



**EAST AFRICAN COMMUNITY**

# **BUDGET SPEECH**

## **PRESENTATION OF THE BUDGET OF THE EAST AFRICAN COMMUNITY FOR THE FINANCIAL YEAR 2012/2013 TO THE EAST AFRICAN LEGISLATIVE ASSEMBLY**

**By Hon. Musa Sirma, Chairperson of the Council of Ministers of the East African Community and Minister for East African Community, Republic of Kenya**

**EALA Chambers, AICC, Arusha, Thursday 24<sup>th</sup> May 2012**

*Theme: Implementation of the Common Market and laying the foundation for the Monetary Union*

### **PART I: INTRODUCTION**

1. **Mr. Speaker**, I beg to move that this esteemed Legislative Assembly resolve into a House Committee to debate and approve the proposals by the Council of Ministers for the Budget of the East African Community for the Financial Year 2012/2013.
2. The Budget estimates for the Financial Year 2012/2013 are being presented against the background of major developments in the Community with important programmatic and budgetary implications. The 4<sup>th</sup> East African Development Strategy (2011/12 – 2015/16) themed *Deepening and Accelerating Integration* was launched by the EAC Heads of State in November 2011 and it sets out ambitious projects and programmes and targets of deliverables within the next five years. These centre on the consolidation of the Customs Union, the Common Market, the establishment of a

Monetary Union and laying the foundations for the Political Federation plus the promotion of solid and economic infrastructure including energy that will support and spur economic growth in the Partner States.

3. **Mr. Speaker**, the Strategy proposes the key drivers for the realization of the EAC regional integration agenda in the next five years to include, among others, creation of a strong legal framework; strategic selection and harmonization of prioritized programmes at national and regional levels; application of common policies and gradual elimination of all barriers to trade; devolution of power and authority to EAC Organs and Institutions commensurate with the level of regional integration agenda; and the establishment of regional institutional frameworks among others.
4. **Mr. Speaker**, in recognition of the global changes, research and technological development and investing in knowledge will also need to take centre stage. Other key strategic drivers that will underpin the regional integration agenda are increased private sector, civil society organizations (CSOs) and citizenry involvement; good governance, transparency and accountability; and political stability, peace and security as well as the continued cooperation at the Tripartite and multi-lateral levels.
5. **Mr. Speaker**, allow me to briefly review the global economic performance that impacted on our regional integration efforts and give the economic outlook.

## **PART II: GLOBAL ECONOMIC PERFORMANCE AND OUTLOOK**

### ***Global Economic Performance***

6. **Mr. Speaker**, presentation of this Budget comes at a time when the global economy has just experienced numerous challenges, ranging from structural difficulties in the Euro area to transient inflationary shocks in emerging and developing economies including the EAC Partner States. According to the Organization for Economic Co-operation and Development (OECD) Economic Outlook, this resulted in a decline in growth in the world real Gross Domestic Product (GDP), which was estimated at 3.8 per cent in 2011 compared to 5.0 per cent in 2010. World trade recorded slowed growth, estimated at 6.7 per cent in 2011 compared to 12.6 per cent in 2010. The deceleration was due to low demand and realignment of consumption expenditure patterns. On the upside however, World

trade exports in goods and services grew by 18.6 per cent in 2011 mainly due to higher global commodity prices.

7. **Mr. Speaker**, in the world's major economies, the sovereign debt crisis in the Euro area, caused sharp increases in key government bond rates. Plummeting confidence and escalating financial stress led to 1.3 percent (annualized) contraction of the Euro area economy. Real GDP also contracted in Japan, reflecting supply disruptions related to floods in Thailand and weaker global demand. In the United States, by contrast, activity accelerated, as consumption and inventory investment strengthened. Credit and the labor market also began to show signs of life.

### *Sub-Saharan Africa (SSA)*

8. **Mr. Speaker**, Sub-Saharan Africa with South Africa a notable exception exhibited remarkable resilience to the European economic slowdown, reflecting limited financial linkages with Europe and ongoing redirection of its economic linkages toward the fast-growing emerging markets in Asia. According to the IMF's World Economic Outlook for April 2012, output was estimated to grow by 5.1 percent in 2011 compared to 5.3 percent in 2010, and is projected to accelerate marginally to 5.4 percent in 2012.

### *East African Community (EAC)*

9. **Mr. Speaker**, coming even closer home, real GDP of the East African Community expanded by 5.9 per cent in 2011 compared to 5.8 per cent in 2010 which is above the estimated growth in the Sub-Saharan Africa. On other macroeconomic performance indicators, the EAC current account balance as a percentage of GDP worsened from negative 7.8 per cent in 2010 to negative 7.9 per cent in 2011. Consumer prices spiked in 2011, rising by 8.5 per cent compared to 7.2 per cent in 2010. Consumer prices in Kenya, Rwanda and Burundi rose from 4.1, 2.3 and 6.4 per cent in 2010, respectively, to 14.0, 5.7 and 14.9 per cent in 2011, respectively. The rising inflation was attributed to low agricultural production due to drought and high fuel prices recorded in 2011. On the other hand Tanzania and Uganda recorded reduced consumer prices in 2011 from 10.5 and 9.4 percent in 2010 to 7.0 and 6.5 percent in 2011, respectively.

## *Global Economic Outlook*

10. **Mr. Speaker**, after suffering a major setback during 2011, global prospects are gradually strengthening again, but downside risks remain elevated according to the IMF's World Economic Outlook for April 2012. Improved activity in the United States during the second half of 2011 and better policies in the Euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown. Accordingly, weak recovery is likely to resume in the major advanced economies, and activity is expected to remain relatively solid in most emerging and developing economies. However, the recent improvements are very fragile.
11. Global growth is projected to drop from about 4 percent in 2011 to about 3.5 percent in 2012 because of weak activity during the second half of 2011 and the first half of 2012. It is projected that growth will remain weak, especially in Europe which is expected to go into a mild recession in 2012 as a result of the sovereign debt crisis and a general loss of confidence. Consequently, economic activity is expected to disappoint for the advanced economies as a group, projected to expand by only about 1.5 percent in 2012 and by 2.0 percent in 2013.
12. **Mr. Speaker**, real GDP growth in the emerging and developing economies is projected to slow from 6.2 percent in 2011 to 5.7 percent in 2012 but then to reaccelerate to 6.0 percent in 2013, helped by easier macroeconomic policies and strengthening foreign demand. In the EAC, real GDP is projected to expand by 6.0 percent in 2012 supported by increased intra-trade and growth in services. This is due to deepening of the integration following the implementation of the Common Market Protocol and easing of the non tariff trade barriers and redirection of the Community Partner States' economic linkages toward fast-growing emerging markets in Asia.
13. **Mr. Speaker**, among the EAC Partner States a rebound in agricultural output and in hydroelectricity generation following last year's drought is expected to support growth in Kenya, which is projected to grow by 5.2 percent in 2012 and by 5.7 percent in 2013. But power shortages and macroeconomic tightening to stem inflation pressure are expected to temper growth in Uganda from 6.7 percent in 2011 to 4.2 percent in 2012 and, to a lesser extent,

Tanzania from 6.7 percent in 2011 to 6.4 percent in 2012. Moving forward, the two Partner States are projected to expand output by 6.7 percent and 5.4 percent in 2013, respectively. In Rwanda, output is projected to slow down from an estimated growth of 8.8 percent in 2011 to 7.6 percent in 2012 and further down to 7.0 percent in 2013. In Burundi, output is projected to improve from 4.2 in 2011 to 4.8 percent and 5.0 percent in 2012 and 2013, respectively.

### **PART III: APPRECIATION AND ACKNOWLEDGEMENTS**

14. **Mr. Speaker**, the theme of this year's Budget is: *Implementation of the Common Market and laying the foundation for a Monetary Union*. The next Financial Year will be an important one as the Community enters a higher phase in its integration process in view of the expected completion of the negotiation of the Protocol on the Establishment of the East African Monetary Union.
15. In presenting this Budget, I would like to thank all those who have been charged with spearheading the regional integration process, from the staff of the EAC to the Senior Officials, Permanent Secretaries, the Council of Ministers and Heads of State.
16. **Mr. Speaker**, at the initiative of this Assembly, the EAC Budget process has, since the Financial Year 2009/2010, embraced the good practice of widely inclusive participation of the broad spectrum of stakeholders of the EAC integration process. The EALA has been involved right from the start of the Budget process and we are sincerely grateful to this august House for the wonderful guidance it has rendered to the Community in its budgeting process.
17. I believe that the new all-inclusive consultative approach to the formulation of the EAC Budget, with the institutionalization of the Pre-Budget Conference, has positively impacted on the qualitative development of the EAC programme which is evolving. There is systematic matching and accounting for the prudent management of resources towards the achievement of clear regional integration and development objectives. I commend you, **Mr. Speaker and Honourable Members**, for your valuable contribution.

## **PART IV: REVIEW OF EAC PROGRAMME PERFORMANCE FOR THE FINANCIAL YEAR 2011/2012**

18. **Mr. Speaker**, in reviewing the Budget performance for the Financial Year 2010/ 2011, execution was 92.3 percent. I am confident that this good performance will continue with the 2011/2012 budget which is still currently under execution. I would like to state that we have continued the results-based performance management system which has been put in place and supported by an elaborate Monitoring and Evaluation system at the EAC Secretariat.
19. As Honourable Members will recall, this august House approved a Budget of USD 136,954,903 for the Community which was inclusive of Inter-University Council for East Africa and supplementary for the Financial Year 2011/2012 with focus on the following priorities:-
- i. Implementation of EAC Common Market Protocol;
  - ii. Conclusion of the EAC Monetary Union Protocol;
  - iii. Deepening Co-operation in Defense, Security and Political matters;
  - iv. Implementation of the EAC Institutional Review recommendations and Capacity Building;
  - v. Promotion of Agriculture and Food Security by implementation of Climate Change Policy and Food Security Action Plan;
  - vi. Promotion of regional and multi-lateral trade;
  - vii. Expansion of regional infrastructure facilities;
  - viii. Implementation of EAC Industrialization, Investment Promotion, and Private Sector Development Strategies;
  - ix. Promotion of Sustainable use of Environment and Natural Resources, Tourism and Wildlife conservation; and
  - x. Enhancing EAC visibility
20. **Mr. Speaker**, I am pleased to report that the Council of Ministers has ensured that the resources allocated for these activities were put to prudent and effective use. The details of the Programme Performance and status of implementation and achievements made under the 2011/2012 Budget have been availed to the General Purposes Committee of EALA for scrutiny.
21. In this Budget presentation, allow me to report on these activities under the broad thematic areas for ease of reference, namely an update of the integration process and achievements made under Economic, Infrastructure, Productive and Social Sectors, and

Political pillars of co-operation, as well as cooperation in Legal and Judicial Affairs. I will also highlight finance and administration as well as other cross-cutting issues in the EAC integration and development process. My review will also look at developments in the EAC Organs and Institutions.

## **ECONOMIC CO-OPERATION**

### ***Non Tariff Barriers***

22. **Mr. Speaker**, the underpinning of a functioning Customs Union is the elimination of Non Tariff Barriers. The Council has decided to tackle this challenge head-on. A study on the development of a legally binding enforcement mechanism on the elimination of identified Non Tariff Barriers (NTBs) is underway. The ultimate goal of the study is to prepare a draft enforcement mechanism. The East African Legislative Assembly is expected to legislate the Non Tariff Barriers Enforcement Mechanism Bill into law during the Financial Year 2012/2013 which will be the tool for addressing NTBs in the region. In addition, the Council has decided to immediately operationalize the Trade Remedies Committee that will deal with trade related disputes at the operational level.

### ***Customs Union***

23. **Mr. Speaker**, the implementation of the Customs Union is the foundation of the EAC integration process and has demonstrated a progressive realism of the intended objectives in the last seven years. Since its commencement, our region has continued to register impressive growth in intra-EAC trade on year to year basis. Total intra-regional trade is now over \$4 billion having risen from \$2 billion in 2005 hence a remarkable more than 100% increase. The intra-EAC trade to total EAC trade has grown from 7.5% in 2005 to 11.5% in 2011. This means that the intensity of trade among Partner States is growing at a modest pace. The region has also started witnessing Partner States which were net intra-EAC importers start to become intra-EAC exporters. For example, the United Republic of Tanzania registered a surplus budget in its intra-EAC trade in 2010. This trend is principally due to coherent regional policy measures that have enabled EAC to fully implement a free trade regime coupled with continuous improvement in trade facilitation.

24. The Customs Union is a cradle for attainment of a functioning Common Market and its consolidation has been a priority strategic focus as stipulated in the previous and current EAC Development Strategy. In this regard, the Summit recently made the decision to implement a Single Customs Territory which is yet another critical milestone of the integration process. The Single Customs Territory will crystallize the gains of integration characterized by minimal internal border controls and a more efficient institutional mechanism in clearing goods. A High Level Task Force of experts from Partner States will embark on this exercise in July 2012 and a progress report will be made to the Summit in November this year. In the new Financial Year, the attainment of this key milestone is a priority tenet in the EAC annual plan which is a necessary and essential element of an ideal Customs Union.

25. **Mr. Speaker**, attainment of efficiency in implementation of the EAC Customs Union is key to maintaining the integration momentum. Work on the interconnectivity of Customs systems is in advanced stages and this will feed into the establishment of single window facilities in the Partner States. The development of harmonized and standardized regional instruments to support the integration of EAC processes have been and will continue to be active initiatives of the Community. Recently EALA passed amendments to the EAC Customs Management Act that widen the scope of dealing with other international commercial offences in a harmonized approach. The Council will in the coming year table Bills to EALA on One Stop Border Posts and Anti-Counterfeiting, Piracy and Intellectual Property Rights. The Council has also further augmented the operationalization of the existing Customs legal instruments by adopting Customs regulations including the Customs Compliance and Enforcement Regulations in the recent past.

26. **Mr. Speaker**, one of the challenges that is commonly pointed out about regional integration in Sub-Saharan Africa including EAC is that of multiple memberships of countries in regional economic communities. To mitigate the trade complexities posed by this “spaghetti bowl” syndrome, the EAC is pursuing a Tripartite Free Trade Agreement with COMESA and SADC. With this FTA in place, the challenges of discriminatory preferential regimes will no longer exist.

## ***Common Market***

27. **Mr. Speaker**, implementation of the EAC Common Market that commenced on 1<sup>st</sup> July 2010 is progressing in all the Partner States in line with the timeframes indicated in the annexes to the Protocol. However, at its 15<sup>th</sup> Meeting, the Sectoral Council of Ministers responsible for EAC Affairs and Planning noted with concern that implementation of the Protocol is lagging behind schedule. In this regard, the Council directed Partner States to expeditiously establish National Implementation Committees composed of high level officials to spearhead the implementation of the Protocol. I am happy to report that the Committees have since been established in all the Partner States and have embarked on their assignment.
28. At the regional level, the Council has also designed a Monitoring and Evaluation Framework to constantly review the status of implementation of the provisions of the Protocol and take necessary policy interventions where and when deemed appropriate to expedite the pace of implementation of the Protocol.
29. **Mr. Speaker**, the EAC Secretariat also submitted a final report on *Institutional Review of the Organs and Institutions of the Community* to the 22<sup>nd</sup> meeting of the Council. The report lays out a number of critical institutional reforms necessary for the effective implementation of the EAC Common Market Protocol. The 24<sup>th</sup> meeting of the Council of Ministers considered the Report and directed the Secretariat to engage a consultant to undertake a detailed review of the Institutional Review Report and table a final Report in the Financial Year 2012/13.

## ***Monetary Union***

30. **Mr. Speaker**, a major activity during the current Financial Year was to expedite the process of the negotiations of the Monetary Union Protocol. The implementation of the Common Market Protocol has put the preparatory work for the monetary union in a higher gear. In pursuit of the Summit decision to establish the Monetary Union in 2012, the negotiations of the Monetary Union Protocol have been in top gear during this Financial Year. The High Level Task Force negotiating the Monetary Union Protocol had four rounds of negotiations and a study tour to the European Economic and Monetary Union. The High Level Task Force has so far covered 59 draft Articles of the draft EAMU

Protocol out of a total of 86 draft Articles. However, there are outstanding issues that will largely be informed by the studies that have just been completed in May 2012. In addition, further guidance on outstanding matters will be provided by the Sectoral Council on Monetary Union, scheduled for the end of June 2012.

31. During the year, the negotiations largely covered the macroeconomic framework, financial system, payment and settlement system, currency, statistics harmonization, institutional framework and transitional arrangements. The Council intends to ensure adherence to the Summit's directive on the timely establishment of the Monetary Union by concluding the negotiations before the next ordinary Summit. The challenge is however the competing tasks of the High Level Task Force members in the Partner States and the concentration on the negotiations. I therefore request the Partner States to ensure more time is allocated to the negotiations process by the High Level Task Force members in order to remain within the schedule of the Summit directive.
32. **Mr. Speaker**, substantial progress was made during the year in undertaking preparatory work to ensure the establishment of a Single Financial Market since market integration and economic convergence are prerequisites for a sustainable Monetary Union. There is therefore the need for Partner States to remodel their economic policies in a regional perspective with a view of creating robust frameworks for economic convergence, production of reliable comparable statistics, creation of a vibrant compliance and enforcement mechanism and independent institutions to support a robust East African Monetary Union.

### ***Financial Sector Development and Regionalization***

33. **Mr. Speaker**, in an effort to establish a single market for financial services among EAC Partner States in line with the provisions of the Common Market Protocol, the EAC Secretariat in collaboration with the World Bank and other Development Partners has established the EAC Financial Sector Development and Regionalization Project (FSDRP). The project has six components namely: Financial Inclusion and Strengthening Market Participants; Harmonization of Financial Sector Laws and Regulations; Mutual Recognition of Supervisory Agencies; Integration of Financial

Market Infrastructure; Development of Regional Bond Market, and lastly Capacity Building.

34. **Mr. Speaker**, progress has been made in the implementation of some of the activities under the various components although there have been challenges in implementing others. Under the first component, Pan-EAC Financial Service Providers' Council has been established. This Council brings together financial service providers such as the East African Bankers Association, the East African Insurers Association, Association of Microfinance Institutions, and East African PostBanks Association for purposes of capacity building, policy analysis and advocacy among others. Under the second component, Technical Working Groups for the development of Council directives, and Capital Markets Infrastructure have been established. Under component three, International Organization of Securities Commission (IOSCO) has been identified to undertake assessment of compliance of the Partner States with the IOSCO Principles. The EAC Secretariat with support from Financial Services Volunteers Corps (FSVCs) and United States Agency for International Development (USAID) recently conducted training for insurance and pension sub-sector experts from Partner States, as well for the EAC Secretariat staff under component four.
35. **Mr. Speaker**, there are several other activities of this project under implementation, all aimed at transforming the EAC Partner States' financial sectors into one single financial services market. Successful implementation of these activities is pertinent for financial sector development and regionalization, but requires full support from the Partners States.

### ***Investment Promotion and Private Sector Development***

36. **Mr. Speaker**, in an effort to promote the Community as a single and viable business destination, Partner States embarked on aggressive investment promotion initiatives to leverage the investment climate in the region. In concert with Development Partners, three important publications were launched in the Community in April this year namely; *the State of East Africa 2012*, the 3rd Edition of *Doing Business in the East African Community 2012*, and the *East African Community Business Climate Index Survey 2012*. Though some of the reports are critical on the business climate, in general terms, they indicate that the region is one of the

fastest in doing business reforms in the world. These efforts will be doubled in the next Financial Year to improve the business climate in the bloc.

37. The Community participated in events locally and abroad to showcase business opportunities that abound in the region. In December 2011, the EAC Secretariat led a high level delegation to Turkey to attend the first Ministerial Review Conference on *Africa-Turkey Partnership* and on the sidelines attended a business forum that brought together over 350 African businessmen and women from 54 African countries and 600 Turkish companies to discuss joint investment ventures. The event is expected to yield \$350 billion in mutual trade agreements.
38. **Mr. Speaker**, as per the Treaty provisions, the private sector is one of the drivers of development and growth in the EAC. In this regard, the Secretariat has partnered with the East African Business Council to mainstream participation and involvement of the private sector in the EAC integration agenda. This has culminated in the formulation of the draft institutionalized dialogue framework between EAC, the private sector, civil society and other interest groups. The enhanced collaboration between the EABC as the voice of the private sector has been rolled out with the convening of the Secretary General and Chief Executive Officers' Forum which rotates in the capitals of the Community. The Forum aims at enhancing the partnership, addressing key challenges facing the private sector in the EAC integration process and suggesting solutions. The first Forum was held in Nairobi, Kenya on 16<sup>th</sup> April 2012.
39. **Mr. Speaker**, I am happy to report that the initiative to develop a regional Public-Private-Partnership (PPP) policy framework is underway in an effort to establish financing options for regional public-private-partnership projects, and the role that the Secretariat could play in addressing infrastructure challenges facing the Community. It is our hope that this exercise will be completed this year to inform both national and regional public-private-partnership policy development efforts in our Community.

### ***Export Processing Zones***

40. **Mr. Speaker**, in line with the implementation of the Customs Union Protocol, an East African Community Model Export

Processing Zones Operational Manual has been adopted, a harmonized list of exemptions on Export Processing Zones developed and a draft EAC Special Economic Zones Policy formulated.

41. Under the Regional and International Trade negotiations, the EAC Partner States are engaged in a number of regional and international trade negotiations as a bloc, most notable ones are the African Growth and Opportunity Act (AGOA), the Tripartite Free Trade Area (FTA) negotiations with COMESA and SADC, and the Economic Partnership Agreements with the EU. The EAC has also received requests from the United States of America to negotiate a Trade and Investment Partnership Agreement and from the Republic of Turkey and the Peoples' Republic of China to negotiate a Trade and Investment Framework Agreement (TIFA). All these requests are indicative of the international status EAC has attained at the global setting. However, allow me to briefly highlight progress in the COMESA-EAC-SADC Tripartite arrangement and the EAC-EU EPA negotiations.

#### ***COMESA-EAC-SADC Tripartite Arrangement***

42. **Mr. Speaker**, I am happy to report that the EAC Partner States are fully engaged in the COMESA-EAC-SADC Tripartite arrangement. This initiative is working towards establishing a Free Trade Area and subsequently Customs Union of the three major African regional economic communities. The initiative comprises a trade area of 28 countries with a combined population of 527 million and a GDP of USD 624 billion. The 2<sup>nd</sup> COMESA-EAC-SADC Tripartite Summit of Heads of State and Government which was held in Johannesburg, South Africa on 12<sup>th</sup> June 2011 signed the declaration launching the negotiations for the Establishment of the Tripartite Free Trade Area; adopted the Roadmap for Establishing the Tripartite FTA (with a timeframe of 36 months for negotiation of the core Tripartite FTA) and also adopted the Tripartite FTA negotiating principles, processes and institutional framework. Since then, the Tripartite Trade Negotiation Forum which is the institution charged with the actual negotiations has adopted a work plan for negotiations on Trade in Goods which have been planned to take place over 25 months between February 2012 and April 2014. The EAC Partner States are negotiating the Tripartite FTA as a bloc and hold regular consultative meetings to agree on the EAC position with regard to the Tripartite FTA

negotiation process. Financial resources required for the EAC preparatory activities have been included in the coming EAC Budget for 2012/13. In addition, EAC Partner States have been requested to set aside sufficient funds to cater for their participation in the negotiations. We all look forward to successful negotiations for the establishment of the grand Tripartite Free Trade Area whose realization will further boost EAC's market advantage and strength.

### ***EAC-EU EPA Negotiations***

43. **Mr. Speaker**, negotiations have been finalized on the areas of customs and trade facilitation, sanitary and phytosanitary measures and technical barriers to trade. Negotiations are ongoing on economic and development cooperation, agriculture, rules of origin, dispute settlement, institutional arrangements and final provisions. Both parties have agreed to negotiate trade in services and trade related issues at a later stage. However, the EU is of the view that trade, environment and sustainable development, should not be negotiated at a later stage along with other trade related issues. They have also introduced new issues for negotiations. These have not been accepted by the EAC.

44. Furthermore, EAC Partner States have been undertaking preparations for a joint trade policy review to be held in October 2012 under the auspices of the WTO trade policy review body. The objective of the review is to enable a multilateral assessment of the effects of EAC Partner States' trade policies on the world trading system.

### **INFRASTRUCTURE DEVELOPMENT**

45. **Mr. Speaker**, during the Financial Year, important developments (physical and soft) took place towards the realization of efficient infrastructure and services in the region as follows:

- i. The Arusha-Namanga-Athi River road project attained 95% implementation status with the remaining component being the Namanga One Stop Border Post reconstruction where work has already commenced;
- ii. The detailed engineering, environmental and social impact studies for the Arusha-Holili-Taveta-Voi road were completed

and mobilisation of resources for the reconstruction and rehabilitation of the road is ongoing;

- iii. The preliminary designs and feasibility studies for the Malindi-Lunga Lunga/Horo Horo-Bagamoyo road were completed and detailed engineering design, environmental and social impact studies have commenced;
- iv. The EAC Transport Development Strategy and a Roads' Development Programme were adopted by the Council in November 2011. These two documents will form the backbone of the development of transport infrastructure for the region for the next ten years;
- v. Consensus was attained by the Partner States on the harmonization of the Vehicle Load Control regime in the region in September 2011. Partner States agreed among others to a Gross Vehicle Mass of 56 tonnes, 7 axles maximum and the improvement of the weighbridge operations and management. The draft Bill on the Vehicle Road Control received Council approval in April 2012 and awaits legal input from the Sectoral Council on Legal and Judicial Affairs before submission to the Assembly for debate;
- vi. The revised One Stop Border Post draft Bill was finalized and awaits legal input from the Sectoral Council on Legal and Judicial Affairs before submission to the Assembly for debate;
- vii. Agreement was reached between the EAC and the African Development Bank on the financing of a Railways Unit at the EAC Secretariat and the financing of the technical studies for priority railway links in the region. Among the ToRs for the Unit will be to carry out the assessment on the requirements for the establishment of the EAC Railways Regulatory Authority as resolved by this Assembly. The Unit will be operational by July 2012;
- viii. In the Communications sector, the cyber laws Phase II development progressed well. This phase covers intellectual property rights, competition, e-taxation and information security policies and laws. The Council is expected to adopt the Cyber Laws Framework for Phase II in August 2012. The phase I Framework has already been adopted by the Council

and is under implementation. It covers electronic transactions, electronic signatures and authentication, cyber crime, and data protection and privacy. The development of cyber laws in the region is critical to underpin the realisation of full potentials in regional e-commerce, electronic financial transactions and business processes outsourcing; and

- ix. Together with the other Tripartite Secretariats and IGAD, EAC successfully hosted a major infrastructure conference in September 2011 covering the developments of the Central, Northern and the Lamu corridors. The recommendations and policy proposals from the conference are under implementation.

46. **Mr. Speaker**, this sector faced the following challenges:

- i. Lack of resources-both human and financial to coordinate and implement the large portfolio of regional projects. This situation is also true for the Partner States where for example investments in the railways sector have been a trickle compared to the US\$ 29 billion required to upgrade the railways to standard gauge;
- ii. Procurement procedures that largely subject procurement for regional projects to national laws. This requirement introduces extended delays in the conclusion of procurement processes for large regional projects; and
- iii. Delays in validating regional project documentation arising from largely vested national interests. This makes consultancies overrun their scheduled completion dates with implications on decision making in relation to the affected projects' implementation and costs.

## **COOPERATION IN THE PRODUCTIVE SECTORS**

### ***Meteorology***

47. **Mr. Speaker**, during the Financial Year, the EAC intensified activities in promoting a harmonized approach to meteorological data observations, transmission, management and sharing. The EAC Meteorological Data Policy and the Protocol on Cooperation in Meteorological Services were finalized. Meteorological services

continued to be applied in the other areas of co-operation involving civil aviation and LVBC operations and the overall environmental management. The study on “Enhancing Safety of Navigation and Efficient Exploitation of Natural Resources over Lake Victoria and its Basin by Strengthening Meteorological Services over the Lake” was concluded in October 2011 and the Secretariat is mobilizing resources for its implementation. The role of meteorology will become increasingly pronounced especially with regard to the provision of early warning information necessary for adapting to climate variability and change.

### ***Energy Sector***

48. **Mr. Speaker**, the Financial Year 2011/12 was characterized by steady progress in various activities under the energy sector. Following the completion of the Regional Power Master Plan, the Sectoral Council on Energy approved eleven priority power sector projects for joint mobilization of resources. Resource mobilization efforts to further enhance the region’s capacity to implement the Regional Power Master Plan, regional training workshop for power sector staff was held to equip them with skills on how to implement power projects in the context of Public-Private-Partnerships. During the Financial Year, the development of a Cross-Border Electrification Policy and Model Power Supply Agreement was concluded. The Policy and Power Supply Agreement will enable expeditious implementation of cross-border electrification projects. The EAC Secretariat facilitated efforts towards the implementation of the Kikagati-Murongo 16MW hydropower project on the Uganda/Tanzania border with the signing of a Memorandum of Understanding between the two Partner States in September 2011. An agreement has been reached on modalities of power exchange and a Bilateral Agreement and a Power Purchase Agreement have also been drafted.
49. The EAC plans to develop a vibrant regional power market by establishing its own power pool. In this regard, the development of the required instruments, an Inter-Governmental Memorandum of Understanding and an Inter-Utility Memorandum of Understanding were developed during the Financial Year 2011/12. Going forward, approval of these instruments by the Community’s Policy Organs will be pursued during Financial Year 2012/13 in parallel to the resource mobilization efforts for the power sector projects to fully interconnect the region and provide sufficient energy.

50. **Mr. Speaker**, I am happy to inform this august House that the Community will host the 6<sup>th</sup> East African Petroleum Conference and Exhibition on 6<sup>th</sup> to 8<sup>th</sup> February 2013 in Arusha, Tanzania. It is expected to attract over 1,200 delegates from different parts of the world. Preparations for the event are already ongoing. In order to attract more investment in oil and gas prospecting in the region, the Community plans to carry out harmonization of policies, procedures and fiscal regimes during the Financial Year 2012/13 as provided for in the Budget.

### ***Regional Industrialization Programme***

51. **Mr. Speaker**, the EAC Partner States, like many developing countries, aspire to transform their economies to a modern and industrialized status that can sustainably generate sufficient outputs to satisfy both domestic and export markets and rapidly increase per capita incomes to improve the living standards of their people. Currently, the contribution of manufacturing to GDP in East Africa is estimated at 8.9%, which is considerably lower than the average target of about 25% that all the five Partner States have set for themselves to achieve by 2032. Following a comprehensive and inclusive process, based on analysis and wide consultations with stakeholders in the Partner States, we formulated the EAC Industrialization Policy and Strategy for the period 2012-2031.

52. The Policy and Strategy were approved by the East African Community Summit of Heads of State on 30<sup>th</sup> December 2011 and they provide general contours of policy intentions and strategic areas of focus to guide EAC towards achieving the set goals and in particular, attaining industrialized economic status by 2032. The Policy and Strategy intend to address the challenges facing the region particularly, the need to build a more diversified regional economic structure. We have now prepared a draft Action Plan for implementation to be validated by Partner States in the coming Financial Year paving way for the policy implementation in the subsequent Financial Years.

53. **Mr. Speaker**, following our experience in the formulation of the Industrialization Policy and Strategy, the EAC was given the lead role in preparing a draft concept note for the Industrialization Pillar by the Tripartite Task Force of the EAC-COMESA-SADC Free Trade Arrangement. We prepared the draft concept note which was adopted during the meeting of the Tripartite Task Force Sub-

Committee on Industrial Development which took place on 20<sup>th</sup> - 24<sup>th</sup> February 2012 in Nairobi Kenya. The Sub-Committee on Industrial Development Pillar has prepared a draft work plan detailing activities to be undertaken towards preparation of a roadmap for the Tripartite Industrialization Pillar. The work plan is to be approved by the Tripartite Task Force CEOs; and based on the work programme prepared; a draft roadmap is anticipated to be completed by October 2012.

54. **Mr. Speaker**, EAC continued with special promotion of the Small and Medium Enterprises sector (SMEs) and has developed a comprehensive programme that aims to upgrade and modernize the SMEs operating in the region. The programme has selected the following priority areas for pilot implementation; agro-food, leather and leather products, and pharmaceutical sectors. We are also developing a programme of measures aimed at promoting the development of extractive and mineral processing industries in the region. The programme aims to develop a regulatory and institutional framework to facilitate more investments and stimulate industrial linkages within the region; strengthen regional and national capacities in the field of industrial mineral extraction, prospecting and processing; and improve the region's knowledge on availability and utilization of industrial minerals resources through information dissemination and sharing mechanisms among Partner States.

#### ***Environment and Natural Resources***

55. **Mr. Speaker**, the ratification process of the Protocol on Environment and Natural Resources Management signed in 2006 is currently underway. The Republic of Uganda and the Republic of Kenya have finalized the process and deposited their instruments of ratification with the Secretary General. The Secretariat is facilitating the development of an Operational Strategy and Action Plan for the Protocol. At the same time the process of institutionalizing EAC's joint participation in international Conventions and Treaties on environment and natural resources management has been commenced to enhance the implementation of several Multilateral Environmental Agreements that the Partner States have ratified. The Secretariat also organized and co-hosted the 1<sup>st</sup> Lake Tanganyika Basin Development Conference held from 27<sup>th</sup> to 29<sup>th</sup> November 2011 in Bujumbura, Burundi under the theme *Unlocking the Overflowing Opportunities in Trade and Investments in the Basin*.

56. The Community has continued to provide leadership in climate change policy setting through the implementation of the EAC Climate Change Policy that was approved by the EAC Heads of State Summit on 19<sup>th</sup> April 2011. The draft EAC Climate Change Strategy and Master Plan have been prepared to guide the implementation of the EAC Climate Change Policy. In addition, draft operational modalities for the EAC Climate Change Fund established by the Council of Ministers in 2010 have been prepared to facilitate resource mobilization for regional climate change adaptation and mitigation projects and programmes. These draft documents will be presented to the 2<sup>nd</sup> meeting of the Sectoral Council on Environment and Natural Resource scheduled for August 2012 for adoption. Three new projects on climate change were initiated in the Financial Year 2011/12. These are:

- i. Rolling out African Ministerial Conference on Environment Communication Strategy on Climate Change aimed at developing an EAC Climate Change Communication Strategy. The project is supported by the Government of Canada through the International Development Research Centre (IDRC);
- ii. Climate Change Adaptation Policy Leadership in East Africa aimed at supporting the EAC to enhance its policy leadership, technical capacity and action readiness in the area of climate change adaptation and development. The overall objective of the project is to support the EAC to implement its new Climate Change Policy, Strategy and Master Plan and is funded by the United States Agency for International Development-East Africa;
- iii. Programme on Climate Change Adaptation and Mitigation in Eastern and Southern Africa. This is a 5-year multi-donor initiative of COMESA, EAC and SADC aimed at addressing the impacts of climate change in the COMESA-EAC-SADC regions through successful adaptation and mitigation actions, which also build economic and social resilience for present and future generations. The project is expected to commence in the coming Financial Year.

57. **Mr. Speaker**, the region is preparing to participate in the United Nations Conference on Sustainable Development also referred to as Rio+20 in June 2012 in Rio de Janeiro in Brazil. A regional statement on sustainable development and key messages to be delivered by the Chairperson of the EAC Heads of State Summit at the conference has

been prepared. The objective of the conference is to secure renewed political commitment for sustainable development, assess progress to date and the remaining gaps in the implementation of the outcomes of the major Summits on sustainable development, and to address new and emerging challenges. The conference will focus on two themes namely a green economy in the context of sustainable development and poverty eradication; and the institutional framework for sustainable development. An EAC side event will also be held during the Summit on 20<sup>th</sup> June 2012 in Rio de Janeiro.

### ***Agriculture and Food Security***

58. **Mr. Speaker**, Agricultural Development and Food Security remain key challenges for the region. I am pleased to inform this august House that in the last Financial Year, we made significant breakthroughs in this area following the adoption of the EAC Food Security Action Plan by the 9<sup>th</sup> Extraordinary Summit of Heads of State in April 2011. Pursuant to the implementation Plan, a number of priority activities have been developed including drafting an EAC Food and Nutritional Policy, EAC Livestock Development Policy, a comprehensive Regional Food Balance Sheet Framework and EAC Agricultural Development Fund.
59. Furthermore, with technical support from international and regional Development Partners (FAO, UNIDO and Kilimo Trust), the Community is in the process of developing and implementing the East African Agri-Enterprises and Agro-Industries Development Program, with the aim of increasing capacity, performance and competitiveness of agro-industries and agri-business in the EAC region leading to income generation and poverty reduction. The Secretariat is seeking the support of FAO through the proposed Technical Cooperation Programme to develop a fully-fledged East African Agri-Enterprises and Agro-Industries Development Program.
60. **Mr. Speaker**, on the livestock sub-sector, two new projects have been initiated namely:
- i. The Veterinary Governance Project, which is a 5-year project funded by the EU through African Union-Inter African Bureau of Animal Resources to improve the institutional environment at national and regional levels to provide effective and efficient animal health services in Africa.

- ii. Participation of African Nations Sanitary and Phytosanitary Standard Setting-Organization project that aims at enhancing the participation of African Nations in Sanitary and Phytosanitary Standard Setting Organization.

### ***Tourism and Wildlife Development***

61. **Mr. Speaker**, in the area of tourism, the EAC continued to promote East Africa as a single tourist destination in line with the objectives of the Common Market Protocol internationally and regionally. With regard to other regional endeavors in the Tourism and Wildlife sector, the classification of accommodation establishments and restaurants has commenced in the Partner States while the training of EAC Assessors is almost complete at the regional level.
62. Significant progress has been made in the completion of the Protocol on Tourism and Wildlife Management which will be a policy guiding tool for the sector in the Community. The Tourism and Wildlife sector will, in the coming Financial Year, focus on resource mobilization strategies in order to implement more activities to ensure the sustainable utilization of the EAC's tourism and wildlife resources which constitute the region's precious heritage and tourist attractions.

### **CO-OPERATION IN THE SOCIAL SECTORS**

63. **Mr. Speaker**, the 2011/2012 Budget placed a lot of emphasis on the social dimensions of our regional integration. The social sectors covering regional health co-operation, immigration, labor/employment and refugee management, gender, community development, civil society mobilization; education, science and technology, culture and sports witnessed a tremendous increase in the implementation of activities and in the development and adoption of important policy frameworks.

### ***Health***

64. **Mr. Speaker**, during the current Financial Year, the EAC health sector carried out community based integrated disease prevention and control initiatives in the Kagera River Basin Ecosystem in the transboundary region that traverses the Republic

of Burundi, the United Republic of Tanzania, the Republic of Rwanda and the southern part of the Republic of Uganda. In addition, the EAC Secretariat facilitated the East African Legislative Assembly Committee on General Purposes and the EAC Partner States National Parliamentary Committees on Health, HIV/AIDS and Social Services under the auspices of the East African Community Regional Inter-Parliamentary Forum on Health, Population and Development to conduct public hearings, field visits, on spot assessment, monitoring and evaluation of various regional and national health and HIV/AIDS interventions and responses that started in the Republic of Kenya and will be extended to the other EAC Partner States in the Financial Year 2012/2013. The Council in November 2011 made a directive that the East African Health Research Commission be hosted by the Republic of Burundi and the Financial Year ahead will provide the initial funds to carry out the relevant preparatory activities. The East African Community HIV and AIDS Prevention and Management Bill, 2012 was debated and passed in March 2012 by the East African Legislative Assembly.

### *Education*

65. **Mr. Speaker**, harmonization of our educational systems and the training curricula is at the heart of the free movement of labour and other services that are essential for the Common Market operations. During the year, Partner States discussed and agreed on a standardized framework for the development of Mutual Recognition Agreements for professionals engaged in services in the region. Meanwhile, the Technical Committee established by Council in November 2011 to spearhead the harmonization of education systems and training curricula process under the Common Market Framework, has commenced work and the coming Financial Year will support the continuation of the work of the Committee in this very critical area.

### *Culture and Sports*

66. **Mr. Speaker**, the Council at its 20<sup>th</sup> meeting in March 2010 directed the Secretariat to hold regular cultural festivals, EAC symposia and EAC sports tournaments on an annual basis with partnership of the private sector, civil society and voluntary organizations, institutions, individuals and development partners. I am pleased to report to this august House that the Secretariat has already started implementing the above Council directive leading to

holding the 1<sup>st</sup> edition of the EAC Arts and Culture Festival and Sports Tournament in November 2012 and June 2013 respectively. Elaborate planning for conducting these activities is underway.

67. **Mr. Speaker**, during the current Financial Year 2011/2012, the EAC embarked on a Mapping Study of the Creative/Culture Industries in the region. The main objective of this project is to collect socio-economic data on the different segments of cultural and creative Industries such as Music, Film and Video, Crafts, visual arts, performing arts, Sound recording, Television and radio, Computer software, Museum and heritage sites, advertisement, publishing, design and fashion, among others.
68. These industries understandably contribute significantly to our regional economy in terms of revenue, employment creation, poverty reduction, and exports earnings, social and sustainable development. However, this contribution is not well captured and documented. The mapping will therefore seek to provide information on the various segments of cultural industries in terms of; geographical distribution and concentration, regional statistics and global market opportunities, exports (turn over), contribution to employment, contribution to GDP, royalties and copy rights and strategies for developing creative and cultural industries in the EAC.
69. **Mr. Speaker**, this is the first systematic attempt to define and measure the culture and creative industries in the EAC and is designed to collect data on the industries and to promote a deeper understanding of the sector by telling its story in a way that politicians, journalists, investors, academics and government officials can immediately comprehend. The study is expected to be completed during the FY 2012/2013 and the findings of the report will be presented and made available to the private and public sectors with the hope that its recommendations will lead to appropriate actions particularly in policy development towards raising the profile, strengthening and developing further the creative economy in the EAC.

### ***Immigration, Labor and Employment, and Refugee Management***

70. **Mr. Speaker**, during the period under review, the Immigration, Labour, Employment & Refugee Management sector embarked on a number of programmes and activities aimed at facilitating the free movement of persons, labour, services and actualizing the rights of

establishment and residence for East African citizens as envisaged in the EAC Common Market Protocol.

71. A new generation EAC passport has been designed for the consideration of the Council and the sector has been working closely with the Tourism sector on the introduction of the EAC Single Tourist Visa destined to enhance the East African region as a competitive and attractive tourist destination.
72. The validation process of the harmonization of labour laws and employment policies in the Republics of Rwanda and Burundi was undertaken. The regional report validation process will be finalized during the 2012/2013 Financial Year with the adoption of the final recommendations envisaged during the November 2012 Council of Ministers meeting.

### ***Gender and Community Development***

73. **Mr. Speaker**, I am pleased to report that the first Meeting of the Sectoral Council on Gender, Youth, Children, Social Protection and Community Development which took place in March this year approved the EAC Strategic Plan on Gender, Youth, Children, Persons with Disabilities, Social Protection and Community Development (2012-2016) and the EAC Policy on Persons with Disabilities. It is worthy to note that the Strategic Plan is seen as a robust policy and solid foundation for the entrenchment of the rights and roles of women, youth and children who constitute the majority of our population.
74. Another important achievement for this period is the formulation of the Dialogue Framework for Civil Society and the Private Sector participation in the EAC integration. I am pleased to inform you that the framework is at the final stages of Council approval. Another realization recorded during the period was the finalisation of the EAC Social Development Framework as a guiding tool for the implementation of projects and programmes in the Social and Human Development sectors.
75. **Mr. Speaker**, promoting women in socio-economic development and women in business continue to be given special attention through a solid partnership between the EAC and the Private Sector. As a result of the Kigali Conference, an East African

Women in Business Platform which comprises national women in business umbrellas of all Partner States has been established through the East African Business Council. I am pleased to inform you that the Platform and its strategic plan will be launched soon.

## **CO-OPERATION IN POLITICAL AFFAIRS**

76. **Mr. Speaker**, integration in political matters continues to deepen in line with the provisions of the Treaty. The Summit at its 13<sup>th</sup> Ordinary Meeting approved the Report of the Team of Experts on Fears, Concerns and Challenges on Political Federation and directed the Secretariat to develop a roadmap for establishing and strengthening the institutions critical to the functioning of a Customs Union, Common Market and Monetary Union; formulation of an Action Plan and developing a draft Model of the Structure of the EAC Political Federation for consideration by the 14<sup>th</sup> Ordinary Summit. This, Mr. Speaker, marks a big stride in the drive towards the ultimate goal of EAC integration.
77. The EAC continues to reiterate the significance of good governance in regional integration. As such, processes and activities towards developing a normative framework for promotion and adherence to the principles of good governance has been scaled up through regional activities with institutions of governance. National institutions such as the EAC Forum of National Human Rights Commissions, National Electoral Commissions, Sectoral Committee on Preventing and Combating Corruption, Forum of Chief Justices continue to review progress in their sectors with a view to identifying gaps and challenges and making proposals for development of regional policies and standards in the sector.
78. **Mr. Speaker**, although the negotiation of the policy instruments in the sector has been slow, it is notable that progress has been made in effectively engaging with diverse stakeholders in the political integration agenda. In so doing, a number of fora including the EAC Dialogue on Political Integration, the Annual Conference on Good Governance and the Regional consultative meeting of Political Parties have shown that engaging with key stakeholders is instrumental in fulfilling the people-centered objective in the EAC integration and ensures ownership by the people, of not only processes but outcomes as well.

79. The negotiation of important instruments including the draft EAC Protocol on Good Governance, the draft EAC Protocol on Preventing and Combating Corruption and the EAC Principles on Elections Observation and Evaluation are due for consideration by the Council at its next ordinary meeting. These instruments, once concluded and signed will set in motion a new dispensation that will help consolidate the gains made in political integration.
80. **Mr. Speaker**, under the Memorandum of Understanding on Defence Cooperation that was signed in 1998, the Armed Forces of the EAC Partner States have continued to undertake joint activities of confidence building and common defence preparedness. This MoU has now been upgraded into a Protocol and is set to be ratified by 30<sup>th</sup> November 2012 after which a Mutual Defence Pact will be negotiated and concluded within one year. The Protocol will holistically address cross-cutting security challenges that affect the EAC region.
81. Substantial progress has been made towards the conclusion of the Protocol on Peace and Security. However, guided by the provisions of the Regional Strategy for Peace and Security, measures are being implemented to address challenges posed by Money Laundering, Piracy, and Terrorism among other threats that are likely to impact negatively on the rights and freedoms provided for in the Common Market Protocol. A Regional Mediation Framework as well as an Early Warning Mechanism have been developed and are awaiting conclusion of the EAC Peace and Security Protocol.
82. **Mr. Speaker**, the Community continues to develop, coordinate and where feasible harmonize and implement common foreign and security policies and strategies to facilitate the pursuit of our integration objectives. In line with the provisions of the Treaty for the Establishment of the East African Community, a report of the Council on the development of common foreign and security policies was tabled before this august House at its 3<sup>rd</sup> Meeting, 5<sup>th</sup> Session in Kampala, Uganda in January 2012.

## CO-OPERATION IN LEGAL AND JUDICIAL AFFAIRS

83. **Mr. Speaker**, as the integration agenda grows into deeper implementation of the Common Market Protocol and laying a strong foundation for the Monetary Union, the need for continued co-operation in legal and judicial affairs will grow in intensity. Co-operation in this area remains an unassailable pillar of the integration process. During the last Financial Year there was continued legal support to the EAC Organs and Institutions as they implemented different programmes and activities. Key achievements included the following:

- (i) Finalization of the Protocol on Immunities and Privileges and the Protocol on Preventing and Combating Corruption which now awaits signing;
- (ii) Signing of the Protocol on Co-operation in Defence which now awaits ratification by the Partner States by 30<sup>th</sup> November 2012;
- (iii) Preparation of the East African Community HIV/AIDs Prevention and Management Bill, 2012; The East African Community Human and Peoples' Rights Bill, 2012; The East African Community Emblems (Amendment) Bill, 2012; The East African Legislative Assembly Elections Bill, 2011; The East African Customs Management (Amendment) Bill, 2012; The Inter-University Council for East Africa (Amendment) Bill, 2010; The East African Community Trans-Boundary Ecosystems Management Bill, 2010; the EAC Polythene Materials Control Bill, 2011; The East African Community Service Commission Bill, 2010; The East African Community Elections Bill, 2012; The Administration of the East African Legislative Assembly Bill, 2011; and the East African Parliamentary Institute Bill, 2011.
- (iv) The advancement of programmes and activities in harmonization of national laws in the EAC context with emphasis on those laws that relate to the fast realization of the ideals and aspirations of the Common Market;
- (v) The implementation of the Regional Judicial Training Programme especially in such key areas as writing of judgments in a standardized format and taxation of costs; and

- (vi) Handling of litigation arising out of increased integration activities and increased awareness of the Community and its programmes within the population.

The Bills that I have enumerated above, together with Appropriation and Supplementary Appropriation Bills were debated and passed by this august House. This development has contributed to the strengthening of the Community's legal base and the implementation of the objectives of the Treaty through EAC legislation. This development has contributed to the strengthening of the Community's legal base and the implementation of the objectives of the Treaty.

84. **Mr. Speaker**, as we continue to widen and deepen the integration process, we need to put in place strong instruments for the implementation of programmes and projects and for binding the Partner States to their undertaking to implement the Treaty and to project the Community above national interests in matters of integration. Since this aspiration can best be realized through legislation, the Council of Ministers remains committed to support the Legislative Assembly in its Legislative Programme.

85. Accordingly, during the next financial year, and on the basis of the budgetary-based Annual Plans, legal support will continue to be provided for purposes of advancing the integration process. Emphasis will not be limited to routine legal input into the preparation and follow up on key programmes and instruments of co-operation. The Community intends to ensure-

- (i) adequate legal support in the verification of the application of the Republic of South Sudan to join the East African Community;
- (ii) finalization of a Protocol to Extend Jurisdiction of the East African Court of Justice or amendment of the Treaty to provide for such extended jurisdiction; and
- (iii) finalization of the preparation of outstanding Bills; these include The East African Community One Border Post Bill, 2011; The East African Community Privately-Funded Infrastructure Bill, 2011; The East African Community Anti-Counterfeit Bill, 2012; The East African Trade Negotiations (Amendment) Bill, 2011; the East African Community Development Fund Bill, 2012; a Bill for the Protection of EAC

Assets and Premises; a Bill to provide for cross-border legal practice; and Bills in respect of the realization of freedoms and rights created by the Common Market Protocol.

86. **Mr. Speaker**, on the implementation of the Common Market Protocol, initiation of Bills has been delayed by the Partner States' processes in approximating and harmonizing national laws on the free movement of labour, the free movement of goods, the free movement of services, the free movement of capital, national security policies, tax policies, social policies to mention but a few areas. The need to accord attention to Partner States' approximation and harmonization of policies, laws and systems is founded on the provisions of the Common Market Protocol which emphasizes a progressive approach. It is also important to ensure that in areas where national legislation is adequate and in order to avoid duplicity approximation and harmonization of laws may be useful as was the case under the defunct East African Community's Common Market. However efforts to address the Partner States' slow progress on this matter are underway.

87. **Mr. Speaker**, the Community continues to experience some challenges in this area. This arises out of Partner States "protracted" processes of making required inputs into draft legal instruments, complicated decision-making processes especially in dealings between the Council of Ministers as Policy Organ and Sectoral Councils as Technical Arms of the Council, over-insistence on the use of Protocols to implement the Treaty and delayed ratification of such instruments as Protocols. The Council is fully seized of these challenges and is therefore in the process of formulating solutions.

88. **Mr. Speaker**, the Council, in consultation with the Partner States will therefore come up with a mechanism that should improve its contribution to this august House's Annual Legislative Programme. This mechanism will implore the different Sectoral Councils to consider the implementation of their programmes through legislation.

## **FINANCE AND ADMINISTRATION**

### ***Government Financial Statistics Coding System***

89. **Mr. Speaker**, I am happy to report that the Government Financial Statistics (GFS) coding system has been successfully

introduced in the EAC Organs and now in use in the charts of accounts for the Financial Year 2011/2012. The coding system will be rolled over to the EAC Institutions at a later stage. At the same time, the SUN System was upgraded with the latest version which has more controls to minimize errors. The Secretariat is also in final stages of procuring a Budget Preparation Software which will enhance the budgeting process.

### ***Performance Contract System in EAC***

90. **Mr. Speaker**, in order to enhance efficiency and to make EAC a performance based organization; performance contract system has been introduced in the EAC Organs and Institutions as a tool to manage employees' and organizations' performance. All Professional Staff at the EAC Secretariat signed performance contract in July 2011, and plans are underway to roll out this system to other EAC Organs and Institutions in line with the Council directive.

### ***Quota System in recruitment of EAC Staff***

91. Mr. Speaker, the 24<sup>th</sup> meeting of the Council of Ministers held in Bujumbura, Burundi in November 2012 approved the implementation of Quota System in the recruitment of staff in the EAC Organs and Institutions based on a Quota System. This system is expected to enhance the application of the principle of equity in the recruitment of staff in the Organs and Institutions. A formula based on points will ensure that citizens of all the EAC Partner States have access to the available job opportunities in the Organs and Institutions. The Quota System will be implemented in all subsequent staff recruitment in the EAC.

### ***EAC Headquarters Construction***

92. **Mr. Speaker**, I am pleased to report that the construction of the EAC Headquarters is progressing well. All materials required for completion of the project are on site. Finishing works both external and internal have progressed well. Site works including landscaping are in progress. The overall work progress as at end of March 2012 was at 95%. The Community and its Organs will start occupying the new EAC Headquarters building by the start of the new Financial Year 2012/2013 and we expect the Summit of the EAC Heads of State to officially open the new Building at a later date.

## *Deeper Sensitization and Outreach Programmes*

93. **Mr. Speaker**, the Council at its 23<sup>rd</sup> meeting in September 2011 approved a robust EAC Communication Policy and Strategy that gives general strategic direction for the Information, Education and Communication activities that will be pursued by the Community in accordance with Article 71 of the Treaty which mandates the Secretariat to promote and disseminate information on the Community to stakeholders, the general public and the international community. The Policy provides the necessary guidelines that inform the overall direction of the Information, Education and Communication activities, while the Strategy spells out specific activities that the Community will undertake to promote awareness and foster broad participation by the various stakeholders in the integration process.
94. The Secretariat is taking the lead in preparing the operational plan and resource mobilization for the implementation of the Policy and Strategy. As this process is ongoing, I am happy to report that implementation of some of the strategic interventions highlighted in the Communication Policy and Strategy has started. Partner States are now undertaking joint cross border sensitization activities; media houses in the Partner States have intensified coverage of EAC projects and programmes; and radio and TV public education programmes are ongoing in the Partner States. Some Partner States have also developed national policies including communication strategies on the EAC integration and are mainstreaming the integration agenda into their annual work plans. At the same time, we are seeing EAC clubs being formed in secondary schools and Members of the National Parliaments and EALA, district leaders, private sector, university students, and civil society organizations being actively engaged on EAC integration issues.
95. **Mr. Speaker**, all these activities are leading to a well coordinated cooperation among the key implementers of the EAC Communication Policy and Strategy namely the EAC Organs, Institutions, the Ministries of EAC in the Partner States as well as the private sector and other EAC affiliate organizations. And indeed we are now set for deeper sensitization and involvement of the East African citizens in the regional integration and development process.

## ACTIVITIES OF THE ORGANS AND INSTITUTIONS OF THE EAC

96. **Mr. Speaker**, I would like now to turn to the developments that have taken place in the EAC Organs and Institutions, namely the East African Legislative Assembly, the East African Court of Justice, Lake Victoria Basin Commission, Inter-University Council for East Africa, Lake Victoria Fisheries Organization and the East African Development Bank.

### *East African Legislative Assembly*

97. **Mr. Speaker**, despite a few challenges like inadequate funding and overlaps of activities, the Financial Year 2011/2012 was an eventful one for the Assembly. It marked its 10<sup>th</sup> year in existence and several high profile activities were successfully held. Notable among these were the EALA 10<sup>th</sup> Anniversary Symposium which brought together the forefathers of the current EAC; the Nanyuki VI; the inter-parliamentary football tournament; tree planting in all the five Partner States in selected schools among others.
98. The Assembly was also able to implement all its planned meetings and other activities as set out in its legislative calendar and in line with the EAC Budget. Notably, it held its meetings on a rotational basis in Kigali (September 2011); Bujumbura (November 2011); Kampala (January/February 2012); Nairobi (April 2012); and the last one is being held here in Arusha (May 2012). All the seven committees undertook crucial activities including public hearings touching on their respective mandates. The successes registered in its meetings enabled the Assembly to sustain its momentum in the legislative, representative and oversight fronts which is giving impetus and direction to integration agenda.
99. **Mr. Speaker**, the deliberations of the Assembly during the Financial Year made significant inputs into EAC Policy initiatives and activities. The Council, the Sectoral Councils, Organs and Institutions took great interest in the issues and recommendations raised in various Committee Reports and from Plenary Debates to augment their policy initiatives. It is very much appreciated that all these Reports and Decisions of the House were brought in good time to the Council's attention by the Secretary General and were fed into issues of Economic Partnership Agreements; Non Tariff Barriers; Ecosystems, Youth, Women and Children; the Elderly; Population, Health and Development; Customs Union; Common Market; Monetary Union; Political Federation; Security and

Regional Affairs; Communication and Investment; Human Rights; Rule of Law and Governance; Institutional Development; among others.

100. In terms of institutional development, the Financial Year saw the Community enact the Administration of EALA Bill; the East African Parliamentary Institute Bill and the election of EALA Members Bills which will undoubtedly strengthen the operations of the Assembly. We anticipate a strong regional assembly which will work closely with the Forum of EAC Speakers to develop a vibrant EALA. We also commend initiatives of the Assembly working closely with National Parliaments to popularize the Community. On the international scene, EALA participated in a number of meetings organized by among others: the Commonwealth Parliamentary Association; the Inter-Parliamentary Union; the United Nations; the Pan-African Parliament; the African Union and the European Union.

101. **Mr. Speaker**, with regard to donor support to core EALA activities like the Inter-parliamentary Seminars (Nanyuki series), Public Hearings and the East African Parliamentary Institute, the Council will take up the matter with your office to ensure that the Partner States directly fund these activities to ensure sustainability and predictability.

102. **Mr. Speaker**, with regard to the tenure of the Assembly, I am happy to inform you that we have put in place all the necessary measures to ensure a smooth transition of the 2<sup>nd</sup> Assembly to the 3<sup>rd</sup> Assembly on 4<sup>th</sup> June, 2012 and much of this is attributed to recommendations from the House Business Committee and the Hon. Speaker. I have received positive reports that the Committee has just returned from a retreat dedicated for planning for the 3<sup>rd</sup> Assembly by broadening some of the key issues raised in its previous recommendations. We look forward to a vibrant 3<sup>rd</sup> Assembly as has been the 2<sup>nd</sup> Assembly and give assurance that the Council will continue to work with the Members of Parliament for a better Community.

### ***East African Court of Justice***

103. **Mr. Speaker**, the East African Court of Justice carried out various activities that included regular Committee Meetings such

the Rules' Committee Meeting that was held in October 2011 in Kampala, Uganda to consider *inter alia* necessary amendments of the Court's Rules of Procedure and the draft Guidelines for a Reference for Preliminary Ruling; preparation of the Ten Year Activity Report that included a Compendium of EACJ cases that was launched during the 13<sup>th</sup> Ordinary Summit held on 30<sup>th</sup> November 2011 and an Inter-Organ Workshop on the Place and Role of the EACJ held in Kampala in November 2011.

104. As anticipated, the Court's workload has tremendously increased during the last two years. While last year the First Instance Division was far the busiest Division, to date, the Appellate Division is almost equally busy and the organization of hearing sessions has increased from one to two weeks every month for each Division. It is against this background that the Court had to request full time service and permanent residence of the Judge President and Principal Judge to enable them administer closely the judicial work of the Court. This was approved by the EAC Policy Organs. The 24<sup>th</sup> Council of Ministers of November 2011 approved their full time residence and the last Extraordinary Summit held in April 2012 approved their new Terms and Conditions of Service. Administrative and logistical arrangements are now being put in place for the two Judges to start working on full time basis from July 2012.

105. **Mr. Speaker**, the Court also continued to work on the operationalization of Sub-Registries in all the Partner States as a strategy to bring justice closer to the people and enhance the Court's visibility. The process is now almost complete: office space has been secured from the Partner States' Judiciaries, the sub-registry personnel have been recruited and the process of equipping and furnishing the offices has commenced. Soon the sub-registries will be officially launched.

106. The Court also pursued its capacity building programme under the 2010-2015 Strategic Plan for its Judges and staff. Training programmes for Judges have been put in place. With the cooperation of the Raoul Wallenberg Institute, Judges and some staff will undergo an intensive training course on Human Rights and Good Governance in Lund, Sweden, in May-June 2012. In a bid to prepare themselves for Common Market-related cases, Judges will also attend a tailor-made course on resolution of Common Market

Protocol-related disputes to be conducted in Zanzibar at the end of June 2012.

### ***Lake Victoria Basin Commission***

107. **Mr. Speaker**, the Lake Victoria Basin Commission (LVBC) continued to exercise its mandate as articulated in the Protocol for Sustainable Development of Lake Victoria Basin under Article 33 as a permanent apex institution of the East African Community responsible for promoting and coordinating sustainable development in the Lake Victoria Basin. The Commission developed its Strategic Plan 2011-2016 to guide implementation of strategic interventions as specified in the 4<sup>th</sup> EAC Development Strategy to address socio-economic and environmental challenges in the Lake Victoria Basin.

108. Environmental stresses have continued to adversely impact on Lake Victoria, its Basin, as well as the regional economy and livelihoods. The Commission has over the years put in place mechanisms to deal with the main environmental stresses within the Basin. Notable among them is the Lake Victoria Environmental Management Project Phase 2 in the new Partner States of Burundi and Rwanda following the declaration of effectiveness by the World Bank, joining the three other Partner States in implementing this important Project. To date, most of the studies under this Project on harmonization of water and land use policies as well as the management of water hyacinth on the Lake have been concluded and adopted for implementation by Partner States. In addition, the project is conducting a hydrographic survey and mapping of navigational routes on Lake Victoria, installing aids to navigation equipment and making arrangements to train personnel from Partner States on oil spill and toxic chemicals contingency plans.

109. **Mr. Speaker**, the Commission notes with concern the loss of human life daily on Lake Victoria. The Commission in collaboration with Development Partners and the private sector has developed a pre-investment study on Maritime Communications for Safety on Lake Victoria with clear strategies to improve maritime communication and safety, emergency response infrastructure to reduce accidents, save lives and improve the safe working conditions of fishermen and other people involved in maritime activities on Lake Victoria. In this regard, the Commission is in contact with the EAC Secretariat to explore the possibility of de-

linking the grant-based Maritime Communications for Safety on Lake Victoria component from the loan based EAC Broad-band Interconnectivity Network in the context of ADB funding process.

110. The Commission has also continued to spearhead activities promoting conservation and management of trans-boundary natural resources and biodiversity in and outside protected areas through the Mount Elgon Regional Ecosystem Conservation Programme (MERECP) and the Trans-boundary Water for Biodiversity and Human Health-Mara River Basin Project.

111. **Mr. Speaker**, the two projects have offered important lessons in trans-boundary natural resources management. The MERECP has concluded studies on capacity needs assessment in support of Trans-boundary Natural Resource Management in the Mt. Elgon ecosystem, developed the Mt. Elgon Climate Change and Adaptation and Disaster Risk Strategy and Mt. Elgon Trans-boundary Protection and Monitoring Plan. The studies have informed and enriched the ongoing preparations of MERECP Phase 2, whereas the Mara Project has finalized the Trans-boundary Mara River Basin Strategic Environmental Assessment document and jointly with World Wide Fund for Nature is developing the Payment for Ecosystem Services Model for Mara River Basin.

112. The experience gained from the management of Mt. Elgon and Mara River ecosystem will be used to guide the management of the Lake Chala-Jipe and Uмба River trans-boundary Ecosystems shared by Republic of Kenya and the United Republic of Tanzania. The Commission is exploring the possibility of extending similar projects to other Partner States.

113. **Mr. Speaker**, as this august House may recall, the African Development Bank is supporting LVBC in implementing the Lake Victoria Water Supply and Sanitation project. Though there were challenges that caused delays in effective implementation of the project, I am happy to report that the LVBC Secretariat and Partner States met all the conditions precedent to disbursement of funds and AfDB declared the project financially effective in November 2011 and funds have been disbursed to the implementing agencies. In addition the Bank has given a “no objection” to processes aimed at establishing the project implementation platform paving way to signing of various Memoranda of Understanding and procurement

of goods, works and services. It is expected that this will speed up implementation of the planned activities of the Programme in the next Financial Year.

114. **Mr. Speaker,** LVBC with support from the Swedish and Norwegian Governments through Swedish International Development Agency (SIDA) is implementing the EAC/AMREF Lake Victoria Partnership Programme. As part of reducing the risk and vulnerability to HIV and AIDS among mobile populations, the programme has finalized HIV sero-behavioural studies in agricultural plantations and fishing communities and has initiated implementation of evidence-based interventions in the sectors. In a bid to influence policy, the programme has prepared policy briefs targeting decision makers in the region. The programme has also rolled out its activities to the Republics of Rwanda and Burundi and is currently fund raising for the second phase to scale up the model interventions.

115. The Basin continues to be faced by climate change challenges, rampant poverty, environmental degradation, avoidable deaths from droughts, floods, landslides and accidents on Lake Victoria and the rivers in the Basin. These huge challenges call for an adjustment in our focus so that we balance between the software interventions and hardware interventions so that LVBC can support investment in infrastructure to address the above-mentioned challenges.

116. **Mr. Speaker,** LVBC has continued to strengthen its institutional, coordination and management capacity to effectively implement its projects and programmes. The Commission provided short term training to staff with a view to operationalize the Sun system, establish a records management system as well as improve on delivery of financial and administrative services. Furthermore, the LVBC Secretariat developed, together with the UNDP and Swedish International Water Institute (SIWI) a capacity building programme on water integrity for Lake Victoria Basin. The programme will address key areas in governance and accountability in the water sector and will focus on building capacity to institutional and train water managers and other water decision-makers. It will be implemented for three years starting from May 2012 to April 2014.

117. The LVBC Secretariat has also set up a regional knowledge and information hub with the aim to disseminating and sharing

information and knowledge generated regarding the Lake Victoria Basin. All the information resources are available through LVBC web portal which removes geographical boundaries and time zones while accessing information. To avail a wide variety of reading materials to the information seekers, the Secretariat has subscribed to a wide range of e-journals and books which can be accessed either as abstracts or full text articles. The Commission has also published seven study reports on various topical issues affecting the management and development agenda of the Basin. These publications were widely distributed to stakeholders and various actors.

118. **Mr. Speaker**, given the huge mandate of the Commission and its rapid expansion, office accommodation has remained a major challenge. Honourable Members will recall that the Republic of Kenya offered and issued a title deed for a parcel of land measuring 2.8 hectares at the lake frontage for the construction of the Commissions' Headquarters. During this year, a substructure of perimeter wall to secure the land was built and Plan and Bills of Quantities for development of LVBC Headquarters have been designed and are being utilized to mobilize funds for the project. I am happy to report to this august House that the Commission is in contact with the People's Republic of China which has indicated interest in funding the construction of the LVBC Headquarters.

### ***Inter University Council of East Africa***

119. **Mr. Speaker**, during the reporting period, the Inter-University Council for East Africa developed a new rolling Strategic Plan 2011-2016 guided by the IUCEA Act 2009, the 4<sup>th</sup> EAC Development Strategy, need for operationalization of the Common Market Protocol and results from the evaluation of the Rolling Strategic Plan 2006-2011 which ended in June 2011.

120. In collaboration with stakeholders, IUCEA is developing a regional quality assurance system for Universities in the Partner States. IUCEA has also initiated the development of an East African Qualifications Framework as a platform for harmonization of education and training systems, skills, competences and qualifications in the Community, and hence to easily facilitate mutual recognition of qualifications across the region. The East African Qualifications Framework will contribute to the creation of an East African common

higher education area that will be characterized by comparable, compatible, coherent and harmonized systems of higher education.

121. **Mr. Speaker**, following the decision of the EAC Heads of States on the need to evolve concerted strategies to address climate change and food insecurity in the Community, IUCEA is coordinating the development of a regional curriculum at the postgraduate level to address food security and climate change. Meanwhile IUCEA has continued with research capacity enhancement in universities through the Lake Victoria research initiatives.

122. **Mr. Speaker**, the land donated by the Government of Uganda to build the IUCEA Headquarters has been fenced in order to secure its boundaries. Concept designs for the IUCEA office premises have been completed and construction will start in the first quarter of the financial year 2012-2013.

123. During the Financial Year 2012-2013, IUCEA will concentrate on activities leading to harmonization of higher education systems, development of a regional qualifications framework, establishing regional fees structure to ease student mobility in the Community, promotion of university/industry collaboration, enhancing regional research coordination, income and resource mobilization, and construction of IUCEA office premises.

### ***Lake Victoria Fisheries Organization***

124. **Mr. Speaker**, The Lake Victoria Fisheries Organization (LVFO) is an EAC Institution mandated with the management of fisheries resources on Lake Victoria informed by sound science; regional aquaculture policy harmonization; and, continued guarantees for quality and safety of originating fish and fishery products to support trade. In the Financial Year 2011/2012, LVFO performed the normative functions of coordinating lake-wide fisheries management, monitoring of stocks abundance, collation of data on production and exports of fish and fishery products; coordinating and harmonizing policies on development of aquaculture; and, monitoring Partner States compliance to sanitary condition required for regional and international trade for originating fish and fishery products. Some of the programs included finalization and handing over of 17 modern fish landing

sites in the Republics of Kenya, Uganda and United Republic of Tanzania; conducting of HIV sero-behavioural studies and pilot intervention in mobile fishing communities; harmonization meeting with Regional Beach Management Unit networks; capacity building for Partner states monitoring, control and surveillance personnel; and, storing and disseminating fisheries management related data.

125. In the next Financial Year, in addition to the normative functions above, LVFO will give priority to institutional reform towards an East African Fisheries Organization. In this regard, a Protocol or a Bill for the expanded scope and mandate will be sought after a consultative process in all Partner States. The expanded scope and mandate foresees extension to all fisheries and aquaculture of the EAC including marine. The conceptual framework is already captured in the EAC Institutional Review.

### ***EAC Civil Aviation Safety and Security Oversight Agency (CASSOA)***

126. **Mr. Speaker,** During the year under review, the Agency continued to implement its Strategic Plan by harmonizing and amending regulations and carrying out missions to Partner States to assess the extent of the implementation of the harmonized civil aviation regulations. Further, among other activities, the Agency embarked on the construction project for an annex building for additional offices to cater for its growth. The Agency also initiated the procurement process for the EAC Civil Aviation Personnel Licensing Examination System which would facilitate common examination standards for all Partner States in licensing of pilots, aircraft maintenance engineers, air traffic controllers, cabin crew and all other specialties whose profession require licensing in civil aviation.

127. As part of embracing technology, the Agency connected its offices to fibre optic internet thus enhancing communication both within and outside the Agency and commenced the implementation of the IT software called Safety Oversight Facilitated Integration Application (SOFIA) project which will facilitate sharing of technical data by all Partner States hence increasing efficiency and also enable the public to access some of the essential aviation data in the region. The Agency appreciates its partner European Aviation Safety Agency (EASA) who supported the development of this software.

128. **Mr. Speaker**, in the coming Financial Year CASSOA will continue to review, formulate and harmonize the Regional Civil Aviation Regulations and corresponding technical guidance materials as per ICAO requirements and continuously evaluate the status of the implementation of the regulations in the Partner States and facilitating them to ensure compliance by the operators.
129. The Agency will also continue to work with the Partner States in enhancing Safety Management System projects and State Safety programmes. Among the new activities planned include achieving consensus on the need for legal and regulatory reforms in the Partner States; implementing the developed East African Inspector Training System; completing the construction of the office annex building, furnishing and equipping it appropriately; formulating strategies for attracting and retaining appropriate skills in the oversight activities in the region; improving the SOFIA Information Technology system and enhancing personnel licensing examination question.
130. **Mr. Speaker**, the challenge the Agency continues to face is funding. The funding of the Agency by contributions from the Partner States Civil Aviation Authorities without putting up a mechanism to enable them get additional money for contribution is not sustainable. A number of activities were shelved due to lack of adequate funding. This is detrimental to safety as it puts on hold a number of important activities relevant to achieving the desired aviation safety and security objectives in the region. It is our humble request that the issue of sustainability funding for the Agency be finalized.

### *East African Development Bank*

131. **Mr. Speaker**, the East African Development Bank sustained a positive performance trend during the Financial Year. The Bank's profit for the year ended 31<sup>st</sup> December 2011 was USD 6.7 million, an improvement from a profit of USD 2.2 million for the year ended 31<sup>st</sup> December 2010. I am happy to note that the Bank's sustained improvement in portfolio performance manifested in profitable operations has provided a sound background for the commencement of implementation of its Strategic Plan for the period 2011-2015. After the successful resolution of the Blueline litigation in

2011, the Bank is actively mobilizing financial resources in the local and international capital markets, and a upgrading its capacity to undertake the projects and programmes in line with its mandate. The Bank has continued to invest in projects and programmes with sectors that support the real economy

132. With the continued support of its Member States, and international partners, the Bank will harness opportunities that promote the deepening of integration of the East African Community (EAC) partner states. The Bank will therefore continue to leverage the support of its Members as well as that of its international and regional partners, and project sponsors to accomplish its developmental mandate. The Bank is working closely with the EAC Secretariat to ensure that the objectives of the EAC Development Strategy 2012-2016 are realized, especially with respect to private sector development, deepening of financial/capital markets, implementation of Public Private Partnership initiatives, and the actualization of the East African Community Development Fund.

#### **PART V: CHALLENGES AND WAY FORWARD**

133. **Mr. Speaker**, the challenges of the EAC remain pretty much the same ones as in the past years, including the need to establish predictable and sustainable financing of the regional programme. Domestication of national laws to conform to the EAC Common Market Protocol, is also another challenge, to enable the citizens enjoy the rights and freedoms enshrined in the Protocol and its subsequent implementation.
134. A major challenge is the removal of Non Tariff Barriers (NTBs) or restrictions other than customs duties or tariffs and other specific market requirements that make importation or exportation of products difficult and costly within the region namely weighbridges, police roadblocks, non-recognition of the EAC certificates of origin, lack of mutual recognition of quality marks, re-testing of products, delays by statutory boards in releasing the results of analysis of samples and delays in issuance of import licenses among others. As leaders, we need to intensify sensitization and awareness creation among our people for them to realize the full benefits of the integration process.

## **PART VI: EAC BUDGET ESTIMATES FOR FINANCIAL YEAR 2012/2013**

135. **Mr. Speaker**, I would like now to highlight the broad features of the Budget Estimates for the Community for the Financial Year 2012/2013. The details of these Estimates for the priority areas to be funded under the 2012/2013 Budget have been forwarded to the General Purposes Committee for scrutiny. In this part of my Budget presentation allow me to highlight the features of these Estimates.

### ***Assumptions***

136. The EAC Budget for the Financial Year 2012/2013 is being proposed with the following assumptions:

- i. Continued and consolidated political support for the EAC.
- ii. Availability of adequate financial resources and timely remittances.
- iii. Continued financial support from Development Partners.
- iv. Political stability and good governance.
- v. Conducive macro-economic and business environment in the region.
- vi. Global economic stability.

### ***Estimates and Global Priorities for FY 2012/2013 Budget***

137. **Mr. Speaker**, the Estimates being presented for the Financial Year 2012/2013, have taken into account the strategic objectives under the EAC Development Strategy (2011-2016) and the priorities that have been set by the Council for the period. The Council has applied the Medium Term Expenditure Framework (MTEF) analysis and policy and programme priorities projections over the next three Financial Years, i.e. 2012 to 2016.

138. In line with the outcome of the Pre-budget Consultative process of October 2011, EAC will implement six global priorities in the first year of implementation of the Medium Term Expenditure Framework (MTEF) 2012/13 - 2014/15 at a total cost of USD 125,007,796. These are:

- (a) Consolidating the Customs Union, including in particular, carrying out those activities that will enable the region to turn into a Single Customs Territory for which USD 8,501,450 (6.8%) has been

provided in the Budget;

- (b) Implementation of the Common Market Protocol, in particular, operationalization of the free movement of labor provisions, as well as the integration of the regional financial markets to allow for free movement of capital for which USD 23,503,612 (18.8%) has been provided;
- (c) Completion of negotiations on the East African Monetary Union Protocol; USD 9,592,730 (7.7%);
- (d) Cooperation in Cross-border Infrastructure; USD 12,531,382 (10%), and in particular:
  - i. Commencement of construction of the Arusha-Holili/Taveta-Voi road and conclusion of detailed designs for the Malindi-Lunga Lunga-Holili-Bagamoyo road;
  - ii. One Stop Border Posts at Namanga, Rusumo, Holili-Taveta, Lunga Lunga-Horohoro, Kabanga-Kombero and Kagitumba;
  - iii. Completion of the detailed studies for the Dar-Isaka-Kigali/Keza-Msongati rail;
  - iv. Rail links between Kenya-Uganda, Uganda-Tanzania;
  - v. Strategies for harmonized EAC energy generation as well as construction of the 3 inter connectors already identified;
  - vi. Resource mobilization for Bujumbura port and the Mombasa and Dar es Salaam port rehabilitation projects;
  - vii. Establishment of the Upper Flight Information Region;
  - viii. Liberalization of air transport; and
  - ix. Implementation of the EAC Broadband infrastructure network;
- (e) Implementation of the critical activities of EAC Food Security and Climate Change Master Plan, USD 2,874,848 (2.3%);
- (f) Implementation of activities of Lake Victoria Basin Commission namely water and sanitation for the 15 towns around the Lake and its catchment area already identified, activities to protect the fragile Mt. Elgon ecosystem, and harmonized framework for dealing with water hyacinth; USD 38,144,605 (30.5%); and
- (g) Personnel emoluments and other support services USD 29,859,169 (23.9%).

139. **Mr. Speaker**, in addition to the above global priorities, I wish to inform the House that the Council is working on having a consolidated budget of all the EAC Organs and Institutions. For the meantime, the Inter-University Council for the East Africa has been allocated USD 10,105,618 to implement the following activities during the Financial Year 2012/2013:

- i. To strengthen institutional governance, management and operational framework;
- ii. Develop Quality Assurance and Higher Education Harmonization systems;
- iii. Enhance research development, coordination and support systems;
- iv. To enhance support to universities on academic and networking systems;
- v. Strengthen university support in ICT application in areas of academic, research and other administrative functions; and
- vi. Enhance resource mobilization and institutional sustainability

140. In the same vein, **Mr. Speaker**, USD 3,203,041 has been allocated to the Lake Victoria Fisheries Organization to undertake the following interventions during the Financial Year 2012/2013:

- i. Coordination of research programmes to acquire sound scientific information for sustainable management of fisheries;
- ii. Initiation, strengthening, and coordination of institutional, policy and legal frame work towards building consensus to foster integrated fisheries management;
- iii. Development and implementation of aquaculture in East Africa;
- iv. Fish handling, quality assurance and product development;
- v. Fisheries business management , marketing and trade;
- vi. Establishment of common data standards and shared databases, and also coordinated/joint data collection and analysis to foster effective and efficient information generation, follow and exchange; and
- vii. Institutional support to LVFO for increased mandate and scope.

## **PART IX: SUMMARY OF THE BUDGET ESTIMATES FOR FY 2012/2013**

141. **Mr. Speaker**, after this presentation of the priorities for the next Financial Year, allow me to table the Budget Estimates for the Financial Year 2012/2013 totaling US\$ 138,316,455. The Budget is allocated to the Organs and Institutions of the EAC as follows:

- i. East African Community Secretariat; USD 68,339,098;
- ii. East African Legislative Assembly; USD 12,511,772;

- iii. East African Court of Justice; USD 4,117,210;
- iv. Lake Victoria Basin Commission; USD 40,039,716;
- v. Inter-University Council for East Africa; USD 10,105,618; and
- vi. Lake Victoria Fisheries Organization; USD 3,203,041.

142. The budget for the Financial Year 2012/2013 will be funded as follows:

- i. Partner States Contributions through the Ministries responsible for EAC Affairs: USD 35,375,722;
- ii. Partner States through other Agencies: USD 4,825,709;
- iii. Development Partners' Support: USD 97,079,329;
- iv. Other Income: USD 1,035,695.

143. **Mr. Speaker,** I beg to move.