



## SAFEGUARDING REGIONAL TRADE INTEGRATION IN THE BUY KENYA, BUILD KENYA STRATEGY

Regional integration is key for the development of Kenya. However, national strategies such as the Buy Kenya Build Kenya strategy offering growth prospects for local industries come as a perceived threat to progress made towards realizing operation of the East African Community (EAC) as an economic unit. Both are important to long-term development goals and measures can be undertaken to ensure that they coexist. Through prioritising the consumption of commodities and services from the EAC after local goods, enforcing quality standards, and branding commodities from the EAC, it is possible to ensure that the regional integration agenda is not lost to strategies aimed at promoting local industry development.

### ● National Interests and Regional Integration

For Kenya as a developing country, the regional integration agenda features prominently among development initiatives. And rightly so. Trade within the context of a Regional Trade Agreement (RTA) benefits consumers as commodity prices are driven down by competing strong substitutes from the regional market. Secondly, firms are compelled to reduce inefficiencies due to increased competition. In addition, regional markets are attractive to foreign direct investors due to the enlarged markets. RTAs also influence domestic reform processes in order to adhere to standards set to protect the welfare of the larger group. Lastly, with regional integration comes higher bargaining power in multilateral negotiations, increasing credibility, visibility and guaranteeing better outcomes from negotiations.

National interests have often been identified as a significant hindrance to regional integration. A case in point was the dissolution of the East African Community (1967 – 1977), brought about by competing interests in the three member countries at the time. The revival of the EAC in 1999 encompassed a goal for economic prosperity for member countries, a significant provision being that of free trade. Since then, there have been important milestones reached to promote the flow of commodities among member countries, especially with the establishment of the Common Market Protocol in 2009. However, national interests in the form of contrasting development strategies still continue to threaten the full implementation of agreements signed.

### ● The Buy Kenya Build Kenya Strategy

Kenya's Buy Kenya Build Kenya Strategy is key to the development agenda set by the country since 2015. It is intended to spur growth in Kenya's manufacturing sector by scaling up the consumption of commodities from local industries. The strategy outlines directives to encourage this, for example, that public entities have to procure at least 40 percent of their goods and services locally.

### ➤ QUICK FACTS

- » The Buy Kenya, Build Kenya strategy seeks to promote local industry through procurement of locally made products.
- » Other East African countries are undertaking similar initiatives, such as "Made in Rwanda" and "Made in Uganda."
- » However, there are concerns that such policies could hinder the progress of regional integration by locking out products from neighbouring countries.
- » According to Dr Mukhisa Kituyi, Secretary General of UNCTAD, "In East Africa we still have national tendencies instead of regional. We need to yearn for something bigger than state protection."

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"In East Africa we still have national tendencies instead of regional. We need to yearn for something bigger than state protection." Said Dr Mukhisa Kituyi, Secretary General of UNCTAD, at EAMBS 2017. Kigali, Rwanda. May 2017.

With the launch of the strategy, there have been concerns on the retrogressive nature of policies aimed at protecting local industries and trade, against the backdrop of measures aimed at enhancing regional integration within the EAC. There are fears that Kenya, like Uganda and Rwanda that launched the "Made in Uganda" and "Made in Rwanda" campaigns, is resorting to protectionism, which could potentially undermine strides made in promoting free flow of trade among EAC members.

Despite the perceived risk to regional integration by the BKBK and other strategies aimed at boosting local manufacturing, an important consideration would be that strengthening domestic agricultural, industrial and service bases would in fact be beneficial to member countries and the EAC as a whole. Trade with other member countries is bound to be subject to standards set for locally produced commodities, improving quality for East African Commodities as a whole. In addition, with the growth of local manufacturing there are increased prospects for employment. This is bound to spillover to partner states.

### ● Safeguarding Regional Integration in the BKBK

The BKBK and regional integration independently provide undeniable prospects for economic growth and the development of the country. It is incumbent upon development practitioners in Kenya to ensure that the regional integration agenda is not lost to initiatives aimed at boosting the development of domestic industries. This can be achieved by taking measures to safeguard regional integration within the BKBK. To this end, the following measures should be undertaken:

## 1 Appending directives for consumption of commodities from the EAC

Promoting trade in and consumption of commodities produced within the EAC ought to be prioritized following goods produced locally. The BKBK

should explicitly outline the standards that commodities from partner countries have to meet in order to be allowed entry into the Kenyan market, subject to local deficiencies, for example. This would include directives on procurement budgets within public institutions for EAC goods and services.

## 2 Branding and awareness creation

The Kenyan government should commit to defining standards for commodities sourced from other EAC countries as a way to, first, prevent dumping. Secondly, it would work to strengthen the quality of commodities from the region.

The BKBK sets out to develop criteria, branding, for determining local content. The same needs to be done for commodities sourced from member countries to prioritize their procurement over those sourced from outside the EAC. This would be coupled with initiatives to raise awareness among consumers on the identification and procurement of these commodities.

# USEFUL RESOURCES



### CUTS (2017). Making Buy Kenya, Build Kenya Strategy Work for Local Agro-processors. Briefing Paper.

Agro-processing holds the key to industrialisation, food security, creation of employment opportunities, and poverty alleviation in Kenya. However, in the face of rising competition from cheap imports, Kenya needs to leverage the Buy Kenya, Build Kenya strategy to develop agro-industries through consumption of local agro-processed products, while safeguarding regional integration. <https://goo.gl/xgT2KW>



### Kritzinger-van Niekerk, L., 2005. Regional Integration Concepts, Advantages, Disadvantages, and Lessons of Experience.

This paper published by the World Bank reviews the experience of regional integration in select developing country RTAs, to provide key principles for successful regional integration. It also identifies commonly faced challenges pertaining to overlapping memberships as well as institutional and policy design issues. <https://goo.gl/yrVnYN>



### Muchira, Njiraini, 24 May, 2017. Industrialists Fear Return of Protectionism in East Africa. The East African.

While industry stakeholders contend the campaigns help local industries, there are concerns the drives could hinder the growth of the wider East Africa market by locking out products from neighbouring countries. <https://goo.gl/jg7Hxv>