

2ND EAC SYMPOSIUM, ARUSHA-TANZANIA, 28TH-29TH APRIL 2011

THE EAC EXPERIENCE: ACHIEVEMENTS, CHALLENGES AND PROSPECTS BY AMB. JUMA V. MWAPACHU, FORMER SECRETARY GENERAL, EAST AFRICAN COMMUNITY

Introduction

I am pleased to participate at this 2nd EAC Symposium whose overarching theme is “Agenda for EAC’s Second Decade: Lessons Learnt and Forward Looking Strategies.”

I am one of those people who ardently believe that organisations, like human beings, must continuously renew and reinvent themselves if they are to remain healthy, agile and growth focused. Symposia like this act like health checks, providing an opportunity for diagnostic analysis that not only helps keep organisational dry rot in check but also trigger interventions that stimulate dynamic change and growth. The EAC must therefore find ways and means to sustain these intellectual conversations always mindful of the need for relevance, pragmatism and results orientation.

Chairperson,

Contextual Dimensions

This 2nd EAC Symposium is taking place at a most propitious time. There are two dimensions that I wish to examine in this context. First, four days ago I completed my five year term of office as Secretary General of the EAC. This morning, we witnessed the new Secretary General, Dr. Richard Sezibera, opening this Symposium as his first act of duty. How historic for this Symposium! Through this Symposium, the old and the new in the EAC’s top leadership have and are being enabled to share their insights about “where next for the EAC?” I have every confidence that in this engagement, the change of top leadership will not translate into “new wine in an old bottle”! For the EAC to effectively renew and reinvent itself within its well defined objectives and goals, the new wine will have to inevitably go with a new bottle.

The bottle, as a pseudo name for institutional arrangements, institutional capacities and competencies, cannot be static; cannot be the old, or else the EAC will suffer the pain, agony and disconnect experienced by France’s ancien regime who after the revolutionary changes brought about by the French revolution remained on the state of having “learnt nothing and forgotten

nothing”. In my view, this philosophy of change whilst respecting the achievements realised by the EAC in the past decade and which constitute EAC’s core stability, should reflect the new wine bottle – its form, size and colour as well as how it gets accepted will of course be one of the important tasks of the new Secretary General.

The Second dimension as to why I consider this Symposium propitious relates to the emerging dynamics of regional integration in eastern and Southern Africa. At no time since the establishment of the Organisation of African Unity in 1963 has Africa witnessed a more momentous movement towards the goal of the Abuja Treaty, notably that of the formation of an African Economic Community. This Symposium is making a marked departure from the hitherto inward looking balkanised focused conversation about regional integration. For a long time, Africa’s Regional Economic Communities have not only been inbreeding but have also been zero grazing. In this area, the African Union, regrettably has failed to powerfully and consistently forge a radical shift from this organisational culture. Thus, each REC has been pursuing Prince Matternich’s 19th Century philosophical mantra of “everyone to himself and God for us all”. Even though the AU has established a coordinating mechanism intended to forge this particular culture, it has fallen far short of the type of dynamism needed to bring about effective sharing of best practices and the creation of policy frameworks that can spearhead the realisation of key African-wide integration objectives.

In contrast, the emergence of the COMESA-EAC-SADC Tripartite which features prominently at this Symposium programme constitutes the most unique, innovative and strategic wake up call to the vision of the Founding Fathers of African unity. One could correctly argue that this Tripartite arrangement fits in well with the quotation “back to the future” mantra; a future that seeks to liberate Africa from the continuing shackles of an inequitable global wealth divide and of neo liberalism.

Chairperson,

The presence and effective participation at this Symposium of His Excellency Sindiso Ngwenya, Secretary General of COMESA and current Chair of the COMESA-EAC-SADC Tripartite Task Force is clear testimony of the seriousness attached by the three Tripartite RECs to catalyse the new and broader African integration project, leading from the front as it were. This is a road which even the purported angels of African Integration have for long feared to tread. The Tripartite has discovered that this road is not only paved with gold but it also leads Africa to a certain economic paradise. The new EAC

Secretary General will have to quickly jump on to this Tripartite Bandwagon and inject into it fresh ideas and even provide new impetus. As he will learn from this Symposium, my former colleagues in COMESA and SADC are eagerly waiting to baptise him.

Chairperson,

EAC's Progress

The topic selected for me at this Symposium is too broad and wide. I do take comfort that much has already been said, written and published about the EAC Story in its first decade. As such, there is nothing really new to add. Therefore, what I intend to do is to raise a number of questions on what I consider to be some of the key driving forces that could help shape the next level of EAC's progress. But exactly what does EAC progress mean? Let me pose a few cases:

The Customs Union

We know it as a fact that for the past six years, the EAC has been implementing the Customs Union Protocol. A number of interventions of a policy and strategic nature have been effected to make the Customs Union realise its objectives. At its heart, the Customs Union seeks to propel the growth of a larger EAC internal market taking advantage of the Common External Tariff and the abolition of internal Customs duty. Intraregional trade has thus gone up by 52% between 2005 and 2009. 2010 figures may reflect a higher trade growth when the statistics are made available. However, this growth represents only about 12% of EAC's total trade with the outside world. So the first question to ponder is what forces should be adopted to drive higher intra-EAC trade and at what speed? It has been suggested for example that the EAC should strive to achieve a 20-25% share of intra EAC trade to total trade by 2020. The question is how? It needs to be noted that the EAC is presently somewhat short on the statistical analytical side about the drivers of growth and their relationship to intra-EAC trade. Infact, there is a great deal of statistical second guessing about the roles for example, of the following important factors of regional integration:

- i) Physical infrastructure (roads, railways, ports, lake transport and energy) in catalysing economic growth;
- ii) Improved trade facilitation across EAC Borders in bringing down cost of doing business and promoting higher competitiveness;
- iii) Heightened cross border investments and their relationships to expansion of jobs and exchequer revenues;

- iv) The influence and impact of a Single Customs Territory and a regional authority in Customs Administration in leveraging the efficacy and effectiveness of the Customs union;
- v) Harmonisation of domestic taxes such as VAT and Excise Duties and the side effects that arise therefrom and how they can be tackled in the absence of strong economies able to step in and offset revenue losses suffered by any one Partner State;

In this overall context, I believe that the EAC has now come to the stage where it needs to exercise greater knowledge leadership around many of the issues I have raised above, some of which if not well articulated and explained through supporting rational data, may continue to pose concerns and anxieties about how deeper the Customs Union should go.

The Common Market

The EAC has embraced the Common Market principles and objectives and between 2010 and 2015, it is planned that the four freedoms involving the free movement of persons, labour, capital and services will be implemented at varied degrees and speeds. I have consistently stated and publicly so when I was Secretary General, that the EAC, in a way, lacking that massive economic liberalisation measures effected in most of the EAC Partner States, especially in Kenya, Uganda and Tanzania since the late 1990s, have created a supporting policy space for the free movement of capital and for trade in services. Of course, this development has been inspired largely by enabling domestic legal and regulatory regimes and not by a regional legal framework. However, one should not diminish the leverage and influence the domestic policy liberalisation has had in bolstering the free movement of capital and services across the EAC borders. Indeed, the banking, insurance and financial or stock markets have particularly benefited from such policy space. In more recent years, particularly the past three years, the EAC region has seen other services picking up momentum at regional level. These include retail trade (Nakumatt and others), health (e.g. Aga Khan Foundation), Air transport (e.g. Fly F540 and Jet Link) and tertiary education (e.g. Kampala International University and the Aga Khan University).

Yet, inspite of these clear positive developments which include the recent adoption of the EAC Double Taxation Avoidance Agreement, a number of challenges remain. As I have alluded earlier, the Common Market to be well implemented, a number of regional laws will need to be enacted in order to make the life of regional economic and businesses more comfortable and predictable. The free movement of skilled workers and professionals will need,

for example, a harmonised social security system that assures them of stability of pensionable benefits. But there are a number of issues that have to be addressed and these include the following:

- a) The role that the East African Court of Justice should and must play in administering and adjudicating commercial disputes that arise out of implementation of the Customs Union and the Common Market must be quickly relooked into. It simply does not stand to logic in my view that commercial disputes of a regional character and which flow from the implementation of the Customs union and the Common Market protocols should fall under the jurisdiction of the municipal courts. These legal deficits seem to arise out of the continuation of a deep seated mindset that exists at national levels which centre on a lack of broad based and preparedness to cede national sovereignty even over matters that make logical sense like supra judicial intervention.
- b) If the aim of the Customs Union and the Common Market is for the EAC to build a larger internal market and to foster greater competitiveness, then it doesn't stand to business logic not to liberalise the EAC airspace and enable our own airlines to fly regionally under the framework of domestic operations. In other words, why should it be necessary for airlines like Fly 540, Jet Link and Precision Air, for example, to form companies in all the Partner States separately in order to operate domestically? To me, the EAC region could break the path in Africa in implementing fully the Yamoussoukro decision which was decided upon over 20 years ago to liberalise the African airspace with a view to ensuring that Africa better integrates its markets.
- c) Education and knowledge are the new critical drivers of competitiveness all over the world. The need and urgency to foster broad based education in our region, to give East Africans better skills that fit with the current needs of an emerging knowledge economy even in our own region stands to simple logic. Therefore, the EAC needs to provide the policy space that encourages regional universities to emerge and to help build the much needed spirit and culture of East Africanness which used to exist during the hey days of the University of East Africa in the 1960s and 1970s. This policy space is now encumbered by the cumbersome and laborious system of national accreditations for universities and higher institutions of learning that seek to promote EAC wide university institutions. One does understand and appreciate the need to assure that there is effective quality assurance as far as education is concerned which will enable mutual recognition of certification and qualifications to take

effect. However, where the applicants for accreditation are already institutions of higher learning that already enjoy accreditation at one of the EAC Partner States, surely, the need for separate accreditation at other Partner State levels becomes too much of a bureaucratic exercise which adds no value. The EAC must therefore move quickly towards not only allowing region-wide system of accreditation of tertiary education but also harmonise the education systems and curricula even where, in the case of Burundi, the language of instruction is French. Three days ago, I had a long discussion in Tunis with the President of the African Development Bank, Dr. Donald Kaberuka on how the AfDB can support the EAC to address challenges relating to harmonisation of education systems. AfDB has agreed to support the EAC on this project.

- d) At the heart of the implementation of the Common Market, is the whole idea of allowing the citizens of the EAC to enjoy broad ownership of businesses and economic activities undertaken in the region. This is the thesis behind free movement of capital. It is always stated that for regional integration to have tangibility and concrete meaning, the people have to be enabled to directly participate in regional economic activities. In the last few years, the EAC region has seen ordinary people using their disposable incomes to acquire shares in stocks that had been floated in the national stock exchanges. This trend has been enabled by the liberalisation of monetary policies in the various countries in the region especially with respect to the liberalisation of the capital accounts. It is a move that is in the right direction because not only is the EAC region now able to develop what one can describe as regional business champions, but it importantly dampens some of the sensitivities that have fuelled the concerns and anxieties about one Partner State benefitting more from EAC integration than another. Tanzania is yet to fully liberalise its capital account and to that extent it disenfranchises its citizens from fully participating in the broad ownership of East African businesses. I have always stated that this position of Tanzania is not only paradoxical, it is almost tragically humorous because a Tanzanian today can buy almost any amount of dollars to travel abroad even for luxury with no questions asked, and yet be able legally e-stopped from moving across the border to buy shares of a listed company in the Nairobi Stock Exchange.
- e) The EAC Treaty provides that the EAC shall be people centred and market driven. For several years now the EAC has forged a close partnership with the East African Business Council, the voice of business in the EAC region with a view to assuring that the objective of the EAC

being market driven is better realised. And indeed, this partnership with the EABC has seen the EAC undertake annual investment conferences and media summits in collaboration with the EABC. The EABC has also helped the EAC shape and fine tune some of its policies and strategies in areas such as illicit trade and counterfeits, informal sector trade, development of SMEs and HIV and AIDs. However, to-date the EABC is yet to be recognised as an EAC institution whereby it is able to fully participate in the decision making structures and systems of the EAC. There has been a debate as to whether a body representing private business interests should be accorded such as stature. In my view, this is not a question of stature; the EABC is not seeking financial or budget support from the EAC. What it seeks is a partnership that enjoys legal recognition and which thereby enables the EABC to enjoy maximum benefit of influencing policy making which bears on the Treaty objective of making the EAC truly market driven. This is work in progress for the new Secretary General and it needs to be earnestly pursued.

Monetary Union

The Monetary Union project has only commenced this past month in the context of the negotiating process. It is a process that will take another 12 to 14 months to complete. What is important to underscore is that inspite of its complexity largely because you need to achieve macro-economic convergence of all the Partner States in order to move in tandem towards a Monetary Union and regard being had to the challenges that have been witnessed in recent months over the European Union Monetary Union crisis, the EAC political leadership remains steadfastly committed to seeing the negotiation process proceed with vigour and with the ultimate expectation that the EAC can realise this objective within the shortest time possible. The clarity of expectation is founded on a strong belief that a Monetary Union will provide impetus to the workings of the Common Market and reduce the exchange volatilities in the region that are currently experienced due to the Partner States' separate Monetary policies.

Chairperson,

Strategic Drivers for Deeper Integration

So far, what I have examined has focused on EAC's progress, what has driven it and the challenges that have been encountered. I have also tried to point out areas which need to be looked into in order to make the Customs Union and the Common Market in particular work better and realise their core objectives. In

this part of my Paper, I intend to examine three strategic drivers for scaling up EAC's integration.

Deeper Awareness Creation: It is important for the EAC moving forward to forge deeper awareness creation in the East African society about the costs and benefits of integration. For quite some time now the EAC has sought to determine how best to undertake this important function. Lately, the EAC has finalised a Communications Policy and Strategy that can help the organisation approach this exercise with greater clarity and purpose. The Media has been particularly critical of the EAC Secretariat for not being robust enough in promoting greater understanding by the citizens of East Africa about the role of EAC's integration and the benefits that are supposed to accrue to those citizens.

In my view this has been a frivolous accusation because it has failed to locate exactly where the core responsibility for awareness creation lies. In my view, regional integration being primarily a political process, awareness creation has to be part of that political process and therefore the principal responsibility for sensitising the East African public about integration largely falls on the head and shoulders of the political leadership at national levels. Let me clarify that by political leadership I do not mean politicians and public officials per say. Leaders across the board in society, they be in business in civil society or in academia are part of the political leadership and they have as much of a role to play in this work of awareness promotion as our Presidents, our Ministers, our Parliamentarians and our top public officials.

The role of the EAC as a Secretariat, as the Legislature and as the Court along with its institutions is to provide knowledge leadership, create a robust base of data and information that can be used for giving awareness creation its meat and bones. Unfortunately, the EAC has not so far been able to provide the requisite information that can inspire trust and confidence about integration. The reason being that EAC suffers from huge statistical deficits which also partly emanate from weaknesses in the National Statistical Bureaux. Simply, parroting to East Africans about the lofty goals of integration without pointing out what are the tangible benefits that accrue from it will not fly for long.

I discussed this challenge with Dr. Kaberuka in Tunis three days ago. He fully endorses the idea of building EAC's statistical collection and analysis capacity cutting across key pillars of integration on the basis of which the citizens of East Africa can have a more intimate understanding about why integration is important. Of course related to this move is the whole idea of the EAC establishing the Radio Afrika Mashariki here in Arusha. I believe that this Radio will provide a strategic platform for awareness creation in East Africa.

Research and Planning: Three years ago the EAC created a department to deal with research and planning. Unfortunately this effort has failed to produce expected results. Yet, research and planning constitute the pillars for strategic direction, for monitoring and evaluation and for churning out data that can go towards improving awareness creation but data which can also improve the management of EAC's programmes and projects. During my recent visit to the AfDB, I held rigorous discussions with Prof. Nthuli Ncube the Chief Economist and Vice President of the AfDB on EAC's challenges in this area of research and planning. It was interesting to learn about how AfDB undertakes its research work largely based on effectively networking with African National Research Institutions and Statistical Bureaus. AfDB not only produces an Annual African Economic Outlook Report, on a timely basis, it also continuously undertakes strategic research that examines how emerging phenomena such as demographics, urbanisation, the growing middle class, land use etc impact economic growth. It is important for the EAC to move in the direction of AfDB research framework at a regional level and Prof. Ncube has committed to bring a team of his professionals to the EAC to determine how the AfDB can help the EAC build capacity in this area.

Paucity of Financial Resources: EAC's capacity to deliver its integration mandate is almost continuously frustrated by the lack or shortage of financial resources. The EAC Partner States have not been as forthcoming in addressing this area of serious impact on EAC's integration agenda. Currently the EAC budget is supported by donors to the extent of 52%. But what is more disturbing is that most of this donor support is what actually underwrites the costs of the real integration programmes like the Common Market, the Monetary Union, the Lake Victoria Basin Development Programme. This situation is not sustainable even when I do not agree with the East African Legislative Assembly stance about linking Swedish SIDA support towards enabling the EAC Partner States to negotiate the Economic Partnership Agreement. The thinking that our Governments would simply become surrogates or play second fiddle in the EPA negotiations simply because they have been funded by a European donor country is simply bizarre. Mwalimu Julius Nyerere taught us a long time back that Africa has to draw a line between aid and principles. I believe that the EAC Partner States know where to draw the line between the SIDA support and their principles on EPAs.

Yet it is clear that moving forward the EAC Partner States will need to take greater responsibility for EAC's finances and the idea of quickly moving away from the present equal budget contributions by Partner States to other funding systems that are more equitable but robust enough to ensure adequate resources for the EAC must be given greater seriousness. Getting the EAC Development

Fund going is thus important but so is the need to reform the East African Development Bank to make it a truly East African Community Bank.

Chairperson,

Operational Capacity of the EAC Secretariat

Lastly, there is the troubling question, does the EAC, and I am referring to the EAC Secretariat in particular, have sufficient operational capacity to deliver strong results, moving forward? The answer in my view is “No”. Unfortunately, the Partner States continue to exercise dominant authority on matters that are typically of an operational nature. The dividing line between what are matters of policy which fall under the EAC council of Ministers and those of an operational or administrative nature, which statutorily fall under the Secretariat has become too thin, diffused and almost meaningless. In my view, this is an urgent matter that should find its way before the East African Court of Justice for an advisory opinion. If the situation is left as it is and this in spite of some good and concrete recommendations put forward in the EAC’s Institutional Review Report, the EAC Secretariat will lose motivation and the momentum on integration may be lost. I may also mention that one major weakness in the Treaty establishing the EAC is the lack of authority for the Secretary General to directly seek an advisory opinion from the EACJ. This weakness needs to be corrected as soon as possible.

Related to this question about operational capacity of the Secretariat is the question of the uncertain career path and development of EAC staff. Like in all organisations, the strength of an institution centres on its human assets. Yet this asset in the EAC is in a state of depression. When I joined the EAC in April 2006, I discerned that there was low morale in the organisation largely because the terms and conditions of service that were being offered to the staff at that time were not comparable to those enjoyed by their counterparts in other regional economic communities in Africa. One of my first tasks as Secretary General was to tackle this situation.

With the support of the EAC Heads of State, I was able to bring about fundamental changes in the terms and conditions of EAC staff. However, a new state of depression has now emerged and this is largely driven by the fact that the scheme of service of EAC professional and general staff does not offer salary increments or promotions. It is a scheme of service which is static where once appointed to a position, on a contract and at a fixed salary, you are not able to move up a career ladder unless you competitively apply for another job in the organisation. It is a dead end career service in the EAC and it cannot be

allowed to continue lest it becomes a source of disillusionment, frustration and loss in interest over putting one's best efforts for the organisation's and East Africa's interest. Regrettably this is one task that I must admit I have not been able to tackle to fruition even though a start has been made in the Institutional Review Report. It is a task that must be prioritised and fast tracked for early decision.

Chairperson,

Conclusion

Let me conclude with the often quoted musing of Brutus in Shakespeare's Julius Ceaser:

*“There is a tide in the affairs of men
which, taken at the flood, leads on to fortune;
omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat,
And we must take the current when it serves,
Or lose our ventures.”*

The moral of this musing is that success in any cause requires not only virtue, ambition, courage and commitment but also the capacity and boldness to realise one's objectives. The EAC is now on a full sea and afloat. The question is will it take the current which serves them? If it does not, then it may lose its ventures. I do not believe that that will be the direction that the EAC will take. So whilst we must take heed of Brutus's musing. Let us wish the new EAC Secretary General the best of luck and good hunting.

I thank you.