The East African Community: Informal adaptation in regional trade and transport cooperation[1]

This paper sets out to better inform stakeholders about why the East African Community (EAC) and national level stakeholders operate as they do, for the case of regional trade and transport cooperation. It concludes with implications for support.[2]

Political traction, member states interests and potential

EAC policies have prioritised economic growth through trade-related reforms such as the Customs Territory and Common Market, and infrastructure cooperation around regional railway infrastructure and improving the efficiency of regional transport corridors. Overall, implementation of EAC integration policies has been progressing successfully with the EAC making more progress than Africa's seven other regional economic communities (RECs) recognised by the African Union (AU).

An acceleration of EAC policy implementation around 2013-16 reflected a coalescing of interests among a subgroup of member states. Kenya in particular has long acted as a regional hegemon or 'swing state' and has actively promoted regional integration processes. It is specifically interested in promoting an export market for its private sector and establishing Mombasa as the region's dominant port. Uganda and Rwanda joined Kenya in these endeavours, two landlocked member states that also aim to secure trade channels and improve the cost and time involved in transport imports from the coast. In contrast, the Government of Tanzania has often shown reluctance to market liberalisation and integration, but has generally not managed to constrain the efforts of Kenya, Uganda and Rwanda. Kenya's role as a regional hegemon is indispensable to sustained progress in the EAC, but its pursuit of accelerated integration risks heightening tensions and even divisions among member states.

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[1] Based on a March 2017 Background Paper by ECDPM, available at www.ecdpm.org/pedro/backgroundpapers. The Policy Brief and Background Paper were prepared under the BMZ-financed project on the ***P**olitical **E**conomy **D**ynamics of **R**egional **O**rganisations* ***(PEDRO)***. This paper builds on an earlier paper conducted under the PERIA project. Authors: Elke Verhaeghe (everhaeghe@cris.unu.edu) & Craig Mathieson. Project team leader: Bruce Byiers (bby@ecdpm.org).

[2] Other PEDRO papers related to EAC deal with industrialisation and youth employment, food security, the East African Court of Justice, and the East African Standby Force.

Some member state interests have aligned around new large-scale regional infrastructure, supported by Chinese financing. However, much of this happens outside EAC structures and plans, with the EAC's role limited to policy advice and technical studies rather than coordinating national policies. One major parallel interstate initiative has been the Northern Corridor Integration Project, driven by Kenya but also involving Uganda and Rwanda. This initiative allows for rapid progress that, given the divergent interests of Tanzania and Burundi, would not have been possible at EAC level. However, as such initiatives often arise from national perspectives with no support, oversight or coordination from the EAC Secretariat, some suggest they potentially undermine a future regional approach through the EAC.

In trade, the EAC's main achievement has been the establishment of a custom union, although implementation has been prone to lengthy delays and blockages. In particular, implementation of the Common Market has been limited by exemptions, bans and non-tariff barriers. This is in particular the case for those sectors that are tied to vested interests, such as Kenya's sugar industry. Attempts to monitor trade policy implementation have been slow to take off. Such monitoring measures gained greater attention as the interests of some EAC member states for effective EAC trade integration increased because of political motives (like in Burundi before the crisis) or more private sector interests (like in Kenya). Considerable resources have also been invested by TradeMark East Africa, a non-profit organisation set up and financed by numerous donors, illustrating the critical role that an external actor can play in regional integration processes.

The conclusion of an economic partnership agreement (EPA) with the European Union (EU) has also exposed diverging interests and tensions between EAC member states, with only Kenya and Rwanda having signed and ratified the EPA. The decision at the 18th Summit of Heads of State of the EAC to consider "variable geometry" in implementing the EPA if no common position with the EU can be found within half a year, also illustrates the divergence of views among EAC member states in their external trade relations, at least with the EU. This would undermine, and ultimately jeopardise the EAC custom union efforts.

The EAC is strongly reliant on donor support. This carries a number of risks, including the risk of reinforcing a culture of patronage and 'per diems'. This culture has caused considerable tensions within the regional institutions, and reduced its effectiveness. A strong reliance on donor support may further create incentives for EAC institutions to pretend that they to support institutional reforms rather than a commitment to implement. Poorly targeted and calibrated aid can further disincentivise member states ownership and contributions.

There is a growing private sector interest in EAC integration, particularly within the Kenyan private sector. The Kenyan private sector's regional expansion in the finance, telecommunications, and retail sectors is contributing to a stronger and better-connected regional economy. At the same time, processes for consulting civil society organisations, private sector organisations and other non-state actors are weak, with decision making narrowly concentrated in the EAC Summit of Heads of State and Government. Given the non-state actors' dynamism in some countries in the region, there are opportunities for improved dialogue and cooperation in regional policy processes.

Implications for support

1. Given aid dependency of the EAC and multitude of regional dynamics, donors need to balance support to EAC institutions and programmes with support to sub-regional groupings.

- External supporters should care not to lead the regional agenda, but identify policy sectors and programmes with sufficient political traction.
- Institutional support should be directed at strengthening core functions and capabilities that help reinforce trust and governance of EAC.

- Donors should improve their understanding of political traction, interests and the incentive environment, particularly those of the most influential member states, Kenya and Tanzania.
- Intensified coordination among limited numbers of member states (such as the Northern Countries Initiative) can accelerate progress towards regional integration, although informal dynamics between states around these initiatives can change quickly.
- Nevertheless, such cooperation among sub-groupings may also reinforce or create divisions within the EAC.

2. The political traction of EAC in support of regional integration in trade and transport varies with member states interests.

- Large scale transport infrastructure programmes - and the changing incentive environment for public and private actors in the region and in countries - may create opportunities for donors to support reforms (for example around the removal of non-tariff barriers).
- For cross-border infrastructure development programmes, support could be provided through special purpose vehicles in order to combine technical with facilitation support that also enables linkages with the EAC.
- The TradeMark East Africa model of supporting trade and trade facilitation appears to have met some success in combining support mechanisms, in adapting context specific incentive environment and in responding to the interests of different public and private stakeholders.
- This suggests a need to better understand how that model works in practice and what lessons can be drawn.

3. Support private sector engagement in regional and national level consultation and policy dialogue.

- Donors can build upon the growing private sector interest in EAC integration, particularly within the Kenyan private sector.
- Timely engagement on regional policy design with appropriate private sector players generally lacks in EAC policy processes, with major risks of poorly articulated policies with little resonance with the private sector in terms of implementation or compliance.
- While general levels of formal private sector engagement in EAC processes are low, the East African Business Council appears to have achieved a range of results that could be built upon for further progress, notably at sectoral level and in terms of national anchorage.

Behind the formal structures of regional organisations is a messy world of regional power and politics. This messiness is often difficult to capture in the language of development cooperation and institutional development. Working with regional organisations and their programmes therefore implies engaging with complex, multi-level power and interest dynamics.

PEDRO, the **P**olitical **E**conomy **D**ynamics of **R**egional **O**rganisations, is an ECDPM project that looks at the politics behind regional organisations, and the structural factors, institutions and incentives that ultimately define the way in which countries and different stakeholders engage at a regional level. PEDRO covers 17 African regional organisations and 11 policy areas. For each of these, ECDPM has applied a political economy approach to help understand the dynamics and their effects in different regions and policy areas.

The studies are framed around three key questions: the first relates to the political traction of the regional organisation as this helps assess whether the regional organisation has enabled regional decision making and if it has contributed to implementation. The second focuses on the member state interests in engaging with the regional organisation, especially the more resourceful and powerful ones (the so-called 'swing states'). The third looks at the areas with most traction where regional and national level interests seem to be most aligned for regional outcomes.

The reports aim to present information and insights that can help regional stakeholders navigate the obstacles and better respond to reform opportunities. Rather than providing specific operational recommendations, the political economy approach encourages more reality-based discussions among practitioners and reformers about feasible ways to address regional challenges. It is hoped that this may help tailor the ambitions and approaches of donors and reformers and help identify ways to support national or regional champions or coalitions to take regional cooperation and integration forward.