| Index | 15th March 2013 | 15th April 2013 | % change |
|---|---|---|---|
| **NASI** | 113.23 | 120.94 | 6.81% |
| **NSE 20 Share** | 4774.12 | 4994.94 | 4.63% |
| **Market Capitalisation** | 1536.33 | 1640.86 | 6.80% |

GREENER PASTURES

# Rwanda grows with the development of EAC

Officially revived in the year 2000, the East African Community (EAC) currently consists of five member countries namely Kenya, Uganda, Tanzania, Rwanda and Burundi. The EAC has taken strides over the last couple of years in becoming more integrated. This can be seen through the four pillars of integration, specifically the Custom Union, Common Market, Monetary Union and Political Federation, which aim at enhancing free trade within the region.

This is great news for local firms that are looking to increase their regional footprint with the aim of minimizing the volatility of their earnings within one economy. For instance KCB and Nation Media Group are reaping the benefits of diversification in the year ended 2012 through higher revenues and profits. These attractive returns have stirred other Kenyan firms to consider expansion into the East African region, with UAP, CIC and APA Insurance currently eyeing Tanzania as the first destination in their expansion strategies.

### Kigali, the Next Big Thing?

Over the last couple of years Rwanda has become increasingly attractive to Kenyan firms. This is mainly attributed to the country's improving business climate coupled with a less corrupt environment.

| | Burundi | Kenya | Rwanda | Tanzania | Uganda | Total |
|---|---|---|---|---|---|---|
| **Burundi** | - | 18 | 38 | 45 | 15 | 116 |
| **Kenya** | 30 | - | 225 | 350 | 400 | 1,005 |
| **Rwanda** | 38 | 48 | - | 30 | 58 | 174 |
| **Tanzania** | 160 | 105 | 48 | - | 100 | 413 |
| **Uganda** | 180 | 105 | 140 | 110 | - | 535 |
| **Total** | **408** | **276** | **451** | **535** | **573** | **2,243** |

Furthermore Rwanda remains the cheapest place to do business given its minimal licensing procedures. According to the World Bank 2012 Economic Survey, Kenya unlike her regional neighbours, experiences a relatively high cost of doing business mainly as a result of high licensing and business registration fees.

Rwanda is a virgin market, and presents Kenyan firms with numerous opportunities. Its blue ocean characteristics enable firms to capture high market shares. Kenya is currently viewed as the biggest investor in Rwanda from the East African region. It has significant ventures in the banking, retail and education sector.

The table above shows the level of investments carried out by each EA member country from 2007 to 2011.

Expansion into Rwanda has been led by firms in the banking sector which include Equity Bank, KCB and Fina Bank. Moreover, I&M bank, which is based in Kenya, has a major stakeholding in Commercial Bank of Rwanda giving it a competitive advantage over its counterparts.

Firms in other sectors have not been left out, with Nakumatt Holdings championing firms in the retail sector, since it set up shop in Rwanda in 2008. Unilever and Bata have also expanded into Rwanda while other firms in the retail industry also prepare for expansion.

The education sector is also not being left behind with the Kenya and the EAC formulating plans for student mobility programs, credit exemptions and integrating curriculum content. This has made some headway especially with the approval of the Inter-University Council for East Africa (IUCEA) Bill in November last year.

This Bill aims at achieving a unified university system within the East African region and constructing a system that will enhance student mobility across the East African nations. The Bill will also help avoid any accreditation disputes by ensuring that qualifications from universities within the region are recognized.

### What Next in the Future?

Kenyan firms will start scrambling for market share within regional markets. This is evidenced by planned expansion of firms such as Uchumi Supermarket which seeks to shake Nakumatt Holdings' dominance in the Rwandese market. Other firms will embark on market development, such as SOPHAR pharmaceutical company which already has a partnership with Fanisi Capital to raise funds for expansion into Kigali.

With talks to further integrate the region through a common currency, the process of establishing subsidiaries in different member countries is expected to ease. However, although regional integration is beneficial to member countries, caution should be taken to ensure that that it is done in a sound manner with enough regulatory bodies to supervise activities and correct anomalities that may arise. Failure to do so may lead to economic problems and contagion as seen in the Eurozone Crisis. NBM