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East African Community and a 10% Tax on Medicines

www.haiafrica.org

info@haiafrica.org

The East African Community Customs Union recently imposed a 10% tax on pre-packaged medicines being imported into the region. HAI Africa's fact sheet gives a short background to the EAC, the tax and its implications on access to essential medicines.

What is the EAC?

The treaty establishing the membership of Kenya, Tanzania and Uganda into an East African Community was signed on 20 November 1999 in Arusha, Tanzania. The treaty outlines the objectives of the EAC as developing policies aimed at gaining mutual benefit by widening cooperation between the three countries in areas of:

- political arenas
- economics
- social and cultural fields
- research and technology
- defense
- legal and judicial affairs
- security

What is envisioned in the EAC Treaty?

Regional cooperation and economic integration as a method of pursuing economic growth and development is common to many developing regions of the world. The EAC Treaty aims for the creation of a customs union, a common market, a monetary union and a political federation. The East Africa Customs Union (EACU) is now in effect.

What is the new 10% tax policy?

Although there is no tax on any medicines originating in East Africa (e.g. those manufactured locally), *imported medicines* fall under the EACU Common External Tariffs Harmonized System 30.03 and 30.04. The tariff classification of medicines under this System is based on broad material composition and is based on the World Customs Organization coding system for all items of trade.

EACU Harmonized System Number	Which imported medicines are affected?	Which import duty?
30.03	those not packaged for retail sale (e.g. those imported in bulk for repacking)	no tariff
30.04	those in forms ready for retail sale (e.g. most antiretrovirals are imported in patient-ready packaging)	10% tariff

Which Medicines might be affected by this tax?

Patient-ready medicines, some of them from the region's essential medicines lists, fall under this new

tariff. Among these are:

- ciprofloxacin and other antibiotics
- zidovudine and other antiretrovirals
- fluconazole and other antifungals
- some medicines for diabetes
- some medicines for high blood pressure

Why the concern?

Although East Africa has a functional local manufacturing industry, it is not able to supply all the essential medicines the populations need, and it is a fact that a large majority of essential medicines continue to be imported.

It is well documented that price is one of the biggest barriers to access. Already, a vast majority of people in the EAC simply cannot afford to pay for the medicines they need and any tariff on a medicine coming into the country will be passed on to the consumer. Furthermore, the patient will end up paying more than simply 10% because that 10% will be compounded over every markup commonly occurring during the various stages of pricing.

Are there any exemptions?

The EAC Customs Management Act has a provision¹ for exemption of duty on Goods and Equipment for use in donor-funded projects, for example those medicines being imported by the Global Fund, or other bilateral donor-funded programs including NGOs. Many essential medicines are managed through such donor programs and this exemption should be exploited until the tax can be abolished completely for all essential medicines, regardless of who pays for their sourcing.

What can be done?

Access to the highest attainable level of health, which includes access to essential medicines, is a human right. HAI Africa believes that essential medicines should be available to all, and unconditionally exempt from any sort of duty or tax in every country. The EAC aims for further development “with a strong focus on the social dimension.”² Ensuring access to medicines for all its citizens is a key component of this goal, and a 10% tax will only serve to put medicines even further out of reach.

The EAC Council of Ministers is meeting in March 2005 and people have been invited to write letters of concern to:

Hon Jakaya Kikwete MP
Chairman, EAC Council of Ministers
East African Community
AICC Building, Kilimanjaro Wing, 5th Floor
PO Box 1096, Arusha Tanzania
Fax +255 27 250 4255 / 250 4481 (from outside E Africa)
Fax +007 27 250 4255 / 250 4481 (from within E Africa)
email eac@eachq.org

Copy to
Hon N Amanywa Mushega
Secretary General, EAC
mushega@eachq.org

Mr Peter Kiguta
Director General
EAC Directorate of Customs and Trade
kiguta@eachq.org

Dr. Stanley Sonoiya
EAC Health Coordinator
sonoiya@eachq.org

¹ Section 114 and the Fifth Schedule, Part A Section 10

² EAC Development Strategy, from EAC web site, http://www.eac.int/about_eac.htm