CUTS International   Nairobi Resource Centre

Hoping for a better season

Eastern Africa's largest economic sector, agriculture, is cautiously looking forward to the establishment of a region-wide common market.

NEGOTIATIONS FOR A COMMON MARKET that are currently taking place between five eastern Africa countries is generating cautious optimism in the region's farming sector. Uganda, Kenya and Tanzania, who together re-established a regional cooperation arrangement in November 1999, are to be joined by Rwanda and Burundi in a 110 million people common market in what is shaping up to a comprehensive regional union.

A ratification deadline for the envisaged common market - to be known as the *East Africa Common Market (EACM)* - has been set for June 2009 with the formal launch set for January 2010. The common market will replace the Customs Union that began in January 2005.

The configuration of the envisaged common market is of great significance to the region's farmers. Agriculture is the region's largest economic sector contributing about 36% of the region's domestic product and about 75% of the region's employment activity. In addition, the sector is estimated to have a further indirect contribution of nearly 27% of GDP through forward and backward linkages with the manufacturing, distribution, and other service related sectors.

Regional Conference on Capacity Building for Fast Tracking of the East African Common Market

This *CUTS EAST AFRICA Policy Brief* is one of four policy summaries derived from the deliberations and recommendations of a conference of policy-makers and other key stakeholders from Kenya, Tanzania, Uganda, Rwanda and Burundi that was held in 29-30 January 2006.

The conference was organised by the Nairobi Resource Centre of CUTS International to discuss pathways and milestones towards achieving an East African Common Market. The farmers' perspective was presented to the conference by the Eastern Africa Farming Federation which brings together the national farmer federations from Kenya, Uganda, Tanzania, Rwanda and the Democratic Republic of Congo.

Other stakeholders at the conference included national Chambers of Commerce and various private sector lobbies from the proposed Eastern Africa Common Market (EACM), researchers and academics, government representatives; regional bodies; national business organizations; competition authorities, boards of investment; and the civil society. Also present were representatives from development agencies, donors, and the media.

Not surprisingly, the prospect of region-wide common market is being closely watched by, among other, the East Africa Farmer Federation, a region-wide confederation of national farmer federations from Kenya, Uganda, Tanzania, Rwanda and the Democratic Republic of Congo. According to the Federation, the prospect of a region-wide common market is double-faceted. On the hand, the common market portends a raft of positive systemic transformations and growth stimulants for agriculture. On the other hand, there are fears that the common market may fall foul of several hindrances and handicaps.

On the positive side, the sector is alive to the probable advantages of a common market. Key among them are:

Sector Transformation

Under the EAC customs union from which the common market will be based, there are three band structures for its common external tariff. According to the structure, the tariff for primary raw materials, plant and machinery, and educational materials is zero while tariff for intermediate goods and essential goods is 10%. Finished goods and agro products are given a 25%. The advent of a common market – and the entry of Rwanda and Burundi – will therefore ease mechanization and processing of agricultural products by lessening the costs of mechanization and processing of agricultural products.

Sub sector Growth stimulant

There are 56 tariff lines in the sensitive list of products. These attract CET rate plus surcharge. Some of the key agricultural commodities enjoying this protection are milk, maize and maize flour, sugar, rice, worn clothing and bed linen of cotton. The implication is that the sub-sectors are likely to witness increased growth under the common market. Coupled with the elimination of internal tariffs whereby goods originating and traded within EAC enjoy Community tariff treatment, it is expected that agriculture sector shall grow and trigger multiplier effect across the economy due to its multi-functionality and linkages.

The East Africa Community

The East African & Regional Community (EACC) is a regional inter-governmental organisation of five eastern African countries - Kenya, Tanzania, Uganda, Rwanda and Burundi. The Community was initially established by Kenya, Uganda and Tanzania in November 1999 under the '*Establishment of the East African Community*' Treaty. The Treaty envisages a wholesome regional co-operation and integration covering, among others, trade, investment, industrial development; monetary and fiscal affairs; infrastructure and services; human resources, science and technology; agriculture and food security; environment and natural resources management; tourism and wildlife management; health, social and cultural activities. The treaty also envisages free movement of factors of production and cooperation in political matters - including defence, security, foreign affairs, legal and judicial affairs.

The Treaty also sets out an implementation strategy commencing with a Customs Union and progressing into a Common Market, a Monetary Union and ultimately a Political Federation. In line with this strategy, a protocol for the Customs Union came into force in January 2005. Negotiations for the establishment of a Common Market have since commenced with a completion deadline of December 2008 and a ratification target of June 2009 paving way to a formal launch in January 2010. A striking aspects of the unfolding East Africa integration enterprise is the apparent efforts by the three East Africa sister governments to encourage public debate and participation in formulating the Common Market. The three Presidents have, indeed, expressly called for public consultation and sensitization prior to the establishment of the common market.

Increased mechanization and intensification: Agricultural implements such as tractors, harrows and hoes are zero rated. Fertilizers and other agricultural inputs are zero rated. In addition, inward and outward processing scheme has been introduced in the Customs Law to facilitate agro-processing across the boarder. These, and other likely measures that will be entrenched by the common market shall have profound effect on productivity levels for most crops and livestock industries hence increased incomes and employment.

Increased cross border trade

Since agricultural products wholly produced in the region will be traded duty free, there will be increased cross border trade among the member states. In addition, the Partner States have already agreed to remove all existing non tariff barriers (NTB's) to the importation and not imposing any new NTB's. Mechanisms to identify, monitor and remove of NTB's has been also been developed and approved. All these shall lead to increased cross-the-border trade and employment for the benefit of the rural economies.

CHALLENGES

On the cautious side, the sector is apprehensive of several possible hindrances to the attainment of the systemic transformation and growth stimulants. Specifically, the Eastern Africa Farmers Federation is worried that:

Conflict with International Trade Policy and Facilitation

The common market may be diluted or rendered ineffective if the economic partnership agreement currently being negotiated between the European Union and Africa, Caribbean and Pacific countries is signed, since there are many pointers that the agreement may undermine the development of sovereign states and discourage regional economic groupings.

Non Tariff Barriers

If the experience of the existing eastern Africa Customs Union is any indicator, the aims of the common market may get hobbled by non-tariff barriers among the member states. As it is, all non-tariff barriers are supposed to be eliminated under the Customs Union arrangement but, on the ground, the barriers still constitute numerous road blocks to free movement of natural persons and goods.

Technology and Infrastructure Related Constraints:

The common market will have a limited impact so long as the technological handicaps bedeviling the region's agricultural sector remain unattended. These include poor crop and animal husbandry practices; continued use of hand tools such as the hand hoe and machete, by the majority of producers; continued dependence on rain-fed agriculture and the high cost and unreliable supply of modern inputs. Similarly, the common market will have contend with poor transport and communication infrastructure, limited access to financial services, poor marketing infrastructure and facilities.

Agriculture advisory services

Similarly, the common market will not maximize its potential in the current situation of weak advisory services. Among the danger points are the low staff motivation due to low remuneration and lack of supervision; weak links between research, extension and the farmer; inadequate training on new crops and technologies and the high level of illiteracy and poor numeracy.

HIV/AIDS impact on agriculture

HIV AIDS continues to negatively affect on agriculture labour force with consequential negative effects on the economy. There has been a decrease in smallholder agricultural production; a drop in commercial agriculture; the loss of indigenous farming methods, decline in institutional memory, knowledge and specialized skills and practices; and capacity erosion and disruption in the service delivery. The common market will therefore require continued focus on measures to fight the scrounge.

RECOMMENDATIONS

In the circumstances, the region's farmers are of the view that the establishment of a common market should proceed as scheduled but in tandem with measures to actualize the new market's potential to the region's leading economic sector. Specifically, the Eastern Africa Farmers Federation recommends that:

Sectoral Challenges: Issues raised by various sectors, including those raised by farmers as above elaborated should be resolved as a matter of urgency. This will serve to reduce the problem areas for the common market once it is established.

Structured involvement of stakeholders: There is need to put in place structures to facilitate the participation of stakeholders such as farmers, researchers and the civil society in the current Customs Union as well as in the envisaged common market. This will provide expert knowledge and added capacity to the regional union and serve to anticipate and resolve sectoral problems. As it is, only the business sector has an observer status in the Customs Union.

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Supply side constraints: In order to address the constraints cited above, Governments of East Africa should take measures to address the supply side constraints. Measures in this category should include improvement of the provision of public utilities and public infrastructure; strengthening of institutional and policy frameworks; increase of labour productivity and the general rreduction of the cost of producing and doing business in East Africa.

Non-Tariff Barriers and the 'Ownership' problem: To make the East African Farmers feel, and therefore act as East Africans in terms of cross border investments, it will necessary to market the region internationally as one economic and investment destination. That will in turn require that all barriers, including non-tariff barriers, must be eliminated to make it easier for goods and services to move from one place to another. Farmers should be able to sell without undue interruptions from local authorities in sovereign member states.

Bilateral EPA negotiations: The member states of the common market, alongside other members of the Africa, Caribbean and Pacific countries, should consider slowing down their negotiations with the European Union, and wait for the resumption of the World Trade Organizations (WTO) talks. The WTO does not impose the end of non reciprocal trade preferences including EPAs, as it is being postulated by the EU negotiators.