



TERMS OF REFERENCE FOR THE DEVELOPMENT OF AN EAC INVESTMENT STRATEGY.

1. BACKGROUND

The East Africa Community (EAC) is an intergovernmental organization established to promote and spearhead economic, social and political cooperation among eight Partner States, namely: The Republics of Burundi, Rwanda, Kenya, Federal Republic of Somalia, Republic of South Sudan, Uganda; Democratic Republic of Congo; and United Republic of Tanzania.

The Treaty for the Establishment of the East African Community under Chapter 12 provides for Partner States cooperation in Investment and Industrial Development and Article 80 of the Treaty provides for Partner States to “*harmonise and rationalize investment incentives including those relating to taxation of industries particularly those that use local materials and labour with a view to promoting the Community as a single investment area*”. Further, Article 127 of the Treaty, Partner States undertook to provide an enabling investment and business environment through promulgation and implementation of appropriate investment policies and codes alongside protecting property rights, removal of barriers to investment and development of the private sector.

The EAC Common Market Protocol further highlights the importance of Partner States cooperation on investment. In Article 20 of the Common Market Protocol, Partner States are required to protect cross-border investments and investment returns of the investors of other Partner States within their territories and provide a schedule for removal of existing restrictions on the free movement of capital within the EAC region.

In implementation of the EAC Treaty, Customs and Common Market provisions on investment cooperation, the previous five (5) successive EAC Development Strategies and the current 6th EAC Development Strategy have emphasized the need to implement programmes and initiatives aimed at improving the business environment in the region in order to attract local and foreign investments.

In that regard, the EAC Secretariat seeks to develop an EAC Investment Strategy to provide an implementation roadmap for promoting and facilitating investments, and improving the EAC investment climate.

2. RATIONALE

The EAC Common Market presents an important milestone of integration that provides a deeper integration phase through expansion of market and collaboration towards expansion of the productive sectors, promoting growth and development of Micro, Small and Medium Enterprises (MSMEs). Therefore, concerted efforts are needed for the Community to: maximize the full benefit from the expanded market and free movement of factor markets; improve its intra-regional trade, whereas total Intra-EAC trade grew by 11.2 percent to US\$10,910.9 million in 2022 from US\$9,810.4 million in 2021, but the the percentage share of Intra-EAC trade to EAC total trade is still at 15 percent in 2022 (EAC Trade and Investment Report, 2022), which is minimal; address intra-country trade imbalances which may create trade friction; address disparities in the distribution of investments and industrial activities; improve its trade and investment positioning with other RECs and at international level; and promote the existing investment opportunities so as to generate jobs and increase income level of the region as whole.

One of Africa's most dynamic economic communities is the EAC, FDI continues to be one of the cornerstones of economic development in the EAC. However, the region has so far not substantially benefited from inflows of FDI. The overall investment inflow to the region has had mixed trend where there were periods of decline, for example from 2013 to 2016 and increase from 2017 to 2019 but then dropped in 2020 due to COVID-19, and bounced back in 2021. While the flows, have shown mixed trends, there has been a steady increase in investment projects since 2018 with an exception of 2020, at the height of COVID-19 pandemic.

Partner States have individually undertaken investment promotion activities and missions to FDI source market and have also signed various Bilateral Investment Agreements with respective trading partners owing to lack of an appropriate framework for promoting the region as a single investment destination.

In recognition of the challenges in promoting the region as a single investment destination, the EAC Summit at their 8th Extra-Ordinary Meeting directed the Secretariat to formulate an EAC Industrial and Investment Policy and Strategy supported with an appropriate institutional

framework to promote investment in the EAC region. In that regard, the EAC Secretariat undertook to develop two policies one on Industrial development and another on investment promotion. As a result, a study was commissioned in 2009 to inform formulation of an EAC Investment Policy and Strategy. The study identified a number of deficiencies in promoting the region as a single investment destination in the existing investment provisions. Thus, justifying the development of appropriate policy, legal and institutional framework for investment in the EAC region. Although the areas covered under Article 29 of the Common Market Protocol have a direct bearing on investment promotion, cooperation in investment protection and promotion under the EAC requires dedicated and unique regional investment policy and legal framework for effective investment promotion and facilitation. This was also based on the international best practices as well as the strategies adopted by other regional economic blocs including COMESA, ECOWAS, SADC and ASEAN on investment promotion.

In that regard an EAC Investment Policy was developed and adopted by the EAC Council of Ministers in February, 2021. Therefore, the development of an EAC Investment Strategy builds on the Policy adopted and takes into account the new developments at the continental level such as the adoption of an AfCFTA Investment Protocol and EAC-SADC-COMESA Tripartite Agreement.

The Investment Strategy seeks to promote opportunities and development of the priority sectors for the creation of job opportunities and wealth generation, facilitate investment collaboration among Investment Promotion Agencies (IPAs) with a view to strengthen national investment promotion and facilitation efforts, and reinforce the Community's position as an investment destination given its unique and strategic location. The Strategy is intended to appeal and enhance the investment attractiveness of East Africa amidst the global challenges such as those posed by Russia-Ukraine war and the supply chain disruptions posed by COVID-19. Further, with a continental market presented by AfCFTA, it is necessary to undertake strategic measures to position East Africa as an ideal destination for investment in the global economy.

Through the Investment Strategy, the Community is setting clear, ambitious, and applicable goals and targets by all measures to attract more foreign investments and stimulate domestic investments, which would contribute to achieving the desired levels of economic growth; contribute to providing more job opportunities and increasing Partner States exports.

3. OBJECTIVES

The overall objective of the Consultancy is to Develop an EAC Investment Strategy that will create an enabling environment for investment in order to promote and market the EAC Partner States equitably.

3.1. SPECIFIC OBJECTIVES

The specific objectives are as follows:

- i. to provide measures that will lead to the establishment of a competitive investment area through enhanced clarity and policy transparency for investors seeking to invest in the region;
- ii. to maximize mobilization and utilization of domestic capacity through encouraging its inclusion in regional and international value chain;
- iii. to provide intervention that will assure coherence of regional sectoral policies and to promote the development of the EACs high-priority sectors;
- iv. to provide proposed intervention to enhance investment promotion and facilitation coordination;
- v. to identify sector competitive advantages possessed by each Partner State for better guidance of investment and use of economies of scale;
- vi. to provide measures to facilitate investment information exchange;
- vii. to provide measures for the establishment of a regional mechanism for coordination and regulation of strategic investments;
- viii. to provide measures to increase the EAC bargaining power in respect of investment issues; and
- ix. to develop a mechanism for monitoring and evaluation of the EAC investment policy.

4. SCOPE OF THE ASSIGNMENT

The scope of the assignment shall include:

- i. Conduct comprehensive literature review all available reports at national and regional levels, which the Consultant/consultancy firm considers necessary for development of an EAC Investment Strategy. The reports to be reviewed include but not limited to the EAC Investment Policy (2021), EAC Industrialisation Policy and Strategy (2010), the EAC Treaty, the EAC Common Market Protocol, the 6th EAC Development Strategy (2021/22-2025/26), the Private Sector Development Strategy, Summit and Council

- decisions, the AfCFTA Investment Protocol and its draft Implementation Strategy, Partner States Blueprint/ Vision and Development Strategies, Investment Strategies and high-priority sectors for investment promotion;
- ii. Review other regional economic groupings that have region investment strategies including SADC, COMESA, ASEAN, EU, and ECOWAS to draw lessons and best practices for an EAC Investment Strategy;
 - iii. Undertake consultations with stakeholders including Investment Promotion Agencies, key investors/private sector, private sector associations to establish the effectiveness of investment promotion and facilitation interventions, investment policies, visions and development goals at Partner State level as well as identify gaps in investment promotion strategies;
 - iv. Conduct a SWOT Analysis of EAC as an investment destination to create a value proposition based on the Partner States competitive advantage and develop an Image Building/Branding tools for promoting the Community as an ideal investment destination;
 - v. Conduct a market analysis of the Partner States investments and source markets, develop a mapping tool showcasing countries, sectors and volume of investments to facilitate Investor targeting;
 - vi. Evaluate the EAC's high priority sectors and develop sector specific value proposition and marketing tools/materials for promoting of inward investments in the sector;
 - vii. Assessment of Investment Promotion support institutions at national and regional level and propose measures at national and regional level that can facilitate and support implementation of regional investment promotion programmes. The Consultant should highlight the mechanisms for complementarity and fostering collaboration in the promotion of investment in EAC;
 - viii. Analyse the resources needed for implementation of the strategic actions including strategic partnership and propose required interventions; and
 - ix. From (i) to (viii), develop a concise EAC Investment strategy document that will foster attraction of investments, development of regional industries in the high-priority sectors and stimulate structural change and sustainable economic development in the region: The Strategy should include an effective Monitoring and Evaluation Framework for the strategic interventions with key performance indicators (KPIs) to improve monitoring and evaluation of the interventions.

5. METHODOLOGY AND WORK PLAN

The Consulting firm will be expected to propose a suitable Methodology and Work Plan for executing the task. The Methodology and Work Plan will be discussed and agreed upon between the firm and EAC Secretariat.

6. DURATION OF THE ASSIGNMENT

The duration of the Assignment shall not exceed 120 man-days spread over a period of 6 months from the date of commissioning of the Assignment. Tentatively, the Assignment will commence on the 1st day of May 2024.

7. QUALIFICATIONS & EXPERIENCE

- a) The Consultancy firm should have eight (8) years of General experience with five (5) years of specific experience in the field of the assignment and should provide a detailed list of similar consultancies previously done in the past five (5) years.
- b) The Consultancy firm should have three Categories of Staff, namely a Lead Consultant; Investment expert; and Planning expert and who shall possess the following qualifications:
 - i. An advanced Degree in Finance, Statistics, Investment, Business, Economics, Law or a related field from a recognized University/ Institution;
 - ii. Significant knowledge and understanding of EAC regional integration, trade and investment issues, international trade issues and benchmarks, and investment climate in the EAC;
 - iii. Demonstrated experience in undertaking similar assignments, preferably within the East Africa region;
 - iv. Demonstrated skills and good experience in research, business, computer applications and communication;
 - v. Highly developed analytical skills with the ability to produce high quality analytical reports and policy papers;
 - vi. Demonstrated ability to work with stakeholders from the diverse background on the complex issue of national and regional importance;
 - vii. Due to the nature of this intended study, firms that demonstrate multi-country (EAC) representation in their consulting team will have an added advantage; and

- viii. Must be available throughout the assignment period and ability to work under pressure and with strict deadlines.

8. EXPRESSION OF INTEREST

Interested Firms may Express their Interest by providing the following information in the EOI:

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- (i) Corporate profiles: Legal status of the firm, registration details, business details, Tax Identification references, Tax Compliance certificate, whether they have been involved in any Commercial Conviction, Curriculum Vitae (for technical key personnel) of the lead firm and associates, general experience information over the last 5 years (including experience in East Africa), the firm's history and overall personnel structure and capabilities;
- (ii) Financial information: audited accounts for the last 3 years, current assets and liabilities;
- (iii) Experience: General experience in the last 5 years and specific experience in the field of the assignment over the last 5 years provide a detailed list of similar consultancies previously done in the past five (5) years; provide evidence of at least (3) previous contracts / orders of similar assignments and
- (iv) Key Personnel: brief descriptions of at least three consultants' key personnel showing their qualifications and experience.

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