uganda's import demand and India's export capability, potential exists to enhance India's exports of other major items imported by Uganda. Based on the analysis of the table, potential items of exports to Uganda would include:

- Mineral fuels, oils and distillation products (HS-27)
- Machinery and instruments (HS-84)
- Cereals (HS-10)
- Iron and steel (HS-72)
- Plastics and articles (HS-39)
- Sugars and sugar confectionery (HS-17)
- Paper and paperboard (HS-48)
- Optical, photo, technical and medical apparatus (HS-90)
- Essential oils, perfumes, cosmetics and toiletries (HS-33)
- Glass and glassware (HS-70)

Under each identified categories, potential items of exports to Uganda, up to the 6-digit HS code, have been presented in **Annexure VI**.

RWANDA

India's share in Rwanda's imports during 2012 was relatively low at

Table 6.4: Uganda's Major Import Categories and India's Share, 2012

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
	All products	6,044	452	7.5	289,565
27	Mineral fuels, oils and distillation products	1,367	4	0.3	54,381
84	Machinery and instruments	702	45	6.5	11,070
87	Vehicles other than railway	534	61	11.5	12,200
85	Electrical and electronic equipment	501	72	14.4	10,762
10	Cereals	277	2	0.6	8,729
30	Pharmaceutical products	252	102	40.5	9,602
72	Iron and steel	242	4	1.9	7,700
39	Plastics and articles	236	13	5.5	4,936
17	Sugars and sugar confectionery	161	3	1.6	2,185
48	Paper and paperboard	124	4	3.1	930
90	Optical, photo, technical and medical apparatus	89	6	6.6	2,030
63	Other made textile articles and sets	83	8	9.9	3,973
38	Miscellaneous chemical products	80	9	11.5	2,701
40	Rubber and articles	69	17	24.0	2,742
33	Essential oils, perfumes, cosmetics and toileteries	64	2	3.4	1,479
29	Organic chemicals	59	20	34.0	12,550
73	Articles of iron or steel	56	8	14.7	7,678
28	Inorganic chemicals	34	4	11.9	1,739
76	Aluminium and articles	28	18	66.5	1,579
69	Ceramic products	26	3	9.7	435
70	Glass and glassware	25	1	5.9	564
62	Articles of apparel, accessories, not knit or crochet	24	2	8.7	7,430
55	Manmade staple fibres	20	4	22.2	1,997
83	Miscellaneous articles of base metal	17	2	10.5	433
82	Tools, implements and cutlery of base metal	17	2	14.4	863

Source: ITC Geneva, and Exim Bank Analysis

4.3 percent. India is yet to achieve a sizeable share in the country's import basket. **Table 6.5** presents Rwanda's top import categories, as per 2-digit HS code, and India's share in its global import under each category. As can be seen from the table, India has achieved respectable share in a few of the major import categories of Rwanda, viz. vehicles, iron and steel, pharmaceuticals, articles of iron and steel, textile articles, and rubber and articles. India's share in almost all other items of Rwanda's major imports is still marginal, which, in turn, would serve to highlight the potential for enhancing these exports to Rwanda, in light of the demand in the country as also India's global export capability.

Based on the table above and India's export capability, potential items of India's exports to Rwanda would include:

- Machinery and instruments (HS - 84)
- Electrical and electronic equipment (HS-85)
- Mineral fuels, oils and distillation products (HS-27)
- Salt, sulphur, earth, stone, plaster, lime and cement (HS-25)
- Animal, vegetable fats and oils (HS-15)
- Cereals (HS-10)
- Sugars and sugar confectionery (HS-17)

- Optical, photo, technical and medical apparatus (HS-90)
- Plastics and articles (HS-39)
- Soaps, lubricants, waxes, candles and modelling pastes (HS-34)
- Paper and paperboard (HS-48)
- Furniture, lighting, signs and prefabricated buildings (HS-94)

Under each identified categories, potential items of exports to Rwanda, up to the 6-digit HS code, have been presented in **Annexure VII**.

BURUNDI

Table 6.6 presents Burundi's top import categories, as per 2-digit HS code, and India's share in Burundi's global imports under each category. As can be seen from the table, India has achieved respectable share in a number of Burundi's major import categories which include electrical and electronic equipment, pharmaceuticals, vehicles, plastics and articles, other made textile articles, rubber and articles, and miscellaneous chemical products. India's share in many of the other major items of Burundi's imports is still marginal, which, in turn, would serve to highlight the potential to enhance these exports to Burundi, in light of the demand in the country as also India's global export capability.

Table 6.5: Rwanda's Major Import Categories and India's Share, 2012

HS Code	Commodities	Rwan-da's Global Imports (US\$ mn)	Rwan-da's Imports from India (US\$ mn)	India's Share in Rwan-da's Imports (%)	India's Global Exports (US\$ mn)
	All products	1,624	70	4.3	289,565
84	Machinery and instruments	174	8	4.6	11,070
85	Electrical and electronic equipment	166	8	4.6	10,762
27	Mineral fuels, oils and distillation products	116	0.4	0.3	54,381
87	Vehicles other than railway	116	9	7.4	12,200
72	Iron and steel	80	5	5.7	7,700
30	Pharmaceutical products	73	18	24.9	9,602
25	Salt, sulphur, earth, stone, plaster, lime and cement	73	-	-	1,727
15	Animal, vegetable fats and oils	73	-	-	956
10	Cereals	69	2	2.3	8,729
73	Articles of iron or steel	65	4	6.4	7,678
63	Other made textile articles and sets	54	3	5.5	3,973
17	Sugars and sugar confectionery	49	0.02	0.04	2,185
90	Optical, photo, technical and medical apparatus	48	2	4.3	2,030
39	Plastics and articles	46	2	4.6	4,936
34	Soaps, lubricants, waxes, candles and modelling pastes	30	-	-	695
48	Paper and paperboard	28	0.3	1.1	930
40	Rubber and articles	20	1	7.2	2,742
94	Furniture, lighting, signs and prefabricated buildings	19	0.3	1.4	1,010

Note: '-' denotes nil or negligible

Source: ITC Geneva, and Exim Bank Analysis

Table 6.6: Burundi's Major Import Categories and India's Share, 2012

HS Code	Commodities	Bu-rundi's Global Imports (US\$ mn)	Bu-rundi's Imports from India (US\$ mn)	India's Share in Bu-rundi's Imports (%)	India's Global Exports (US\$ mn)
	All products	1,003	32	3.2	289,565
27	Mineral fuels, oils and distillation products	170	1	0.5	54,381
12	Oil seed and oleagic fruits	148	-	-	1,798
85	Electrical and electronic equipment	64	3	5.5	10,762
84	Machinery and instruments	62	1	1.6	11,070
30	Pharmaceutical products	57	12	21.2	9,602
87	Vehicles other than railway	55	3	5.2	12,200
10	Cereals	50	0.2	0.3	8,729
72	Iron and steel	37	0.04	0.1	7,700
25	Salt, sulphur, earth, stone, plaster, lime and cement	33	-	-	1,727
73	Articles of iron or steel	26	0.3	1.1	7,678
39	Plastics and articles	20	2	8.3	4,936
63	Other made textile articles and sets	15	1	9.1	3,973
15	Animal, vegetable fats and oils	15	-	-	956
17	Sugars and sugar confectionery	14	0.01	0.1	2,185
48	Paper and paperboard	12	0.3	2.2	930
90	Optical, photo, technical and medical apparatus	12	0.4	3.0	2,030
70	Glass and glassware	11	0.1	0.9	564
40	Rubber and articles	10	1	8.4	2,742
62	Articles of apparel, accessories, not knit or crochet	8	0.03	0.3	7,430
38	Miscellaneous chemical products	7	1	16.6	2,701

Note: '-' denotes nil or negligible

Source: ITC Geneva, and Exim Bank Analysis

Based on the table above and India's export capability, potential items of India's exports to Burundi would include:

- Mineral fuels, oils and distillation products (HS-27)
- Oil seed and oleagious fruits (HS-12)
- Machinery and instruments (HS-84)
- Cereals (HS-10)
- Iron and steel (HS-72)
- Salt, sulphur, earth, stone, plaster, lime and cement (HS-25)
- Articles of iron or steel (HS-73)
- Animal, vegetable fats and oils (HS-15)
- Sugars and sugar confectionery (HS-17)
- Paper and paperboard (HS-48)
- Optical, photo, technical and medical apparatus (HS-90)
- Glass and glassware (HS-70)
- Articles of apparel, accessories, not knit or crochet (HS-62)

Under each identified categories, potential items of exports to Burundi, up to the 6-digit HS code, have been presented in **Annexure VIII**.

POTENTIAL FOR ENHANCING INDIA'S INVESTMENTS WITH THE EAC COUNTRIES²⁰

The EAC countries offer a variety of business and investment opportunities with a relatively well developed labour force, attractive business climate, and relatively well developed service sector. The economies offer wide range of investment opportunities in agriculture, horticulture, manufacturing and tourism. Foreign investors' interest in the EAC economies is expected to gain fresh impetus, helped by rising confidence in the region's economy. The EAC is negotiating a tripartite free trade area with SADC and COMESA which, if realized, will boost investment to the area as a whole. Recent natural resource discoveries including discovery of gas reserves in Tanzania and oil fields in Uganda are expected to further support investment growth momentum in the EAC countries.

The EAC Industrialization Policy and Strategy, 2011 identified six strategic regional industries in which the region has potential comparative advantage. These industries include iron-ore and other mineral processing; fertilizers and agrochemicals; pharmaceuticals; petrochemicals and gas processing; agro-processing; and energy and bio-fuels. With a view to enhancing

²⁰Respective Investment Promotion Agencies, and EAC Investment Guide 2013

investment inflows, the EAC countries have streamlined their investment laws and have also identified priority sectors for increased investment inflows and development. In line with these priority sectors as also resources available in these countries, potential sector for Indian investments have been identified.

KENYA

Kenya, a regional business hub, is a primary choice for foreign investors seeking to establish a presence in the EAC. Potential sectors for investment could include:

Agriculture – Kenyan climatic conditions are favourable for the cultivation of a wide range of crops, including horticultural crops. There are joint venture opportunities for foreign investors seeking local counterparts. Opportunities exist in commercial farming, production under irrigation, export-oriented agri-business, horticulture and processing of oil crops. Sugar and cotton processing factories have been earmarked by the government for privatization. Only around 2 percent of Kenya's total tea exports are value added and hence, there exists an enormous value addition and consequent branding opportunities.

Tourism - Kenya aims to be among the top ten long-haul tourist destinations in the world offering high end and distinctive visitor experience. Investors can take advantage of Kenya's endowment of unique combination of tourist attractions such as beautiful coastal beaches, coral reefs, caves and river deltas, and abundant wildlife. There exists opportunities to develop and add value to the national parks with modern facilities and infrastructure, establishment of resort cities, branding of premium parks, development of high value niche products, and building of new high-end international hotels chains among others.

Construction and Infrastructure- With increase in population, and growing demand for affordable housing, opportunities exist in the construction of residential, commercial and industrial buildings, including prefabricated low-cost housing. Investors can also manufacture and supply construction materials and components for the sector. Kenya envisages a massive upgrading and extension of the country's infrastructure. In this regard, the country has highlighted a number of infrastructure projects that present significant opportunities for investors. Investor can also participate in major infrastructure projects such as road construction and rehabilitation; development of port and associated

infrastructure, rehabilitation of airports; construction of power generation plants, construction of ICT Park and construction of resort cities.

Energy - Kenya's energy policy emphasizes the need for sustainable energy supplies in adequate quantities at effective costs, so as to achieve national development goals. The country requires delivery of quality energy services so as to ensure that Kenya will continue to attract investments in those economic activities of which energy inputs are basic to production at competitive prices.

Manufacturing - Kenya is promoting development of Special Economic Zones (SEZs), Industrial Parks, Industrial Clusters, promotion of small and medium scale manufacturing firms, development of niche products, and commercialization of research and development results. Investment opportunities exist for direct and joint-venture investments in iron and steel industries, manufacture of fertilizer, agro-processing, machine tools and machinery, motor vehicle assembly and manufacture of spare parts, agro-processing, manufacture of garments, assembly of automotive components and electronics, manufacture of plastics, paper, chemicals, pharmaceuticals,

metal and engineering products for both domestic and export markets.

Environment and Natural Resources-

Kenya is endowed with conducive environment and a wide range of priority investment areas. Opportunities exist in mining, consultancy and capacity building to enable communities and corporations/firms to access global carbon markets within the framework of clean development mechanism, solid waste management, control of invasive weeds, and eco-tourism facilities in forest reserves including eco-lodges, tree houses, guest houses, restaurants, campsites and canopy walkways.

Money, Banking and Finance -

Kenya is aiming to improve its lending environment and increase competition. Opportunities exist in the areas of lease hire, microfinance, investment banking, insurance and business advisory services.

ICT - The telecom sector of Kenya represents significant opportunities to investors. Opportunities exist in mobile and internet market, setting up of Data Centre and Disaster Recovery Centre, deploying of digital broadcast network, and software and hardware development.

TANZANIA

Tanzania, with its strategic location, stable political climate, and good macroeconomic outlook, is an attractive destination for investors. Tanzania has made various efforts to encourage foreign investment by improving the business climate of the country. Potential sectors for investment in the country include:

Agricultural and Livestock Development - Agriculture is a leading sector in the economy which provides significant investment opportunities. Tanzania has approximately 29 mn hectares of potential irrigable farmland. Opportunities exist in production of food crops and cash crops. The climatic conditions for livestock operations in Tanzania are also ideal. There also exists opportunities in horticulture sector for producing modern vegetables, fruits, flowers, spices and horticultural seed business operations for domestic, regional and international market.

Natural Resources - Tanzania has a great mining potential particularly for gold, base metals, diamonds, ferrous minerals and a wide variety of gemstones. There have been several gas discoveries in Tanzania which boosted the investment demand in the sector. There are still numerous deep-

sea blocks that are yet to be explored. There are also opportunities in refining metals, establishing value added activities, mineral processing, etc.

Tourism - The tourist industry currently supports 27,000 jobs and generates around 25 percent of Tanzania's foreign exchange. The development of Tanzania as a multi centre tourism destination offers considerable potential growth prospect and provides ideal opportunities for investment. The country requires new accommodation, entertainment facilities, camping, lodges and guesthouses of international standards, theme parks, resorts and amusement parks.

Manufacturing - The manufacturing sector of Tanzania is at its infancy stage with few exploited areas where unprocessed agricultural commodities have dominated major exports. Investment opportunities exists in fruit/vegetable processing, cashew nut processing, establishing fully integrated textile mills as well as plants for cotton ginning, cutting, making, and trimming, and putting up modern tanneries and leather finishing production unit.

Real Estate, Construction and Economic Infrastructure – Tanzania is fastly becoming urbanized. There is a vast demand for housing, office

buildings, shopping malls, and hotels, and hence, plenty of opportunities exist in the development of retail, industrial and residential spaces. There are also opportunities in building road related infrastructure, establishment of the commuter city bus transportation companies, providing dry docking service to ports, providing ships docking facility, establishing new airlines to compete with existing service providers, etc.

ICT - Tanzania has made remarkable progress in deploying Information and Communication Technology. Opportunities exist in e-business, provision of media services, cabling, supply of digitization equipment, provision and operation of public mobile communications, sales and installation of terminal equipment, software development, business process outsourcing and rural communication.

Financial Institutions - The banking and insurance sector has registered significant growth since the liberalization during 1990s. Foreign banks are becoming increasingly active in the economy. The expansion of middle class is expanding national demand for financial services from established providers and could represent a new opportunity for financial services companies looking for growth.

UGANDA

The liberal economic regime in the country has helped attracting investments in Uganda. Recent oil discoveries are expected to put Uganda at the forefront of the African oil production in the coming years. The government of Uganda is committed to improve the investment climate by improving the regulatory institutions and policies of the country.

Agriculture and Agro-processing- Uganda is endowed with ample fertile land and regular rainfall. It is one of the leading producers of coffee and bananas in the world, and a major producer of tea, cotton, tobacco, cereals, oilseeds, fresh and preserved fruit, vegetables and nuts, essential oils, flowers, and sericulture (silk). Opportunity exists in areas such as commercial farming and the manufacture of input and the supply of agricultural machinery. Uganda possesses abundant potential in areas like timber processing for export, manufacture of high quality furniture/ wood products and various packaging materials. There are also opportunities in afforestation and reforestation, especially of medicinal trees and plants, and soft wood plantations for timber, pulp and poles.

Manufacturing (including Pharmaceuticals) - Opportunities for investments include beverages, leather, tobacco based processing, paper, textiles and garments, fabrication, ceramics, glass, plastic/PVC, assembly of electronic goods, hi-tech and medical products. The country also offers scope in the construction of modern slaughter houses, tanning of high-value skins and production of footwear. In pharmaceutical sector, opportunities exist in the provision of modern family planning services, manufacture of drugs, medical equipment, processing of herbal medicine and processing of medical sundries.

Construction and Infrastructure – There is high demand in the building sector in the form of low cost residential and non residential buildings, road civil works, provision of housing and mortgage finance, and provision of construction equipment and building materials. Road transport is the dominant mode of transport in Uganda, where there is scope to improve linkages. There is also opportunity for investment in extending railway lines, redevelopment of existing railway stations, and building multi-purpose dams.

Oil and Mining – The discovery of petroleum wells in the Lake Albert region has expanded the oil sector's

prospects. Uganda has variety of mineral resources, including copper, cobalt, nickel, tungsten, vermiculite, tin, iron ore, silica, phosphates, feldspar, tin, etc. and construction materials such as granites and gneisses. There are abundant opportunities in gemstone cutting and polishing.

Tourism – Uganda has wide range of tourism assets. There exists opportunities in innovative tour operations and package programmes, targeting national, regional and international visitors, luxury cruises, cabin ferry services, schools for hospitality sector, and high quality hotel facilities.

Energy – Opportunities exist in utilizing untapped energy resources like coal, natural gas, geo thermal, solar, and hydro electric energy, as well as opportunities arising from privatization. There also exist opportunities in designing, construction, and service supports of biomass plants, assembly of solar units, and installation and services of micro hydro dams.

ICT - Uganda's Information and Communication Technology (ICT) sector is one of the most vibrant within the region. Opportunities in ICT include establishment of information and communication infrastructure and broadband services, business process outsourcing services, computer

and related equipment hardware assembly, high level ICT training facilities on international standards, ICT business services incubation, hardware repair training facilities, software development niches, setting up information technology virtual zones (ITVZ), and setting up Internet service provider facilities in other parts of Uganda.

Banking and Financial Services-

Investment opportunities exist in establishing commercial banks in upcountry urban and rural centres, promoting mortgage finance, merchant banking services, establishment of investment banks, discount houses, provision of re-insurance services, life policies and other innovative assurances, like agriculture and medical schemes.

RWANDA

Rwanda's impressive growth performance had helped the country in attracting a lot of foreign investments over the years. It is one of the most business friendly countries in Africa. Potential sectors for investment in Rwanda include:

Agriculture -Agricultural sector meets 90 percent of the national food needs and generates more than 50 percent of the country's export revenues. Rwanda intends to continue focusing

its efforts on the traditional cash crops of tea, coffee and pyrethrum, as well as on the nascent, non-traditional horticultural crops and plants, including various fruits and vegetables, flowers (mainly fresh roses), essential oils (pyrethrum, patchouli), stevia, dairy, meat, poultry, and fish. Investment opportunities exist in high value horticulture processing, essential oils, potato processing, avocado export, beans processing, fertilizer distribution, coffee, tea and high value horticulture processing, soya bean production, maize production and processing, meat processing, wheat production and processing, rice production and processing, seed production, irrigation and mechanization projects, coffee: production, washing, roasting and packaging, green fields for tea production and processing focusing on speciality tea, sugar cane production and processing, fishery, aquaculture and animal feed production, floriculture, dairy processing, silk development, stevia production and processing, honey production and processing.

Energy- Rwanda's primary energy source is biomass. Rwanda expects biomass (wood energy) to drop from 86.3 percent to 50 percent use by 2020. Investment opportunities exist in generating Methane gas (total potential for 350 MW in 50 years), Geothermal (total potential for 740 MW), Peat to Power (total potential

for 700 MW), Micro Hydropower and Solar (with an average of 4.9 peak hours per day).

Banking and Financial Services –

The banking sector in Rwanda has a lot of untapped potential. Opportunities include: commercial bank products and services particularly in rural areas, providing competitive loan facilities, agricultural products/ services financing, development banks especially to finance SMEs, microfinance opportunities, mortgage financing, investment banking services, training of financial sector professionals, insurance services especially re-insurance, housing banks, special financing solutions, i.e., private equity funds, institutional and human capacity building in capital and financial markets, Business process outsourcing (BPO) including back office operations, data processing, payment processing, and e-procurement for financial services.

Construction - Construction and real estate sectors are key sectors and potential drivers of future economic growth in Rwanda, mainly due to the high demand for residential and commercial buildings for the business community. Investment opportunities exist in building low cost houses, sports centre, office buildings, real estate agency operations, factory construction, manufacturing of

construction finishing materials, high-end market housing developments, commercial complexes and shopping areas, development of entertainment centres and training and certification of key services including architecture, engineering and plumbing.

Infrastructure – The government of Rwanda invest heavily in infrastructure for the development of a competitive private sector. Opportunities exist in building roadways, railways, international airport, inland water transport facilities, and developing a modern public transportation system.

Manufacturing - A number of investment opportunities exist in the manufacturing sector. Opportunities include manufacturing of construction materials (steel products, float construction glass, clay products), manufacturing pharmaceutical drugs, packaging products, textiles, leather processing and products, soaps and detergents, and fertilizers.

ICT - The Rwandan government is seeking to become regional leader in information and communication technologies. There are several avenues for growth for the ICT sector including e-commerce and e-services, setting up world class Technology Park, software development, access network/last mile connectivity, mobile technologies, applications development

and automation to becoming a regional center for the training of top quality ICT professionals and research.

Mining - The Government of Rwanda regards mining sector as a priority sector to enable the expansion of its export base. Opportunities exist in exploration opportunities, industrial mining, establishment of mineral processing plants for value addition, production of tin, tungsten, gold, sapphires, amethyst, columbium and tantalum, and quarry development to produce road construction materials.

BURUNDI

Burundi has been consistent in reforming its business climate and has also been lauded as one among the best reformers in Africa. Burundi has also taken huge steps to become a sustainable economy by streamlining and modernising her revenue collection with the creation of its revenue authority. Investment opportunities exist in Burundi in the following sectors:

Agriculture – Potential exists for investment in modern techniques to increase agricultural production of rice, marketing and production of beans, potato, wheat, growing high value horticulture products such as manioc leaves, apple-bananas and okra, rehabilitation and expansion

of sugar refinery, introduction of modern sawmills, wood based panel plants and timber treatment plans, and eco-tourism. Burundi also offers opportunities in extensive breeding, development of animal production lines, and production of organic manure, as well as training and capacity building on best practices.

Infrastructure – Burundi offers investment opportunity in long haul vehicles and urban public system, extension of railway lines, and setting up passenger transport and freight cargo services.

ICT - Opportunities in the ICT sector include: setting up fibre cable project for providing high-speed internet, creating Linux Terminal Server Project (LTSP) network locations, e–technology (trade, teaching, telephony, etc.), setting up call centres and database management centres, and capacity creation to develop ICT in enterprises and schools for better competitiveness.

Energy – Burundi has set a target of establishing a national transmission and distribution grid. The country is currently seeking investments to construct commercial hydro electric power production potential, geothermal power production, wind and solar energy development, rural electrification by solar home systems,

solar pumps, stand-alone photovoltaic generators, hybrid photovoltaic plants for remote areas, and setting up grid connected photovoltaic plants.

Manufacturing – The government is encouraging investment in cotton growing and processing, setting up assembly lines for vehicle parts and component manufacture, production, packaging, and marketing of agricultural equipment and inputs, packaging and transport, setting up of fertilizer plants, cement plants, and tea factories.

Tourism – Opportunities include installation and development of the relaxing activities such as the thalassotherapy, development of cultural sites, introduction of ecotourism, improving seashore tourism and development of water sports, construction of hotels and camping lodges in national park, and construction of conference centres.

Transport – Opportunities include increasing the use of the sub-regional network, installation of a cold chain at the airport of Bujumbura, improving the automated load planning in the port of Bujumbura, enlarging the port

of Bujumbura to give more space to large passenger and container carrier ships, improving passenger and cargo transportation, and construction of a naval building site.

Financial Services – Financial sector is yet to be fully developed in Burundi. Investment opportunities exist in microfinance, cooperatives, ATM and money transfer, etc.

Mining – Burundi is endowed with deposits of nickel, gold, vanadium, carbonate, platinum, peat and phosphates. Industrial mining exploration provides ample opportunity for investment.

Construction – High levels of investment in civil works in Burundi have led to large increases in domestic demand for construction materials for infrastructure development and other civil works, such as buildings. Most of the construction materials and fixtures are imported, creating an opportunity for a domestic industry particularly in metal and cement fabrication as well as bricks, pipes, floor and roof tiles. Hotel sector remains under exploited creating an investment opportunity in the sector.

7. EXPORT-IMPORT BANK OF INDIA- A PARTNER IN EAST AFRICAN COMMUNITY'S DEVELOPMENT

Export-Import Bank of India (Exim India) was set up in 1982 an Act of the Indian Parliament for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade. In its endeavour to promote India's international trade, Exim India's vision has evolved from financing, facilitating and promoting trade and investment, to a conscious and systematic effort at creating export capabilities, and the Bank today seeks to develop commercially viable business relationships with externally oriented companies.

FINANCING PROGRAMMES

Lines of Credit

Exim India extends Lines of Credit (LOCs) to overseas governments, parastatal organisations, financial institutions, commercial banks and

regional development banks to support export of eligible goods and services on deferred payment terms. Exim India also extends overseas buyers' credit directly to foreign entities for import of eligible Indian goods and related services or for financing eligible turnkey projects. Exim India also extends LOCs on behalf and at the behest of Government of India.

To enhance bilateral trade and investment relations, Exim India has in place several LOCs extended to a number of institutions/agencies in the EAC region. These LOCs supplement the "Focus Africa" programme of the Government of India and are extended especially to priority sectors, identified by the Government of India for mutual cooperation and benefit. Besides these operating LOCs extended at the behest of the Government of India, Exim India extends its own LOCs to various financial institutions and other entities in Africa, such as, PTA Bank (Eastern and Southern African Trade and Development Bank, covering 17 countries in the Eastern and Southern

African region, including five EAC countries, Burundi, Kenya, Rwanda, Tanzania and Uganda), Banque Ouest Africaine de Developpement (West African Development Bank, covering 8 countries in the West African region), Indo-Zambia Bank, Seychelles Marketing Board, and Afreximbank. These LOCs facilitate import of project-related equipments and services from India on deferred credit terms. At the same time, many of these LOCs are earmarked for infrastructure and related projects.

In the EAC region, Exim India has 10 operative GOI supported LOCs valued at US\$ 600.7 mn, as on March 31, 2014, covering all the countries except Uganda. Operative LOCs in the EAC region include:

- **Government of Burundi** – 3 LOCs for financing Kabu Hydro Electric Project; farm mechanization; and preparation of detailed project report for an integrated food processing complex;
- **Government of Kenya** – an LOC for power transmission lines;
- **Government of Rwanda** – 3 LOCs for power projects; and setting up an export targeted modern irrigated agricultural project; and
- **Government of Tanzania** – 3 LOCs for exporting tractors,

pumps and equipments from India; purchase of vehicles; and setting up a sugar plant.

Additionally, Exim India has also extended 5 direct LOCs valued at US\$ 95 mn to the following institutions:

- **Eastern and Southern African Trade and Development Bank (PTA Bank)** – 4 LOCs for financing cement plant, capacitor power panel, HVAC power panel, aux. contracts, machineries and accessories for drugs manufacturing unit, and air-conditioning equipments, crushing plant equipment, pharmaceutical drugs, and cables for cement processing plant; and
- **Afreximbank** – an LOC for general purpose utilisation.

Support for Project Exports

Exim India plays a pivotal role in promoting and financing Indian companies in execution of projects. Towards this end, the Bank extends funded and non-funded facilities for overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy service contracts. In the EAC region, Indian companies have implemented numerous projects, spanning various sectors, with such support from Exim India. These projects, in turn, facilitate

and support infrastructure development in host countries, thereby contributing to the overall development process in the region. As on March 31, 2014, the value of ongoing 18 project contracts secured by Indian project exporters in the EAC region amounted to ₹ 30.1 billion, in sectors such as power (generation and transmission) and consultancy. These projects in the EAC countries include:

Burundi

- Financing the Kabu Hydro Electric Project; and
- Project Management Consultancy (PMC) for the development of the Kabu 16 Hydro Electric Project in the province of Cibitoke and construction of the posts and electric transmission lines.

Kenya

- Supply, installation, testing and commissioning of 103 kms 400 kV double circuit transmission line from Isinya to Suswa;
- Consulting services for Engineering and Project Management Services for transmission infrastructure;
- Design, procurement, supply, erection, installation, testing and

commissioning of Turkwel, Ortum and Kitale Substations [220 kV] - Lot 1A;

- Design, procurement, supply, erection and construction of Turkwel, Ortum and Kitale Transmission line [220 KV] - Lot 1B;
- Design, procurement, supply, erection and construction of Machakos Konza Kajiado Namanga Transmission line [132 kV] - Lot 2A;
- Design, procurement, supply, erection, installation, testing and commissioning of Machakos Konza Kajiado Namanga Substations [132 kV] - Lot 2B.

Rwanda

- Power Projects.

Tanzania

- Contract for 400kV Overhead Transmission line (Lot 1: Iringa-Dodoma-225 km);
- Contract for 400kV Overhead Transmission line (Lot 3: Singida-Shinyangna-228 km);
- Design for augmentation of water supply schemes of Dar Es Salaam and Chalinze regions;

- Supervision for augmentation of water supply schemes of Dar Es Salaam and Chalinze regions;
- Expansion of Upper Ruvu water treatment plant; and
- Construction of the Milandizi - Kimara water transmission main and the Kibamba reservoir.

Uganda

- Contract for design, supply, installation, testing and commissioning of 128 kms, 220 kV Bujagali-Tororo overhead transmission line - Lot A; and
- Contract for design, supply, installation, testing and commissioning of 66 kms, 220 kV D/C twin conductor, double circuit overhead transmission line Mbarara to Uganda - Lot B.

Finance for Joint Ventures Overseas

Exim India supports Indian companies in their endeavour to globalise their operations, through joint ventures (JVs) and wholly owned subsidiaries (WOS). Such support includes loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoters to set up such ventures overseas.

Exim India has supported several such ventures in African countries including the EAC countries such as Kenya, Tanzania, and Uganda in areas such as agro-based products, auto and auto ancillaries, chemicals and dyes, construction, electronics, engineering goods, metals, plastics and packaging, software and IT enabled services, and textiles. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries. Some of the companies supported by Exim India in the EAC region include: Elgi Tyres and Tread Ltd. and Princeware International Pvt Ltd. in Kenya; Avon Cycles Ltd. and Princeware International Pvt Ltd, in Tanzania; and Kopran Ltd. in Uganda in pharmaceuticals, plastics and packaging, and manufacturing sectors.

Buyers Credit under NEIA

Exim India's strong emphasis on increasing project exports from India has been enhanced with the introduction of the Buyer's Credit under GOI's National Export Insurance Account (BC-NEIA) program. BC-NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new

markets in developing countries, which need deferred credit on medium or long term basis. A number of project exports from India to various African countries including the EAC countries are being considered to be supported under this initiative. Currently, Kenya, Rwanda, Tanzania and Uganda feature among a positive list of select 48 countries identified by ECGC for which Indian exporters can avail Buyers Credit under NEIA.

INSTITUTIONAL LINKAGES AND ARRANGEMENTS

Exim India has been consciously forging a network of alliances and institutional linkages to help further economic co-operation while promoting and facilitating bilateral trade and investment between India and the EAC region. These, in turn, serve to create an enabling environment and support capacity creation and enhance institutional strengthening. The network of alliances are with financial institutions, trade promotion agencies, investment promotion agencies, export promotion agencies, chambers of commerce, and information providers across the globe for assisting externally oriented Indian companies in their quest for excellence and globalisation.

Towards this end, Exim India has taken up equity in Afreximbank. Further,

these endeavours are supplemented by the various Memoranda of Cooperation (MOCs) / Memoranda of Understanding (MOUs), the Bank has in place, with key institutions in the EAC region including: African Development Bank (AfDB); Eastern and Southern African Trade and Development Bank (PTA Bank); and Afreximbank.

Exim India has signed an MOU with the International Trade Centre (ITC), Geneva in March 2014 to promote trade and investment between India and East Africa through the support of SMEs in their access to finance. Exim India and ITC would be co-operating on the project on Supporting India's Trade Preferences for Africa (SITA), during 2014 to 2020. The six-year project is aimed at promoting exports from five East African countries, namely, Ethiopia, Kenya, Rwanda, Tanzania and Uganda, to India through investment and skills transfer from the Indian side.

Association with African Development Bank (AfDB)

India is a member of the African Development Bank (AfDB) Group. Many Indian companies participate in projects funded by the AfDB Group. Exim India works very closely with AfDB and has an active programme which offers a range of information,

advisory and support services to Indian companies to enable more effective participation in projects funded by multilateral funding agencies such as AfDB. Exim India assists Indian companies in projects supported by AfDB by not only fund and non-fund based assistance, but also by providing advance alerts on upcoming opportunities. With support from Exim India, Indian project exporters have secured a number of overseas contracts in Africa in sectors such as power, telecommunications, transport, water supply and sanitation.

Exim India and AfDB have also signed an agreement for co-financing projects in Africa. The agreement envisages joint financing of projects (priority being given to support projects of small and medium enterprises) in regional member countries of AfDB. Ministry of External Affairs, Government of India has also given in-principle approval for parallel financing by Exim India (in projects funded by AfDB, and wherever financing gap existing) through LOC route, in countries such as Kenya, Uganda, Namibia, Botswana, Nigeria, Central African Republic, Liberia, Cabo Verde, Equatorial Guinea and Guinea Conakry.

Recognizing the potential for increasing effective participation by Indian companies in AfDB funded projects, Exim India had organised

a series of seminars on “Business Opportunities in African Development Bank Funded Projects” during March 18-21, 2014 at Hyderabad, Mumbai and New Delhi. The programme was specifically targeted towards Indian corporates who are keen to explore business opportunities in AfDB funded projects and contracts in Africa.

Global Network of Exim Banks and Development Finance Institutions (G-NEXID)

With a view to facilitating South-South trade and investment cooperation, at the joint initiative of Exim India and UNCTAD, a Global Network of Exim Banks and Development Finance Institutions (G-NEXID) was launched in March 2006 in Geneva. The five signatories are Export-Import Bank of India, Export-Import Bank of Malaysia, African Export-Import Bank, Andean Development Corporation and Export-Import Bank of Slovakia. Annual Meetings are held to deliberate upon measures to foster long-term relationship, share experience and strengthen financial cooperation to promote trade and investment relations between developing countries. A number of institutions from the EAC region are G-NEXID members, such as Afreximbank, East African Development Bank (EADB), PTA Bank, and Industrial Development Bank of Kenya.

Partner in Institution Building in Africa

As a partner institution in promoting economic development in Africa, Exim India shares its experience in the setting up of institutional infrastructure for international trade. In this regard, the Bank has taken active participation in the institution building process in a number of countries in Africa. Besides being associated in the setting up of the Afreximbank, Exim India has been involved in preparing a Feasibility study for establishment of Commonwealth Trade and Investment Bank.

GPCL as a Consultant

Global Procurement Consultants Ltd. (GPCL) has been promoted by Exim India in association with leading public sector and private sector consultancy organizations. GPCL's shareholding pattern creates a synergetic fusion of expertise. This creates a unique platform for sharing of collective Indian experience in a partnership mode with developing countries and emerging economies, in the professional management of projects, with particular reference to procurement services. GPCL synthesizes India's consultancy expertise in project management and procurement across varied sectors of the economy including finance, infrastructure, energy, transportation, environment, information and

communication technology, industry, agriculture, mining, water resources, health and education.

GPCL has extensive experience supporting projects in Africa, including: Procurement Audit of contracts in the World Bank funded projects in Eritrea, Ghana, Malawi, Nigeria and *Uganda*, covering Health, Education, Agriculture, Infrastructure, Power, Privatization and Emergency rehabilitation; Country Procurement Assessment Review (CPAR) in the Kingdom of Swaziland for African Development Bank; and Procurement Monitoring Agent for a World Bank funded health project in *Kenya* calling for review of the procurement of goods, services and minor works including an audit of the procurement processes of the institutions and procurement units supported by the project.

Knowledge Building and Technology Transfer

In the area of knowledge building and technology transfer, with a view to enhancing competitiveness of Indian exporters, as also identifying Indian trade and investment potential, Exim India periodically conducts research studies on countries/regions; sectors/industry; and on macro-economic issues relating to international trade and finance.

The recent research publications relating to Africa include:

- Enhancing India's Trade Relations with Africa : Focus on Select Countries;
- IBSA: Enhancing Economic Co-operation across Continents;
- Various studies on India's Trade and Investment Potential with West Africa, SADC, SACU, ECOWAS, COMESA, Select Southern African Countries, Maghreb Region, LDCs, the Commonwealth, etc.

EXIM INDIA'S OFFICES IN AFRICA

Exim India has representative offices in Addis Ababa, Ethiopia; Johannesburg, South Africa; and Dakar, Senegal, which played key roles in facilitating economic cooperation with the African region. The representative offices interface with various institutions such

as African Development Bank, Industrial Development Corporation of South Africa Ltd., regional financial institutions such as Eastern and Southern African Trade and Development Bank (PTA Bank), Afreximbank, West African Development Bank, ECOWAS Bank for Investment and Development (EBID), as well as Indian missions in the region, thereby being closely associated with the Bank's initiatives in the African region.

In sum, Exim India, with its comprehensive range of financing, advisory and support services, seeks to create an enabling environment for enhancing two-way flow of trade, investment and technology between India and the EAC region, while also promoting infrastructure development, facilitating private sector development in host countries, and contributing towards institution building in the region.

8. STRATEGIES AND RECOMMENDATIONS FOR ENHANCING BILATERAL COMMERCIAL RELATIONS WITH EAST AFRICAN COMMUNITY COUNTRIES

The previous chapters provided a broad overview of economic environment in the EAC, its trade patterns and investment climate, India's bilateral trade and investment relations with the EAC countries, and the potential areas for enhancing bilateral trade and investment cooperation. Exim India's key initiatives and endeavours to foster closer economic cooperation between India and the EAC countries were also highlighted. This chapter endeavours to provide broad strategies and recommendations which could serve to facilitate and enhance two-way trade and investment between India and the EAC region, based upon the analysis and findings of the study.

Strategy to enhance trade and investment relations with countries in the EAC region would entail an integrated approach comprising, inter alia: cooperation in transport related infrastructure; supporting the power and energy needs; cooperation in financial/banking sector; solving agriculture and food security issues;

cooperation in capacity building, technology transfer and human resource development; focusing ICT development and knowledge sharing; supporting environment and natural resources development and management; development of industry and MSME sectors; and cooperation in tourism and hospitality industry. Such endeavours could also be supplemented by measures such as: increased participation in multilateral funded projects, and broadening linkages with trade promotion institutions/investment promotion agencies/ chambers of commerce and industry in the region.

1. COOPERATION IN TRANSPORT RELATED INFRASTRUCTURE

Inadequate infrastructure is a constraint to accelerating and sustaining growth in the EAC region. The EAC's transport sector has an important role to play in achieving its ambitious growth and development agenda. The geographic fundamentals are that

three EAC countries (Burundi, Rwanda and Uganda) are landlocked and dependent upon the infrastructure of the two coastal members. Hence, road transport is the most dominant mode of motorized transport in the EAC region. However, maintenance of the road network is inadequate, leading to high transport costs. More so, road network in several EAC countries continues to suffer from very high overloading rates (e.g., in Uganda, overloading rates are close to 55 percent)²¹. Rail transport is one of the most efficient forms of transporting bulk and time sensitive commodities, which also helps to prolong the life span of road networks. But rail networks in the EAC countries are inadequate with the limited coverage of the rail infrastructure. Congestion and delays at the sea ports, underutilization of the waterways and inadequate berthing and storage facilities at ports are some of the challenges facing by EAC's maritime and inland waterways transport system. Hence, there is an urgent need for the EAC countries to build the transport links by developing its road networks, railways and port in order to integrate within the region and with the rest of the world.

Indian investors could involve in the development of highways and

roadways, development of railway networks and ports, which would also help in regional integration to a great extent. Large Indian construction companies could explore business opportunities to meet the infrastructural requirements in the EAC region, which would not only boost connectivity within the region, but also contribute to economic development in the host countries.

2. COOPERATION IN MEETING POWER AND ENERGY REQUIREMENTS OF EAC

Power crisis in the EAC region is characterised by inadequate, unreliable and costly electricity infrastructure. Majority of the East African people are based in the rural areas and lack adequate energy supply resulting in the use of fuel wood and charcoal. Inadequate generation capacity and transmission and distribution networks constrain economic growth and limit the social benefits of electricity use in the EAC region. The EAC is lagging far behind other African regions in the electricity supply and power generation capacity²². With new discoveries of oil and gas, there is an opportunity to rethink power provision on a regional basis. Regional provision is likely

²¹Africa Competitiveness Report 2013, World Economic Forum

²²East Africa's infrastructure: A Regional Perspective, Rupa Ranganathan and Vivien Foster, 2011

to be much cheaper, and reliable cheap energy is hugely important for economic development of the EAC region. In light of these, development of the energy infrastructure is a priority area for the EAC countries.

East Africa has become Africa's newest energy frontier, spurred by the discovery of oil onshore Uganda in 2006, and recent offshore discoveries of natural gas in Tanzania. Oil discovery in the remote onshore Turkana region of Kenya in March 2012 has further supported this. Overall, oil and gas production is expected to expand rapidly in the EAC region over the medium- to long-term. Indian investors could provide necessary supports by involving in exploration and marketing activities. India could support the countries in the EAC to promote the emergence of a regional energy market by linking national energy grids. Towards cooperation in energy sector, the LOCs extended by Exim India to countries in the EAC, which are earmarked for power generation and transmission projects, like LOC for hydro electric project in Burundi; power transmission lines project in Kenya; power projects in Rwanda, would also serve to contribute towards development of the power and energy sector in the region.

3. COOPERATION IN FINANCIAL/BANKING SECTOR DEVELOPMENT

For the EAC region, financial deepening is occurring at a very slow pace. Notwithstanding the extensive liberalization, the region's financial markets remain small, segmented, and illiquid. A survey by FinScope shows that less than a third of the population in Rwanda, Tanzania and Uganda has access to formal financial services, compared with nearly two-thirds of the population in other developed financial markets such as South Africa. Domestic financing costs also hamper financial market deepening in the EAC. Towards development of financial markets, countries in the EAC region stand to immensely gain by learning from India's rich experience during the past six decades especially in the banking and insurance sectors.

The Indian banking system has played a significant role in India's growth story since 1950s. Over the last few years, commercial banks in India have gained core competence and expertise in lending to MSME sector which has become a priority sector for lending in India. Given the similar kind of economic conditions through which India has evolved over the years, it would benefit the EAC to learn

and adopt the strong processes and practices of Indian banking system to its advantage. Besides financing, public sector banks in India are also competent to impart knowledge through extensive training and guidance to enterprises in their endeavours. Indian banks now have core banking systems in place, supported by extensive use of technology. With expertise in specialized products including microfinancing, MSME and agriculture financing, the Indian banking system possess competitive edge to share their expertise in developing a sound IT enabled banking system for countries in the EAC. Leading Indian banks like Bank of India, Bank of Baroda, HDFC and Central Bank of India are already present in the region facilitating commercial relations with the member countries of the EAC. In view of the potential in the financial sector of the countries in the EAC, opening branches/subsidiaries/representative offices by Indian banks and insurance companies in the region, and developing correspondent banking relations with select banks in the region would serve to further facilitate and promote commercial relations.

4. COOPERATION IN AGRICULTURE AND FOOD SECURITY

Agriculture remains the dominant economic activity in the EAC region.

The major producers of most of the agricultural commodities are smallholder farmers. Large scale farming is more established in Kenya and to a lesser extent in parts of Tanzania. Agribusiness has a large potential but little has been done to promote value addition of the sector. As a result, the EAC countries view that foreign investments in agriculture cultivation would lead to possible benefits for rural poor, including the creation of a potentially significant number of farm and off-farm jobs, development of rural infrastructure, and social improvements, leading to food self-sufficiency and poverty reduction. National governments, with a view to addressing the serious issue of food shortage, have been framing policies towards attracting investors in the agricultural sector to tackle food, employment and sustainability crises.

If the EAC countries could frame and implement their agricultural policies in such a way that diversifies output, boosts productivity, and promotes strong linkages with other economic sectors and serves broad social policy objectives, then the region could easily overcome its food shortage and other developmental problems. Further, adopting a cooperatives led-growth model could yield significant returns, as seen in the case of countries like India. Two of the largest domestic

agri-food businesses in India are cooperatives, i.e., the Indian Farmers Fertilizer Co-operative (IFFCO), and Gujarat Co-operative Milk Marketing Federation. The cooperative model of business could be a viable and valuable tool in building sustainable, grass roots agricultural businesses in Africa. A grassroots-upwards approach to development could be a significant breakthrough.

Indian companies can explore the possibilities of investments such as joint ventures or contract farming, setting up agro processing firms and investments in key stages of value chain. Indian investment in the EAC countries could result in improving the agricultural sector of the host country through skill development, job creation, technological upgradation, supply of quality inputs like seed, better supply chain management, and biotechnology. India's transfer of knowledge/ technology could help these countries to deal with the problem of food crisis. Indian scientific and agricultural research institutions could assist many entrepreneurs in developing their business ideas in the EAC countries. Indian investors could also focus on providing quality infrastructure to enhance the farm productivity in these countries.

Towards this end, the LOCs extended by Exim India to the EAC countries,

which are earmarked for agriculture, irrigation and related projects, like LOCs for farm mechanization and preparing detailed project report for an Integrated Food Processing Complex in Burundi; export targeted modern irrigated agricultural project in Rwanda; and export of tractors, pumps and equipments and financing sugar plant in Tanzania, would also serve to contribute towards development of the agricultural and related sectors in the region. With such kind of supports in place, increased exports of agro-related machinery and equipment to the region by Indian entrepreneurs / exporters would serve to enhance bilateral cooperation in the agricultural sector, as also to the overall development of the region.

5. COOPERATION IN CAPACITY BUILDING, TECHNOLOGY TRANSFER AND HUMAN RESOURCE DEVELOPMENT

Human resource development is recognised as the premiere need of the EAC countries. The human resource development initiative of the EAC is being challenged by lack of a Regional Science and Technology Policy; inadequate mechanisms for regional collaboration and networking on research and technology development and innovations; incomplete reform and harmonization of East African education systems; and lack

of an institutional framework for reforming examinations, certification and accreditation. In line with the EAC's development strategy, India's partnership with countries in the EAC region especially in capacity building holds great promise for the future. Over the years, India's cooperation with Africa has not only focused on trade, but also on technology transfer, human resource development, and most essentially on capacity building. India, over the years, has risen from a developing economy to an emerging market economy with a robust growth momentum. This transformation has been the result of significant capacity building and institutional strengthening measures.

Businesses focusing on health, education and skill development are more likely to be stable businesses, which are in increasingly high demand in many countries, due to their direct impact on improving the standard of life. Towards this end, the EAC countries could tie up with Indian institutions such as the Central Food Technological Research Institute (CFTRI), Mysore; Entrepreneurship Development Institute of India (EDI), Ahmadabad; and National Small Industries Corporation Ltd. (NSIC), New Delhi. Further, Indian institutions could also share their expertise in the fields of export capability creation in the region, institutional strengthening and export development in the form

of technical assistance and sharing of expertise through site visits. Indian investors could also help governments in the EAC countries in setting up various higher education institutes, universities and provide scholarships to the EAC students for various exchange programmes like Study India Programme, which could improve the quality of education in these countries. This type of academic 'twinning arrangements' between Indian and universities in the EAC countries will boost academic mobility between both regions.

6. FOCUS ON INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) AND KNOWLEDGE SHARING

Information and communication technology (ICT) is considered as a channel through which the EAC common market would improve global access of its people and competitiveness of goods and services from the region. The use of various electronic marketing technologies is necessary to improve and develop different sectors, but it largely depends on internet access and penetration rates in countries, which is still at a backward stage in the EAC countries. With the strength and capability that India possesses in the realm of Information Technology (IT) sector, Indian IT firms could explore and tap the opportunities in the EAC countries,

and focus on investing in subsidiaries or joint ventures in the areas of e-governance, financial services and e-education.

Indian companies could also share their expertise in providing software programmes and services for banks and financial institutions in the region. For instance, Indian companies, including NIIT and Aptech, which already have presence in Africa could expand their network of training centers in the EAC countries. Designing specialized e-learning courses on the web for providing technological assistance, manufacturing process know-how, troubleshooting and other technical areas also present opportunities. Such initiatives would help industry and commerce, promote education in remote areas, create employment opportunities and provide healthcare to remote areas in the region, thereby contributing to overall development of the countries in the region.

7. COOPERATION IN ENVIRONMENT AND NATURAL RESOURCES DEVELOPMENT AND MANAGEMENT

Sustainable development constitutes a significant objective of the EAC countries, and remains a key factor

in their future economic growth. According to EAC Development strategy²³, the major challenges face by the EAC countries in the development and management of environment and natural resources include, among others, challenges in the promotion of value addition, and productivity of natural resources; inadequate environmental information; weak environmental regulations; poor information sharing on trade in illegally harvested forest products; poor promotion and inadequate protection of indigenous/traditional knowledge of biological resources and eco-systems; inadequate human and financial resources; and inadequate value addition to natural resources. Forest cover of Kenya and Burundi at 6.1 percent and 6.6 percent, respectively, of total area, are below the internationally required threshold and poses environmental and resource management challenges in East Africa. In light of these, increased cooperation between India and the resource-rich countries in the EAC in developing/ exploring natural and mineral resources through environmentally sustainable methods, bilateral arrangements such as buy-back arrangements, could be an important strategy to enhance Indo-EAC commercial relations.

²³EAC Development Strategy (2011/12 - 2015/16)

8. COOPERATION IN INDUSTRY AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT

The industrial capability in the EAC region is underdeveloped and faced by various challenges that have slowed its transformation. The manufacturing sector in the region contributes less than 10 percent of GDP, and is characterized by limited value addition which is highly concentrated in agro-processing activities. The MSMEs, which form the bulk of the industrial sector by establishments, and contributes to more than 60 percent of employment, has the potential of addressing the development needs of the region such as poverty reduction, technological innovation, economic linkages and reduction of disparities in regional development if well mainstreamed into the formal economy. Challenges in the sector include weak supply capabilities; inadequate entrepreneurship; low capacity utilization; weak industrial synergies limiting exploitation of economies of scale in production; lack of coordination between private and public sector initiatives; weak information and institutional support framework; inadequate skills for specific industries, particularly at technical and technician levels; and lack of financial schemes to support investment into industrial sector.

Towards developing entrepreneurship and human capability, India could share its expertise and experience with the EAC countries, particularly in the SME sector wherein India has developed successful SME clusters. An important element in this direction could be for delegations from these countries to visit India to study success factor of SME clusters in India, and developing similar clusters in their countries based on resource and skill endowments.

9. COOPERATION IN HOSPITALITY INDUSTRY

The EAC countries have emerged as major tourism destinations, receiving large number of tourist population visiting Africa. With India being an emerging player in hospitality industry, Indian companies could explore the vast opportunities available in the EAC countries, by focussing more on developing world-class hotels and resorts. Indian hotel groups could also try to acquire and renovate some hotels in the region. Many of the Indian hotels in Africa have received wide acclaim and awards for their hospitality services. Given the rich cultural and geographical diversities and vast biodiversity in flora and fauna of the EAC countries, Indian entrepreneurs could also

specifically focus on different kinds of tourism products, such as adventure tourism, coastal and safari tourism, medical tourism, wildlife tourism, eco-tourism, and cultural tourism. Ayurvedic services could be one of the areas where India has potential and can enhance its presence in the field of medical tourism.

At the same time, several features such as low cost healthcare solutions, availability of skilled healthcare professionals, reputation for treatment in advanced healthcare segments, India's traditional wellness systems, and strengths in information technology also makes India an ideal destination for patients from the EAC countries. Patients from the EAC can identify and select the hospital / doctor suitable for the treatment, identify favourable destination for holiday / recuperation, seek online appointments for various healthcare services and customise the required packages with the travel/ tourism operators.

10. DEVELOPING LINKAGES WITH TRADE PROMOTION INSTITUTIONS / INVESTMENT PROMOTION AGENCIES / CHAMBERS OF COMMERCE

Besides streamlining their investment regimes, the countries in the EAC region have set up specialised Investment Promotion Agencies/Chambers of

Commerce to promote and facilitate inflow of foreign investment into these countries, while also serving as one-stop-shop for investment related activities. In light of the key role of these institutions, building closer cooperation and linkages with these Investment Promotion Agencies in the EAC countries would serve to enhance access to information about investment opportunities in the region. A list of such investment promotion agencies and chambers of commerce is provided in the **Annexure II**.

Such relationship would serve to enhance knowledge about potential areas for investment, upcoming projects in different sectors, prospective investment partners, as also procedures, rules and regulations required for venturing into specific sectors in these countries and incentives offered to investors. Further, investment promotional events with select investment promotion agencies would foster increased interaction between potential investors and concerned agencies in potential sectors in target countries in the region. There is tremendous potential for further diversifying and expanding the bilateral trade among India and the EAC countries. The importance of further enhancing trade relations between the regions could be on the basis of competitiveness and the needs of these economies. Steps to

increase the volume of bilateral trade and diversifying the composition of trade will include trade delegations, organization of fairs, seminars and conferences. Participation in major international trade fairs and exhibitions held in both countries with the support of Trade Promotion Institutions / Chambers of Commerce will also boost the bilateral trade. To sensitize businessmen of both countries, frequent visits of business delegations should also be encouraged.

11. FOCUS ON MULTILATERAL FUNDED PROJECTS

Besides participating in investment activities that are promoted by respective governments of countries in the EAC region, Indian companies could also endeavour to participate in multilateral funded projects. Multilateral institutions such as the World Bank and the African Development Bank support and fund a number of projects in the EAC region. They broadly cover areas such as agriculture and related activities; infrastructure development such as roads, telecommunication, postal services, electricity, water supply and sanitation; mining and quarrying; rural and urban development; environment and natural resource development;

health care and education; financial market development; and tourism development. Focus on these funded projects, and increased participation by Indian projects and services exporters, would serve to enhance Indian commercial presence in these countries. At the same time, efforts to participate in technical assistance in terms of project preparation and advisory services in such funded projects would support increased presence in the region. Indian companies could also participate in these projects through project participation and advisory services. Indian companies could explore partnership with local entrepreneurs and local investment agencies, which could then attract funds from multilateral investment agencies.

Thus, for India, with countries in the EAC region emerging as important trade and investment partners, and the need of these countries for strategic partners in their developmental and growth endeavours, sharing of experiences in capacity building, investments and endeavours in growth-inducing sectors in the region could prove to be strategic in fostering and enhancing long term commercial relations as also presence in the EAC region.

ANNEXURE I: SELECT MAJOR TRADING BLOCS IN AFRICA

Trade Bloc	Year of Formation	Members
Economic Community of West African States (ECOWAS)	1975	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
Economic Community of Central African States (ECCAS)	1983	Angola, Burundi, Cameroon, Central Africa Republic, Chad, Democratic Republic of Congo, Republic of Congo, Equatorial Guinea, Gabon, Sao Tome and Principe
Southern African Development Community (SADC)	1992	Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
Common Market for Eastern and Southern Africa (COMESA)	1994	Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe
Economic and Monetary Community of Central Africa (CEMAC)	1994	Cameroon, Central Africa Republic, Chad, Equatorial Guinea, Republic of Congo, Gabon
West African Economic and Monetary Union (UEMOA)	1994	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo
East African Community (EAC)	1996	Burundi, Kenya, Rwanda, Tanzania, Uganda

Source: Respective Websites of Trade Blocs

ANNEXURE II: INVESTMENT PROMOTION AGENCIES AND OTHER KEY INSTITUTIONS IN THE EAC COUNTRIES

BURUNDI

Burundi Investment Promotion Authority
(*Agence De Promotion De l'Investissement Au Burundi -API*)
Boulevard du 28 Novembre Mutanga Nord
Immeuble Asharif B.P. 7057 Bujumbura,
Burundi
Tel.: (+257) 222 75 996
Email: contact@investburundi.com
Website: www.investburundi.com

KENYA

Kenya Investment Authority (KenInvest)
Kenya Railways Headquarters,
Block D,
4th Floor
Workshop Road,
Off Haile Selasie Avenue
P.O. Box 55704 – 00200,
City Square
Nairobi, Kenya
Tel.: +254 (730) 104-200
Mobile: +254 (722) 205424
Fax: +254 (20) 22243862
Email: info@investmentkenya.com
Website: www.investmentkenya.com

RWANDA

Rwanda Development Board (RDB)
Boulevard de l'Umuganda, Gishushu,
Nyarutarama Road
P.O. Box 6239 Kigali, Rwanda
Fax: +250 252 580388
Email: info@rdb.rw
Website: www.rdb.rw

TANZANIA

Tanzania Chamber of Commerce, Industry
and Agriculture (TCCIA)
21 Ghana Avenue, P.O. Box 9713,
Dar es Salaam, Tanzania
Tel.: 22-2119436 /2128136
Fax: 22-2119437
Email: info@tccia.com
Website: www.tccia.com

Tanzania Investment Centre (TIC)
Shaaban Robert Street
P.O. Box 938
Dar es Salaam
Tel.: +255(22)2116328-32
Fax: +255(22)2118253
Email: information@tic.co.tz
Website: www.tic.co.tz

Zanzibar Investment Promotion Agency
(ZIPA)
P.O. Box 2286, Zanzibar, Tanzania
Tel.: 255 (0) 24 2233026
Email: zipaznz@zanzinet.com
Website: www.investzanzibar.org

UGANDA

Uganda Investment Authority (UIA)
The Investment Centre, Plot 22B Lumumba
Avenue
TWED Plaza, P.O. Box 7418
Kampala, Uganda
Tel.: +256 413 010 00
Fax: + 256 413 429 03
Email: info@ugandainvest.com
Website: www.ugandainvest.com

ANNEXURE III: COUNTRY RISK RATINGS OF THE EAC COUNTRIES

Country	Euromoney	Institutional Investor	ECGC	OECD	D&B
	(Mar '14)	(Mar '14)	(Mar '14)	(Jan '14)	(Apr '14)
Burundi	170	166	C1	7	-
Kenya	98	96	B1	6	DB5b
Tanzania	106	105	B2	6	DB4d
Rwanda	141	133	C1	7	-
Uganda	117	103	B2	6	DB5c

Note: '-' denotes not available

- Euromoney, in its March 2014 risk ratings rank 186 countries in increasing order of risk.
- Institutional Investor, in its March 2014 ratings rank 179 countries in increasing order of risk.
- Export Credit Guarantee Corporation of India Ltd. (ECGC) ranks countries in seven groups, A1, A2, B1, B2, C1, C2 and D, according to increasing order of risk.
- The OECD Country Risk Classification measures country credit risk, i.e. the likelihood that a country will service its external debt, on a scale of 0 -7 (where 0 is the lowest risk category and 7 is the highest), covering 211 countries.
- Dun and Bradstreet's (DB) Country Risk Indicator provides a comparative cross-border assessment based on four parameters: political risk, commercial risk, external risk and macroeconomic risk. The DB risk indicator is divided into seven bands (DB1 to DB7, in the increasing order of risk). Each band is further divided into quartiles (a-d, ranging low to high), except the DB7 band.

ANNEXURE IV: KENYA – POTENTIAL ITEMS OF INDIA’S EXPORTS – AS PER 6-DIGIT HS CODE

1. Vehicles other than railway (HS-87)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
870323	Automobiles with reciprocating piston engine displacing > 1500 cc to 3000 cc	188.9	0.5	0.3	363.1
870422	Diesel powered trucks with a GVW exceeding five tonnes	151.7	1.3	0.8	175.3
870120	Road tractors for semi-trailers (truck tractors)	138.8	1.2	0.9	14.5
870322	Automobiles with reciprocating piston engine displacing > 1000 cc to 1500 cc	83.3	0.7	0.8	2,634.2
870421	Diesel powered trucks with a GVW not exceeding five tonnes	82.4	2.5	3.0	325.6
870333	Automobiles with diesel engine displacing more than 2500 cc	54.1	-	-	12.1
870332	Automobiles with diesel engine displacing more than 1500 cc to 2500 cc	23.7	-	-	19.3
870210	Diesel powered buses with a seating capacity of > nine persons	23.3	0.2	0.8	231.7
870590	Special purpose motor vehicles	21.8	1.1	4.9	30.6
871690	Trailer and other vehicle parts	16.9	0.3	1.7	23.1
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles	9.8	0.2	1.8	115.8
870880	Shock absorbers for motor vehicles	8.0	0.1	1.1	76.5
870829	Parts and accessories of bodies for motor vehicles	6.3	0.1	1.4	53.1
870870	Wheels including parts and accessories for motor vehicles	5.6	0.1	1.3	96.6
870893	Clutches and parts for motor vehicles	5.6	0.3	5.1	23.9
870850	Drive axles with differential for motor vehicles	5.1	0.02	0.3	129.5

2. Cereals (HS-10)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
100190	Wheat and meslin	63.5	0.002	0.003	739.2
100590	Maize (corn)	30.2	-	-	1,117.3
100510	Maize (corn) seed	27.2	-	-	15.3
100640	Rice, broken	14.9	1.0	6.5	286.4

3. Animal, vegetable fats and oils (HS-15)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
151620	Vegetable fats & oils & fractions hydrogenated, inter/re-esterified, refined/not	12.9	0.003	0.02	63.5
151590	Vegetable fats & oils & their fractions, refined or not but not chemically modified	10.1	0.1	0.8	24.8

4. Other made textile articles and sets (HS-63)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
630900	Worn clothing and other worn articles	114.8	2.4	2.0	64.6
630491	Furnishing articles of textile materials, knitted or crocheted	16.4	0.01	0.1	31.2
630222	Bed linen, of man-made fibres, printed, not knitted	5.4	0.5	8.9	30.5
630260	Toilet & kitchen linen, of terry toweling or similar terry fabric, of cotton	4.0	0.3	7.4	674.5

5. Furniture, lighting, signs and prefabricated buildings (HS-94)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
940320	Furniture, metal	36.7	0.1	0.2	26.7
940360	Furniture, wooden	13.7	0.6	4.1	379.0
940540	Electric lamps and lighting fittings	7.6	0.1	1.5	28.3
940330	Office furniture, wooden	7.4	0.1	1.1	14.9
940599	Lamps and lighting fittings and parts	7.2	0.1	1.3	23.1
940490	Articles of bedding/furnishing, stuffed or internally fitted	5.2	0.1	2.1	180.5
940389	Furniture of cane, osier or similar materials	4.8	0.01	0.1	5.1
940190	Parts of seats	4.7	0.01	0.3	23.8
940390	Furniture parts	4.0	0.04	1.0	9.9

6. Optical, photo, technical and medical apparatus (HS-90)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
901890	Instruments and appliances used in medical or veterinary sciences	23.4	2.0	8.6	142.4
901580	Surveying, hydrographic, oceanographic, meteorological/geophysical instruments	14.4	0.01	0.1	30.5
902830	Electricity supply, production and calibrating meters	13.5	0.03	0.2	85.6
902780	Instruments and apparatus for physical or chemical analysis	6.4	0.1	2.3	20.6
901590	Parts and accessories for use with the apparatus	6.1	-	-	35.5
903033	Instruments and apparatus for measuring or checking voltage, current	6.0	0.04	0.7	9.2
903180	Measuring or checking instruments, appliances and machines	5.8	0.3	4.8	57.0

7. Coffee, tea and spices (HS-09)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
090240	Black tea (fermented) & partly fermented tea in packages exceeding 3 kg	150.3	6.1	4.1	619.9
090230	Black tea (fermented) & partly fermented tea in packages not exceeding 3 kg	22.8	0.001	0.004	49.4
090111	Coffee, not roasted, not decaffeinated	13.2	-	-	610.3

8. Footwear, gaiters and the like (HS-64)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
640299	Footwear, outer soles/uppers of rubber or plastics	54.7	0.4	0.7	39.7
640220	Footwear of rubber or plastics, upper straps assembled to sole by plugs	33.6	0.2	0.5	10.8
640419	Footwear other than sports, with outer soles of rubber/plastics & uppers of tex mat	9.8	0.1	0.6	18.7
640399	Footwear, outer soles of rubber/ plastics uppers of leather	6.2	0.01	0.1	201.0

9. Cotton (HS-52)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
520852	Plain weave cotton fabric	47.4	0.3	0.7	131.3
521142	Denim fabrics of cotton	8.5	-	-	36.2
521149	Woven fabrics of cotton, <85%, yarn dyed	6.2	0.01	0.1	4.8
520839	Woven fabrics of cotton, >=85%	3.8	0.1	3.0	5.2

10. Articles of apparel, accessories, knit or crochet (HS-61)

HS Code	Commodities	Kenya's Global Imports (US\$ mn)	Kenya's Imports from India (US\$ mn)	India's Share in Kenya's Imports (%)	India's Global Exports (US\$ mn)
610453	Women's/ girls skirts, of synthetic fibres, knitted	7.7	-	-	9.2
610910	T-shirts, singlets and other vests, of cotton, knitted	6.9	0.5	6.6	1,649.0
610822	Women's/ girls briefs and panties, of man-made fibres, knitted	6.2	-	-	23.2
610332	Men's/boys jackets and blazers, of cotton, knitted	5.8	-	-	23.8
610342	Men's/boys trousers and shorts, of cotton, knitted	5.5	-	-	69.7
610432	Women's/girls jackets, of cotton, knitted	4.8	-	-	16.3
610343	Men's/boys trousers and shorts, of synthetic fibres, knitted	4.8	-	-	17.4
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	4.6	-	-	29.9
610422	Women's/girls ensembles, of cotton, knitted	4.2	0.002	0.05	37.4
610323	Men's/boys ensembles, of synthetic fibres, knitted	4.2	0.002	0.05	39.9

Note: '-' denotes nil or negligible

Source: ITC Geneva, and Exim Bank Analysis

ANNEXURE V: TANZANIA – POTENTIAL ITEMS OF INDIA’S EXPORTS – AS PER 6-DIGIT HS CODE

1. Machinery and Instruments (HS-84)

HS Code	Commodities	Tan- nia's Global Imports, 2012 (US\$ mn)	Tan- nia's Imports from In- dia, 2012 (US\$ mn)	India's Share in Tan- zania's Imports (%)	India's Global Exports, 2012 (US\$ mn)
843143	Parts of boring or sinking machinery, whether or not self-propelled	169.4	0.2	0.1	203.1
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	60.9	1.8	3.0	267.0
847130	Portable digital computers <10kg	47.6	1.1	2.3	33.4
842959	Self-propelled excavating machinery	30.3	1.1	3.7	58.4
847490	Parts of sorting/ screening/ mixing/ crushing/ grinding/washing/agglomerating machinery	28.4	0.3	0.9	133.7
842230	Machinery for filling /closing /sealing bottles/can/box/ bag/containers; machinery for aerating beverages	18.4	1.1	6.2	84.6
847989	Machines and mechanical appliances having individual functions	17.7	0.7	3.8	203.0
841391	Parts of pumps for liquid whether or not fitted with a measuring device	17.2	0.6	3.4	194.3
848180	Taps, cocks, valves and similar appliances	16.2	1.5	9.4	684.0
840999	Parts for diesel and semi-diesel engines	12.5	0.7	5.9	483.3
847780	Machinery for working rubber/plastics/for the manufacturing of products from these material	12.0	0.3	2.6	33.6
840890	Engines, diesel	9.7	0.3	3.2	377.4
847290	Office machines	9.0	0.4	4.1	54.0
842123	Oil or petrol-filters for internal combustion engines	9.0	0.0	0.5	32.6
841330	Fuel, lubricating or cooling medium pumps for internal combustion piston engines	8.4	0.2	2.5	80.6
847150	Digital processing units not sold as complete systems	8.2	0.03	0.4	127.1

2. Vehicles other than railway (HS-87)

HS Code	Commodities	Tanzania's Global Imports, 2012 (US\$ mn)	Tanzania's Imports from India, 2012 (US\$ mn)	India's Share in Tanzania's Imports (%)	India's Global Exports, 2012 (US\$ mn)
870421	Diesel powered trucks with a GVW not exceeding five tonnes	128.6	2.3	1.8	325.6
870323	Automobiles with reciprocating piston engine displacing > 1500 cc to 3000 cc	127.7	0.2	0.1	363.1
870210	Diesel powered buses with a seating capacity of > nine persons	59.0	3.5	5.9	231.7
870322	Automobiles with reciprocating piston engine displacing > 1000 cc to 1500 cc	38.5	0.8	2.1	2,634.2
870410	Dump trucks designed for off-highway use	19.3	1.2	6.1	711.0
870290	Buses with a seating capacity of more than nine persons	9.2	-	-	19.0
870332	Automobiles with diesel engine displacing < 1500 cc to 2500 cc	5.2	0.2	3.4	19.3
870880	Shock absorbers for motor vehicles	5.0	0.1	1.0	76.5

3. Electrical and electronic equipment (HS-85)

HS Code	Commodities	Tanzania's Global Imports, 2012 (US\$ mn)	Tanzania's Imports from India, 2012 (US\$ mn)	India's Share in Tanzania's Imports (%)	India's Global Exports, 2012 (US\$ mn)
851762	Machines for the reception, conversion and transmission or regeneration	65.2	0.7	1.1	95.9
851770	Parts of telephone sets, telephones for cellular networks or for other	63.6	5.6	8.8	590.3
850211	Generating sets, diesel/semi-diesel engines, of an output not exceeding 75 KVA	22.9	1.2	5.2	67.5
854449	Electric conductors, for a voltage not exceeding 80 V	22.7	0.4	1.6	47.7
851769	Apparatus for the transmission or reception of voice, images or other	22.3	0.004	0.02	160.1
854470	Optical fibre cables, made up of individually sheathed fibres	21.4	0.1	0.5	29.6
850213	Generating sets, diesel/semi-diesel engines, of an output exceeding 375 KVA	19.8	0.5	2.3	44.3
853720	Boards, panels, including numerical control panels, for a voltage > 1,000 V	18.2	1.0	5.8	94.1
852910	Aerials & aerial reflectors of all kinds; parts suitable for use therewith	16.9	0.01	0.05	26.5
852872	Reception apparatus for television, colour, whether or not incorporating	16.4	0.2	1.3	28.5
852352	Cards incorporating one or more electronic integrated circuits smart c	16.0	0.2	1.5	162.9
850710	Lead-acid electric accumulators of a kind used for starting piston engines	15.2	0.05	0.3	35.6
850212	Generating sets, diesel/semi-diesel exceeding 75 KVA	14.4	0.7	5.2	35.3
851712	Telephones for cellular networks, mobile telephones or for other wireless networks	14.2	0.6	4.5	2,849.6
850440	Static converters	13.1	1.1	8.7	390.8
850433	Transformers electric power handling capacity	12.8	0.3	2.2	36.9
854140	Photosensitive semi-conductor device, photovoltaic cells & light emitting diodes	12.4	0.6	4.9	111.8

4. Animal, vegetable fats and oils (HS-15)

HS Code	Commodities	Tanza- nia's Global Imports, 2012 (US\$ mn)	Tanza- nia's Imports from In- dia, 2012 (US\$ mn)	India's Share in Tanza- nia's Imports (%)	India's Global Exports, 2012 (US\$ mn)
151620	Vegetable fats & oils & fractions hydrogenated, inter/re-esterified, refined/not	7.2	0.1	0.9	63.5
151590	Vegetable fats & oils & their fractions, refined or not but not chemically modified	5.9	-	-	24.8

5. Optical, photo, technical and medical apparatus (HS-90)

HS Code	Commodities	Tanza- nia's Global Imports, 2012 (US\$ mn)	Tanza- nia's Imports from In- dia, 2012 (US\$ mn)	India's Share in Tanza- nia's Imports (%)	India's Global Exports, 2012 (US\$ mn)
901890	Instruments and appliances used in medical or veterinary sciences	14.7	1.1	7.8	142.4
901580	Surveying, hydrographic, oceanographic, meteorological/ geophysical instruments	12.7	0.004	0.03	30.5
901819	Electro-diagnostic apparatus	10.2	0.01	0.1	42.1
902890	Parts & accessories for gas, liquid/ electricity supply/production meters	8.8	0.01	0.1	41.3
903180	Measuring or checking instruments, appliances and machines	4.3	0.4	9.0	57.0
902780	Instruments and apparatus for physical or chemical analysis	3.8	0.1	2.2	20.6

6. Salt, sulphur, earth, stone, plaster, lime and cement (HS-25)

HS Code	Commodities	Tan- za- nia's Global Imports, 2012 (US\$ mn)	Tan- za- nia's Imports from In- dia, 2012 (US\$ mn)	India's Share in Tan- za- nia's Imports (%)	India's Global Exports, 2012 (US\$ mn)
252329	Portland cement	47.8	0.002	0.004	107.6
252310	Cement clinkers	32.7	-	-	46.6
250100	Salt (including table salt & denatured salt) pure sodium chloride & sea water	7.4	0.1	1.0	99.5

7. Furniture, lighting, signs and prefabricated buildings (HS-94)

HS Code	Commodities	Tan- za- nia's Global Imports, 2012 (US\$ mn)	Tan- za- nia's Imports from In- dia, 2012 (US\$ mn)	India's Share in Tan- za- nia's Imports (%)	India's Global Exports, 2012 (US\$ mn)
940360	Furniture, wooden	11.4	0.2	1.5	379.0
940540	Electric lamps and lighting fittings	5.4	0.1	1.1	28.3
940320	Furniture, metal	5.2	0.1	2.7	26.7

8. Ceramic products (HS-69)

HS Code	Commodities	Tanzania's Global Imports (US\$ mn)	Tanzania's Imports from India (US\$ mn)	India's Share in Tanzania's Imports (%)	India's Global Exports (US\$ mn)
690890	Tiles, cubes and sim, glazed ceramics	46.7	0.9	2.0	86.0
691110	Tableware and kitchenware of porcelain or china	4.1	0.002	0.05	9.4

9. Essential oils, perfumes, cosmetics and toiletries (HS-33)

HS Code	Commodities	Tanzania's Global Imports (US\$ mn)	Tanzania's Imports from India (US\$ mn)	India's Share in Tanzania's Imports (%)	India's Global Exports (US\$ mn)
330210	Mixtures of odoriferous substances for the food or drink industries	45.2	0.7	1.4	23.7
330190	Concentrates & aqueous distillates of essential oils; terpenic by-products of essential oils	2.7	0.1	4.3	303.6

10. Oil seed and oleagic fruits (HS-12)

HS Code	Commodities	Tanzania's Global Imports (US\$ mn)	Tanzania's Imports from India (US\$ mn)	India's Share in Tanzania's Imports (%)	India's Global Exports (US\$ mn)
120220	Ground-nuts shelled, whether or not broken, not roasted or otherwise cooked	3.4	-	-	888.5

11. Soaps, lubricants, waxes, candles and modelling pastes (HS-34)

HS Code	Commodities	Tanza- nia's Global Imports (US\$ mn)	Tanza- nia's Imports from India (US\$ mn)	India's Share in Tanza- nia's Imports (%)	India's Global Exports (US\$ mn)
340119	Soap & organic surface preparations, shaped; papers & nonwovens impregnated with soap/ preparation	9.6	0.1	1.0	9.5
340211	Anionic surface-active agents	9.2	0.4	4.3	347.4
340111	Toilet soap & preparations, shaped; papers & nonwovens impregnated with soap for toilet use	8.7	0.3	3.5	55.7
340220	Surface-active preparations, washing & cleaning preparations put up for retail sale	6.8	0.04	0.5	10.5

Note: '-' denotes nil or negligible

Source: ITC Geneva, and Exim Bank Analysis

ANNEXURE VI: UGANDA – POTENTIAL ITEMS OF INDIA’S EXPORTS – AS PER 6-DIGIT HS CODE

1. Mineral fuels, oils and distillation products (HS-27)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
271019	Other petroleum oils and preparations	876.2	3.5	0.4	30,189.1
271210	Petroleum jelly	4.3	0.01	0.3	55.3

2. Machinery and instruments (HS-84)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
842230	Machinery for filling /closing /sealing bottles/can/box/ bag/containers; machinery for aerating beverages	31.4	1.0	3.1	84.6
842959	Self-propelled excavating machinery	31.1	0.3	0.9	58.4
847130	Portable digital computers <10kg	24.1	0.1	0.6	33.4
840211	Water tube boilers with a steam production exceeding 45T per hour	21.4	-	-	38.9
843143	Parts of boring or sinking machinery, whether or not self-propelled	17.3	0.2	1.3	203.1
842121	Filtering or purifying machinery and apparatus for water	16.9	0.5	3.2	87.2
843780	Machinery for milling/ working of cereals/ dried leguminous vegetables excluding farm-type	11.1	1.0	9.1	28.6
847989	Machines & mechanical appliances having individual functions	11.0	1.0	8.9	203.0
847150	Digital processing units not sold as complete systems	10.2	0.02	0.2	127.1
844399	Parts and accessories of printers, copying machines and facsimile machines	9.8	0.1	1.4	25.1
843049	Boring or sinking machinery, not self-propelled	9.7	-	-	38.2
842940	Tamping machines and road rollers, self-propelled	7.7	0.02	0.3	27.8
847141	Non-portable digital edp machines with processor & i/o	7.6	-	-	29.9
847420	Crushing/ grinding machines for earth/ stone/ ores of other minerals substances	7.3	0.03	0.4	39.6
842290	Parts of dish washing, cleaning or drying container, packing or wrapping machinery	5.7	0.4	7.3	27.3
842952	Shovels and excavators with a 360 revolving superstructure	5.7	0.3	5.4	46.7
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	5.6	0.03	0.6	267.0
841940	Distilling or rectifying plant	5.1	0.3	5.4	70.3

3. Cereals (HS-10)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
100640	Rice, broken	37.5	-	-	286.4
100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	20.9	1.6	7.6	5,710.3

4. Iron and steel (HS-72)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
721049	Flat-rolled products of iron or non-alloy steel, plated or coated with zinc	42.9	0.4	1.0	807.9
721391	Hot rolled bar/ rod, irregular coils, <14mm diameter	42.0	0.02	0.04	29.4
720839	Hot roll iron/ steel, coil >600mm x <3mm	32.4	0.002	0.01	212.9
721070	Flat rolled products of iron or non-alloy steel, painted, varnished or plastic coated	31.3	-	-	171.9
720918	Cold rolled iron/steel, coils >600mm x <0.5mm	25.1	-	-	134.4
721650	Angles, shapes & sections of iron or non-alloy steel, not further worked than hot-rolled/ drawn/ extruded	6.3	0.4	6.2	5.9
720917	Cold rolled iron/ steel, coils >600mm x 0.5-1mm	4.8	-	-	27.8
721420	Bars & rods of iron or non-alloy steel, hot-rolled/ drawn/ extruded, containing indentations, ribs, etc	4.0	0.01	0.2	9.1

5. Plastics and articles (HS-39)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
390120	Polyethylene having a specific gravity of 0.94 or more	40.3	-	-	227.4
390210	Polypropylene	29.0	0.1	0.4	853.4
390720	Polyethers	18.4	0.003	0.02	14.1
390760	Polyethylene terephthalate	18.3	-	-	356.1
390110	Polyethylene having a specific gravity of less than 0.94	17.7	1.3	7.3	46.7
392330	Carboys, bottles, flasks and similar articles of plastics	9.3	0.04	0.4	18.8
392119	Film and sheet etc, cellular of plastics	8.5	-	-	5.7
390750	Alkyd resins	4.9	0.002	0.04	74.4

6. Sugars and sugar confectionery (HS-17)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
170199	Refined sugar, in solid form	124.3	0.001	0.001	980.2
170410	Chewing gum containing sugar, except medicinal	8.5	-	-	7.1
170490	Sugar confectionery (including white chocolate), not containing cocoa	5.2	0.2	3.3	53.6

7. Paper and paperboard (HS-48)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
480100	Newsprint, in rolls or sheets	12.6	0.1	0.5	6.7
480255	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, in rolls	11.4	0.6	4.9	45.3
481019	Paper and paperboard used for writing, printing or other graphic purposes	6.8	0.1	1.6	29.1
480256	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, in sheets	5.6	0.1	1.0	36.7
480257	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, other	4.1	0.04	0.8	78.2

8. Optical, photo, technical and medical apparatus (HS-90)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
901890	Instruments and appliances used in medical or veterinary sciences	33.0	0.3	1.0	142.4
901590	Parts and accessories for use with the apparatus	5.3	0.02	0.3	35.5
901580	Surveying, hydrographic, oceanographic, meteorological/geophysical instruments	5.1	0.002	0.04	30.5
903180	Measuring or checking instruments, appliances and machines	5.0	0.04	0.7	57.0
902830	Electricity supply, production and calibrating meters	4.8	0.05	1.0	85.6
901831	Syringes, with or without needles	4.5	0.02	0.4	23.2

9. Essential oils, perfumes, cosmetics and toiletries (HS-33)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
330210	Mixtures of odoriferous substances for the food or drink industries	36.1	0.8	2.2	23.7
330499	Beauty or make-up preparations; sunscreen or sun tan preparations	8.5	0.5	5.4	119.5
330610	Dentifrices	7.5	0.02	0.3	40.9

10. Glass and glassware (HS-70)

HS Code	Commodities	Uganda's Global Imports (US\$ mn)	Uganda's Imports from India (US\$ mn)	India's Share in Uganda's Imports (%)	India's Global Exports (US\$ mn)
701090	Carboys, bottles, flasks, jars, pots, phials and other containers	14.6	1.1	7.6	158.8

Note: '-' denotes nil or negligible

Source: ITC Geneva, and Exim Bank Analysis

ANNEXURE VII: RWANDA – POTENTIAL ITEMS OF INDIA’S EXPORTS – AS PER 6-DIGIT HS CODE

1. Machinery and instruments (HS-84)

HS Code	Commodities	Rwan- da's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwan- da's Imports (%)	India's Global Exports (US\$ mn)
847130	Portable digital computers <10kg	18.6	0.02	0.1	33.4
847330	Parts & accessories of automatic data processing machines & units	7.7	0.02	0.3	164.1
847180	Units of automatic data processing equipment	7.0	0.1	0.8	19.9
842199	Parts for filtering or purifying machinery & apparatus for liquids or gases	6.9	0.1	0.8	111.3
842959	Self-propelled excavating machinery	5.1	0.4	6.9	58.4
841480	Air or gas compressors, hoods	4.8	-	-	368.0

2. Electrical and electronic equipment (HS-85)

HS Code	Commodities	Rwanda's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwanda's Imports (%)	India's Global Exports (US\$ mn)
851712	Telephones for cellular networks mobile telephones or for other wireless networks	16.3	0.6	3.6	2,849.6
851769	Apparatus for the transmission or reception of voice, images	14.1	0.01	0.1	160.1
854420	Co-axial cable and other co-axial electric conductors	9.5	0.001	0.01	29.9
851770	Parts of telephone sets, telephones for cellular networks	8.4	0.1	0.9	590.3
850213	Generating sets, diesel/ semi-diesel engines, of an output exceeding 375 KVA	7.6	-	-	44.3
852560	Transmission apparatus for radio-broadcasting or television	6.5	-	-	10.9
852990	Parts suitable for use solely or principally with the app of headings 85.25 to 85.28	6.1	-	-	111.3
851762	Machines for the reception, conversion and transmission or regeneration	4.1	0.01	0.3	95.9

3. Mineral fuels, oils and distillation products (HS-27)

HS Code	Commodities	Rwan-da's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwan-da's Imports (%)	India's Global Exports (US\$ mn)
271019	Other petroleum oils and preparations	103.8	0.4	0.4	30,189.1
271011	Light petroleum oils and preparations	3.5	-	-	22,147.8

4. Salt, sulphur, earth, stone, plaster, lime and cement (HS-25)

HS Code	Commodities	Rwan-da's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwan-da's Imports (%)	India's Global Exports (US\$ mn)
252329	Portland cement	65.1	-	-	107.6
250100	Salt (including table salt & denatured salt) pure sodium chloride & sea water	5.4	-	-	99.5

5. Animal, vegetable fats and oils (HS-15)

HS Code	Commodities	Rwanda's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwanda's Imports (%)	India's Global Exports (US\$ mn)
151620	Vegetable fats & oils & fractions hydrogenated, inter/re-esterified, etc, refined/ not	30.0	-	-	63.5

6. Cereals (HS-10)

HS Code	Commodities	Rwanda's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwanda's Imports (%)	India's Global Exports (US\$ mn)
100190	Wheat and meslin	33.6	-	-	739.2
100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	18.3	1.5	8.3	5,710.3
100510	Maize (corn) seed	8.9	-	-	15.3

7. Sugars and sugar confectionery (HS-17)

HS Code	Commodities	Rwanda's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwanda's Imports (%)	India's Global Exports (US\$ mn)
170199	Refined sugar, in solid form	26.5	-	-	980.2
170111	Raw sugar, cane	17.7	0.02	0.1	1,008.7

8. Optical, photo, technical and medical apparatus (HS-90)

HS Code	Commodities	Rwanda's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwanda's Imports (%)	India's Global Exports (US\$ mn)
901890	Instruments and appliances used in medical or veterinary sciences	23.0	0.3	1.1	142.4
902830	Electricity supply, production and calibrating meters	5.8	0.01	0.2	85.6

9. Plastics and articles (HS-39)

HS Code	Commodities	Rwanda's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwanda's Imports (%)	India's Global Exports (US\$ mn)
390720	Polyethers	3.1	-	-	14.1

10. Soaps, lubricants, waxes, candles and modelling pastes (HS-34)

HS Code	Commodities	Rwan-da's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwan-da's Imports (%)	India's Global Exports (US\$ mn)
340119	Soap & organic surface preparations, shaped; papers & nonwovens impregnated with soap/ preparation	17.6	-	-	9.5
340220	Surface-active preparations, washing & cleaning preparations put up for retail sale	3.9	-	-	10.5
340120	Soap	3.5	-	-	9.9

11. Paper and paperboard (HS-48)

HS Code	Commodities	Rwanda's Global Imports (US\$ mn)	Rwan-da's Imports from India (US\$ mn)	India's Share in Rwan-da's Imports (%)	India's Global Exports (US\$ mn)
481910	Cartons, boxes and cases, of corrugated paper or paperboard	2.7	0.04	1.3	30.9
482020	Exercise books of paper	2.0	-	-	47.6

12. Furniture, lighting, signs and prefabricated buildings (HS-94)

HS Code	Commodities	Rwan-da's Global Imports (US\$ mn)	Rwanda's Imports from India (US\$ mn)	India's Share in Rwan-da's Imports (%)	India's Global Exports (US\$ mn)
940360	Furniture, wooden	2.4	0.02	1.0	379.0
940330	Office furniture, wooden	2.4	-	-	14.9
940290	Medical, surgical, dental or veterinary furniture and parts	2.3	0.1	3.0	13.3

Note: '-' denotes nil or negligible

Source: ITC Geneva, and Exim Bank Analysis

ANNEXURE VIII: BURUNDI – POTENTIAL ITEMS OF INDIA’S EXPORTS – AS PER 6-DIGIT HS CODE

1. Mineral fuels, oils and distillation products (HS-27)

HS Code	Commodities	Bu-rundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Bu-rundi's Imports (%)	India's Global Exports (US\$ mn)
271019	Other petroleum oils and preparations	95.2	0.8	0.9	30,189.1
271011	Light petroleum oils and preparations	66.1	-	-	22,147.8

2. Oil seed and oleagic fruits (HS-12)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Bu-rundi's Imports (%)	India's Global Exports (US\$ mn)
120100	Soya beans	109.5	-	-	33.2
120810	Soya bean flour and meals	37.4	-	-	10.1

3. Machinery and instruments (HS-84)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
843790	Parts of clean/sort machinery etc for seed/grain mill/working of cereal excluding farm-type	7.0	0.03	0.4	13.9
847330	Parts & accessories of automatic data processing machines & units	5.4	-	-	164.1
843780	Machinery for milling/working of cereals/ dried leguminous vegetables excluding farm-type	3.8	-	-	28.6
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	3.1	-	-	267.0

4. Cereals (HS-10)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
100510	Maize (corn) seed	18.2	-	-	15.3
100620	Rice, husked (brown)	8.2	-	-	45.6
100590	Maize (corn)	7.8	-	-	1,117.3
100190	Wheat and meslin	7.7	-	-	739.2
100110	Durum wheat	7.7	-	-	610.6

5. Iron and steel (HS-72)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
721041	Flat rolled products of iron or non-alloy steel, plated or coated with zinc	10.5	-	-	352.8
721420	Bars & rods of iron or non-alloy steel, hot-rolled/ drawn/ extruded, containing indentations, ribs, etc	9.3	-	-	9.1

6. Salt, sulphur, earth, stone, plaster, lime and cement (HS-25)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
252329	Portland cement	25.0	-	-	107.6
252310	Cement clinkers	4.6	-	-	46.6

7. Articles of iron or steel (HS-73)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
730719	Fittings, pipe or tube, cast, of iron or steel	3.6	0.002	0.1	10.6

8. Animal, vegetable fats and oils (HS-15)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
151620	Vegetable fats & oils & fractions hydrogenated, inter/re-esterified, refined/not	4.9	-	-	63.5

9. Sugars and sugar confectionery (HS-17)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
170199	Refined sugar, in solid form	12.4	-	-	980.2

10. Paper and paperboard (HS-48)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
482020	Exercise books of paper	3.9	0.2	3.9	47.6

11. Optical, photo, technical and medical apparatus (HS-90)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
901890	Instruments and appliances used in medical or veterinary sciences	3.5	0.1	3.3	142.4

12. Glass and glassware (HS-70)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
701090	Carboys, bottles, flasks, jars, pots, phials and other containers	8.2	0.02	0.2	158.8

13. Articles of apparel, accessories, not knit or crochet (HS-62)

HS Code	Commodities	Burundi's Global Imports (US\$ mn)	Burundi's Imports from India (US\$ mn)	India's Share in Burundi's Imports (%)	India's Global Exports (US\$ mn)
621050	Women's /girls garments of impregnated, coated, covered, textile woven fabric	2.7	-	-	8.0

Note: '-' denotes nil or negligible

Source: ITC Geneva, and Exim Bank Analysis

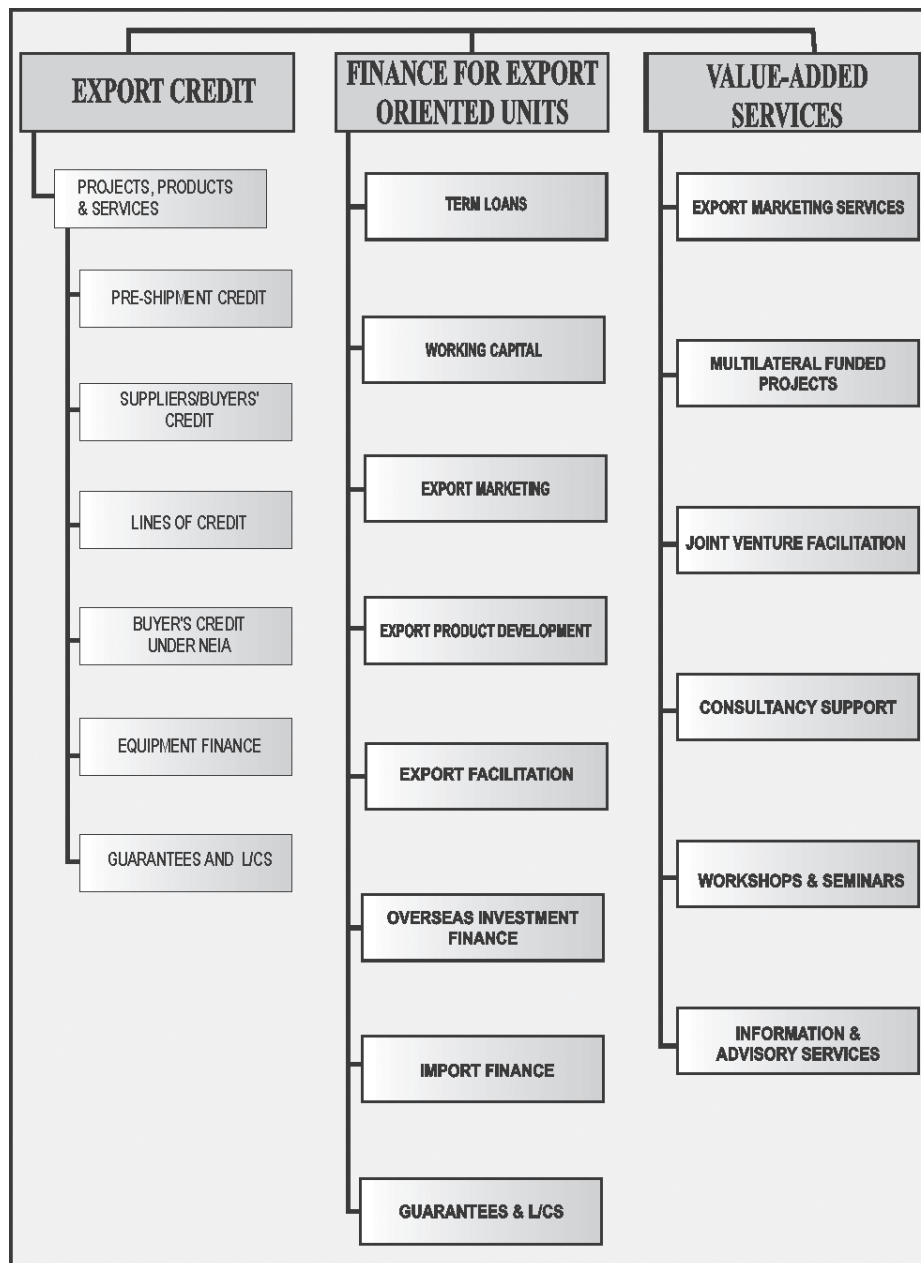
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