



Tabled by Hon. Munya on
2/2/12. Referred by the
Speaker to the relevant
Committee.

[Signature]

EAST AFRICAN COMMUNITY

ANNUAL REPORT 2008-2009

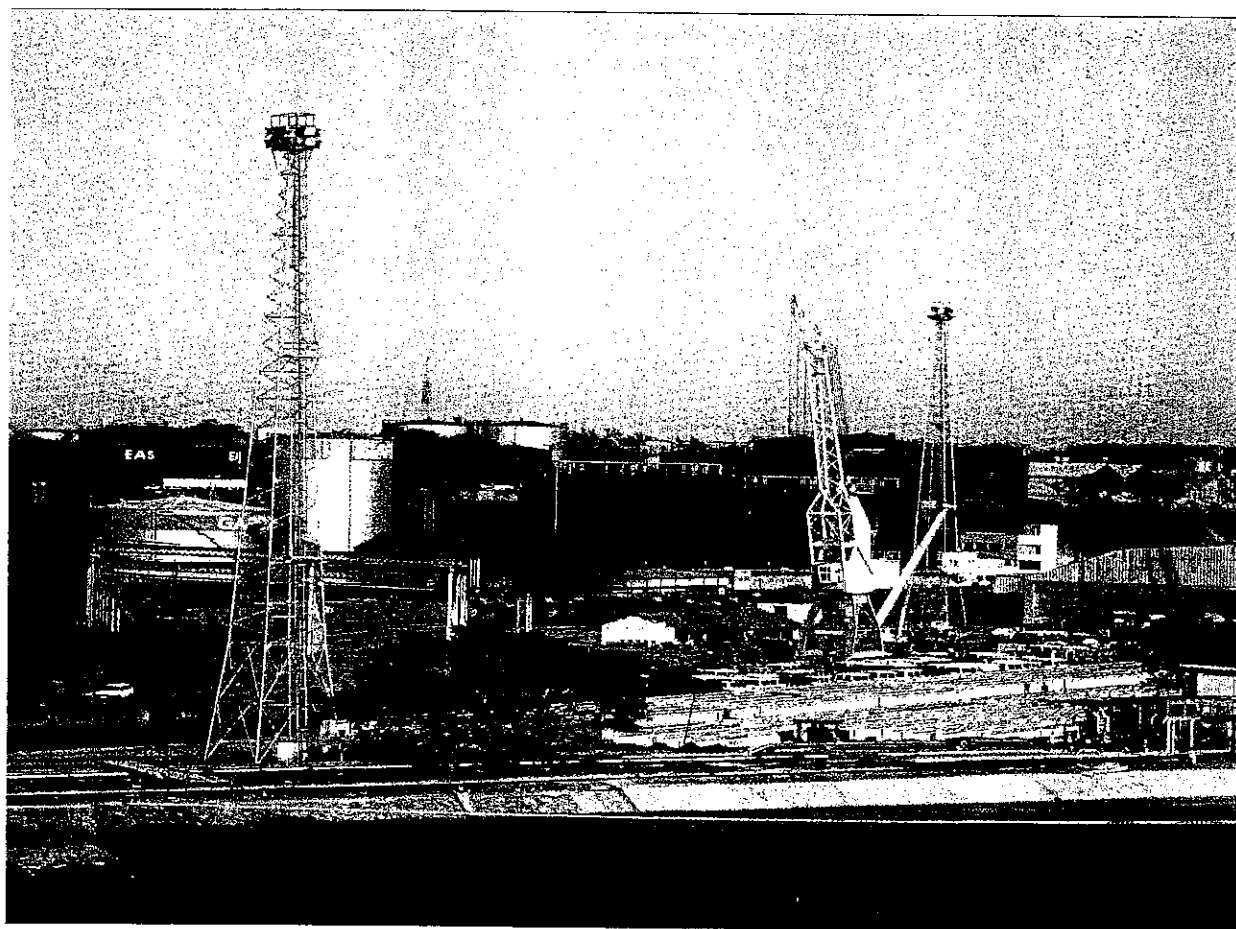
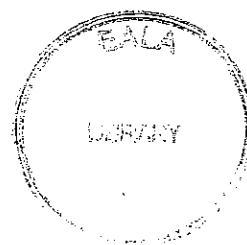


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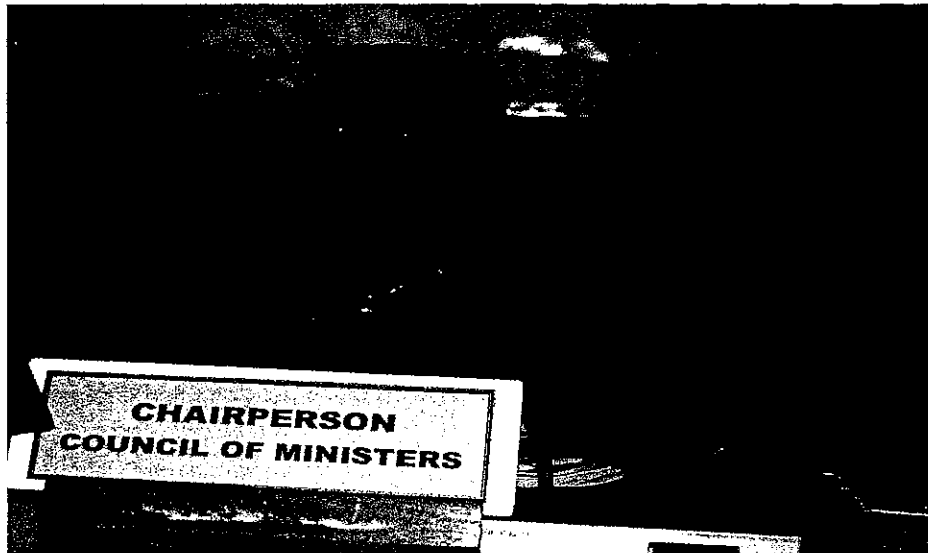
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Abbreviations / Aacronyms

ADB	African Development Bank
CASSOA	Civil Aviation Safety and Security Oversight Agency
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
CPMR	Conflict Prevention Management and Resolution
EAC	East African Community
EACJ	East African Court of Justice
EAHRC	East Africa Health Research Commission
EALA	East African Legislative Assembly
EARPF-HPD	East African Regional Inter-Parliamentary Forum on Health, Population and Development
EASC	East African Standards Committee
EATTFP	East African Trade and Transport Facilitation Project
EDF	European Development Fund
EPA	Economic Partnership Agreement
FEPA	Framework Economic Partnership Agreement
IGAD	Inter Governmental Authority on Development
IOC	Indian Ocean Commission
ITB	International Tourim Board
LVBC	Lake Victoria Basin Commission
LVFO	Lake Victoria Fisheries Organisation
NBS	National Bureau of Standards
NMC	National Monitoring Committees
NTBS	Non Tariff Barriers
SALW	Small Arms and Light Weapons
SQMT	Standardisation Quality Assurance, Metrology and Testing
TIFA	Trade and Investment Framework Agreement
UNDOC	United Nations Office on Drug Control



1.0 STATEMENT BY THE CHAIRPERSON EAC COUNCIL OF MINISTERS.



Hon. Monique Mukaruliza

Chairperson Council Of Ministers

The Financial Year 2008/2009 presents yet another milestone in the Community quest to widen and deepen the economic, political, social and cultural integration as a way of improving the quality of life of the people of East Africa. I am pleased to report to the Council that the progress and achievement made is a reflection of the hard work and commitment by the staff of the Community as well the bold and strategic decisions made by the Council over the years.

The Community made tangible progress in almost all the areas of co-operation: the EAC Customs Union reached its 5th year of implementation, and it is expected that by January 2010, the Customs Union will have reached its threshold with goods imported from Kenya by other EAC Partner States attracting zero customs duty. This fiscal development is expected to apply to the Republic of Burundi and the Republic of Rwanda effective 1st July 2009. An evaluation study on the status of implementation and the impact of the EAC Customs Union on the people of East Africa was finalized and key issues related to trade and revenue performance, investments flows and elimination of Non-Tariff Barriers among others were some of the key issues identified and concrete recommendations made on how to tackle them.

The finalization of Partner States the negotiations of the EAC Common Market Protocol was major breakthrough and a key milestone towards EAC Partner States commitment to opening their borders for the free movement of persons, goods, labor services and capital. The key preparatory activities towards the establishment of the EAC Monetary Union and a single currency for the EAC region continued during the year, with Central Bank Governors of the EAC Partner States validating an Inception Report on the establishment of the EAC Monetary Union. National consultative meeting and sensitization of the East African citizen on the modalities, and the benefits of establishing the East African Monetary Union were also carried during the period under review.

On co-operation in Political matters, following a directive of the Summit, national consultations on EAC Political Federation were concluded in the Republic of Burundi and Republics Rwanda and their respective consultative reports considered by the Summit at its 10th Ordinary Meeting

in April 2009. The EAC frameworks on Good Governance, prevention and combating of corruption; promotion and protection of human rights and the operationalization of the EAC forum of national electoral commissions were some of the instruments development during the year in an effort to build a strong foundation for the EAC Political Federation.

In respect to promotion of regional trade, the negotiations for a comprehensive Economic Partnership Agreement (EPAs) with the European Union proceeded well and by June 30th 2009, most of the areas had been agreed upon with the exception of issues related to: market access, trade in services and technical barriers to trade among others. The EAC Trade Negotiations Act was enacted during the year finally ending the longstanding search for the EAC Partner States' commitment to negotiate as a Bloc in the multilateral trade fora.

On regional projects and programmes, emphasis was placed on the development of regional infrastructure and notable among the key projects were: the implementation of the East African Road Network Project, the construction of the Arusha-Namanga - Athi River Road expected to be completed by July 2011, the final preparations for construction work of the Arusha-Moshi-Voi and the Malindi-Mombasa-Tanga-Bagamoyo road projects among others.

A study on the development of the EAC Railways Development Master Plan was completed and the construction on the gas and oil extension from Eldoret- Kenya to Kampala- Uganda is expected to be completed by December 2009. Similarly the extension of the oil pipeline from Kampala- Uganda to Kigali- Rwanda and Bujumbura- Burundi and the feasibility study for the Dar-Tanga-Mombasa natural gas pipeline were completed and approved by the EAC Sectoral Council on Energy.

Developments under the productive and social sectors covered a wide range of projects ranging from: promotion of Agriculture and Food Security; prevention and control of animal trans-boundary diseases; promotion of Tourism and wildlife management; mainstreaming Gender into all regional projects and programs, harmonization of education curriculum and harmonization of immigration laws and procedures among others.

In terms of resources mobilization, the Community strengthened Co-operation and collaboration with the Development Partners. Grants and contributions from Development Partners (friends of EAC) under the Partnership Fund arrangement amounted to over USD 6.0 million. In addition, the Community signed multi-year financing agreements with SIDA to the tune of US Dollars 5.7M for five years to support a HIV/AIDS Programme and with DFID, for 5.1 M pounds for a period of three (3) years to support various projects and programmes.

The East African Legislative Assembly continued fulfilling its core mandate of legislation, representation and oversight. In the period under review, the following Bills were enacted: EAC Appropriation Bill 2008; the Inter-University Council for East Africa Bill, 2008; the EAC Emblems (Amendment) Bill, 2008; the EAC Budget Bill, 2008; the EAC Customs Management Act (Amendment) Bill, 2008; and the Acts of the East African Community Act (Amendment) Bill, 2009, among other.

The Assembly debated and adopted motions and resolutions on: the development of an East African Community Integrated Policy and laws on Energy Security; the adoption of a common position on ICTR completion of cases and attendant issues; peaceful resolution of the conflict in the DR Congo; ratification of the UN General Assembly convention on the Rights of Persons with Disabilities among other.

The highlight of the East African Court of Justice during the period under review was the hearing of a trend setting case for an Advisory Opinion requested by the Council of Ministers in

April 2009 on the question of variable geometry. The Court was reconstituted into two Divisions, the Division of First Instance and the Appellate Division, the Court also developed draft new rules of procedure and carried out sensitization programmes on its role among stakeholders, focusing on the Court's arbitration jurisdiction and institutional capacity.

The Lake Victoria Basin Commission (LVBC) launched the implementation of its Operational Strategy (2007-2010) focusing on the three key pillars, namely: the unlocking of the vast potentials in the Lake Victoria basin by maximizing the utilization of natural resources; reduction of poverty and improvement in the quality of life; and environmental sustainability.

The East African Development Bank (EADB) operations continued to be underpinned by its mandate of promoting the development aspirations of its Member States – Kenya, Rwanda, Tanzania, and Uganda. The joining of the Republic of Rwanda into the Bank group during the period under review making it the fourth Member State was a major achievement. This was followed by the subsequent enactment of the East African Development Bank Act in the Rwandan law paving way for the participation of Rwanda in the Bank's governance structure.

The Lake Victoria Fisheries Organisation (LVFO) continued to coordinate resource monitoring and environmental research, socio-economic studies and other management initiatives through the Fisheries Research and the Management Institutions of the three Partner States sharing the Lake Victoria. Other were: reviewing of LVFO Strategic Vision, undertaking performance monitoring, functional analysis of LVFO and Strengthening of linkages, consolidation of number of processing plants around the lake, Mobilization of communities and awareness raising (BMUso, Landing sites improvement continued during the year including construction of MCS and research vessels. A number of surveys were undertaken including biological & environmental surveys and the Hydro-acoustic survey

Hon. Monique Mukaruliza

CHAIRPERSON COUNCIL OF MINISTERS

2.0 REGIONAL PROJECTS AND PROGRAMMES

Under the EAC Projects and Programmes, the focus was on the consolidations of the developments made under the regional infrastructure covering: road and rail transport, civil aviation and airports, maritime and water transport among others. Substantial progress was further made in the development of capacities under the productive and social sectors covering: Agriculture and Food Security, Tourism and Wildlife management, Environment and Natural Resources, Energy, Health, education science and technology, culture and sports and gender and community development. Progress under project and programmes will be reported under two sections; Planning and Infrastructure Development and Productive and Social Sectors

2.1 PLANNING AND INFRASTRUCTURE DEVELOPMENT

Infrastructure development is coordinated under the Directorate of Planning and Infrastructure, which is responsible for the development of regional infrastructural plans, assessment of resource requirements for growth and harmonization of policies and identification of investment opportunities. The Directorate also coordinates activities related to the establishment of the EAC Common Market and laying a foundation for establishment of the EAC Monetary Union. Other sectors coordinated under the Directorate of Planning and Infrastructure include: Planning and Research, Monitoring and Evaluation, Statistics, Investment and Private Sector Development, Civil Aviation and Airports, Communications and Meteorology

Details of the progress made in the implementation of various projects and programmes by sector are presented below:

2.1.1 ROADS TRANSPORT

The implementation of sub-projects as contained in the East African Road Network Project was the main focus during the period. Inclusion of road links from Rwanda and Burundi added 2,000 km to the network bringing the total coverage along the five key priority corridors to about 15,000 kms, as shown under Table: 1

Table: 1 Grand Summary of the Status of Individual Corridors (Original Links agreed in 1998, Links added in 2003 and new links for Rwanda and Burundi added in 2009)

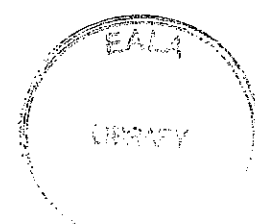
Corridor No.	Corridor Name	Countries Traversed	Total Length (Km)	No. of Road Links				Total Cost US\$ mill.	Cost per Km US\$ mill.	Available Funding US\$ mill.	Balance of Funding US\$ mill.	Available Funding as a % of cost
				Complete	Ongoing	No Activity	Total					
1	Mombasa - Malaba - Katuna - Kigali - Kanyaru Haut - Bujumbura - Gatumba	KE, UG, RW & BU	4,396	9	22	14	45	1,984	0.29	1,708	277	86%
2	Dar es Salaam - Dodoma - Isaka - Mutukula - Masaka & Lusahunga - Nyakasanza - Rusumo - Kigali	KE, UG, RW & BU	3,873	15	14	10	39	1,999	0.32	1,651	348	83%
3	Biharamulo - Mwanza - Musoma - Sirari - Lodwar - Lokichogio	TZ & KE	2,098	1	4	11	16	1,088	0.28	491	598	45%
4	Tunduma - Sumbawanga - Kigoma - Manyovu (Mugina) - Rumonge - Bujumbura - Ruhwa/Bugarama - Karongi - Gisenyi	TZ, RW & BU	1,806	0	5	4	9	957	0.35	528	429	55%
5	Tunduma - Iringa - Dodoma - Arusha - Namanga - Nairobi - Isiolo - Moyale	TZ & KE	2,824	3	12	3	18	1,569	0.38	1,300	269	83%
TOTALS FOR CORRIDOR 1-5			14,997	29	61	53	143	7,597	0.32	5,344	2,253	70%

Progress Status
Summary:

Completed: 20%

Ongoing: 43%

Outstanding: 37%



The construction of the Arusha - Namanga - Athi River Road continued, together with the preparation of an EAC Transport Strategy. Several initiatives were also in the procurement stages, in most cases awaiting approvals from the ADB.

The progress made under the Road sector was as follows:

i Construction of the Arusha - Namanga - Athi River Road

The project entails the reconstruction of a regional road between Kenya and Tanzania with the objective of reducing transport costs and enhancing trade in the region. The 240-km long road construction is funded jointly by the African Development Bank (AfDB), the Japan

International Cooperation Agency (JICA), and the Governments of the Republic of Kenya and the United Republic of Tanzania. Construction commenced in November 2007 on the Kenyan section (135 km long) and in August 2008 on the Tanzania section (105 km long).

By June 2009, the Kenyan section had registered 23% completion of total works (against 56% of time elapsed) and about 31 km of bitumen surface had been laid and opened to traffic. One of four major bridges had also been completed. The Tanzanian section had a poor start and compared to the 30% of elapsed time, only 6% of the works had been accomplished. The delay was largely attributed to the inadequate deployment of machinery and poor planning and works management on the side of the contractor.

ii Arusha – Holili – Voi Road

The 260 km long road from Arusha passing through Moshi to the border town of Holili / Taveta and ends at the Kenyan town of Voi, located about 160 km from Mombasa. A consultancy firm to undertake to conduct feasibility studies and detailed designs was selected and approval to sign a contract was still awaiting a No objection from AfDB. Some of the salient components of the project include: the construction of a ring road around Arusha town; a dual carriageway linking Arusha town to Kilimanjaro International Airport.

iii The Malindi – Lunga Lunga / Tanga – Bagamoyo Roads

The 240 km Malindi – Mombasa – Lunga Lunga road traverses the Kenyan coast. It is a bitumen road in fair condition. The Tanga – Pangani – Bagamoyo road follows the Tanzanian coastline and is 180 km long and is all earth / gravel standard. Part of it cuts across the Saadani National Park. A section of the link, the Tanga – Horohoro road (60 km long), is being rehabilitated by the Millennium Challenge Corporation of the U.S Government. Upon completion, the road will provide an enabling infrastructure that will stimulate the growth of the tourism industry along the East African coast and exploitation of the huge agricultural potential of the Tanga Region. With a grant from AfDB procurement of consultancy services were still ongoing.

iv The East African Trade and Transport Facilitation Project (EATTFP)

The EATTFP supports projects related to infrastructure, trade and customs. Under infrastructure, the project is financed a study on the East African Transport Strategy, Regional Road Sector Development Programme and the EA Transport Facilitation Project.

The consultancy for the study currently being undertaken by Africon of South Africa was commissioned in June 2009 and a stakeholder's workshop to validate the initial data collection is planned for August 2009. The Transport Facilitation component will involve the implementation of the Tripartite Agreement on Road Transport, signed by the Partner States in 2001 and ratified in 2004. The thematic areas will include, among others, review and harmonization of Partner States' road traffic Acts, designs and specifications, vehicle registration and axle load regulations among others. A short list of firms to conduct the study was prepared and approved by ADB. RFP documents were issued to consultants to submit technical and financial proposals.

2.1.2 RAIL TRANSPORT

The railway transport sector in East Africa has experienced a steady decline since the 1980s. The decline has exerted extreme pressure on the road network resulting in early failure of the road foundations. It is against this state of affairs that the Summit of Heads of State directed the regional master plan for railways be prepared.

The East African Railways Master Plan

The objectives of the Master Plan is to evaluate the current and potential demand for railways, review the current railways capacity and establish the gap between the capacity and the requisite railways infrastructure and services that will cater for future demand. The final report submitted in January 2009 highlighted the following salient issues related to traffic and track gauge:

- that despite the recent decline in traffic, the customer base consists of relatively large shippers and customers who will move large volumes of single commodity traffic between a limited number of origin-destination pairs, providing an ideal situation for the development of rail transport system
- that traffic to land locked countries which would benefit from rail competition as result of the proposed new rail links could increase substantially and
- that mining has huge potential for generation of future rail freight traffic
- That conversion of the EAC railways to standard gauge would lead to benefits in terms of connectivity, higher traffic carrying capacity, better availability and lower capital costs of equipment as well as potential for some operating cost savings.
- With investment of USD 1.2 to 2.9 billion, the existing metre gauge rail network would meet the projected railway traffic demand (estimated at 13 to 21 million tonnes per annum) for the year 2030.
- Conversion of the existing metre gauge would cost between USD 13 to 29 billion, depending on the scenario chosen, as shown on the table below for the medium cost option.

2.1.3 CIVIL AVIATION AND AIRPORTS:

Programmes in the sub-sector registered steady progress. During the period under review, progress was registered under the programmes detailed below:

i Harmonisation of the EAC Civil Aviation Regulations

Implementation of the harmonized Safety, Security and Aerodrome Regulations was completed in the three Partner States of Kenya, Uganda and the United Republic of Tanzania. Development and harmonization of oversight Regulations in Air Navigation Services were ongoing. The process of aligning the Republics of Burundi and Rwanda aviation regulations into the harmonised regulation of the other three (3) Partner States was still on going and expected to be completed by December 2009

ii Draft Protocol on EAC Upper Flight Information Region (UFIR):

A study on EAC Upper Flight Information Region was finalized in April 2009, follow-on studies, including expansion of the current study to cover Burundi and Rwanda were recommended by the study and a proposal was submitted to the United States Trade and Development Agency (USTDA) to fund the study in Rwanda and Burundi.

iii Implementation of the Yamoussoukro Decision on the liberalization of air transport

Development of the regional framework for the implementation of the Yamoussoukro Decision on the liberalization of the air transport in the region was on course during the year. A Draft Protocol on the application of Competition Rules for Air Transport Services was considered by the Air Transport Sub Committee, which recommended the harmonization of the Draft Protocol with the protocol on the establishment of the East African Community Common Market and that of Application of Competition Rules for Air Transport Services within the existing East African Community Competition Act, 2006.

iv Permanent Hosting of CASSOA

The process of accession to the CASSOA Protocol by the Republics of Burundi and Rwanda was initiated following the ratification of the Protocol and submission of the instruments of ratification to the Secretary General by the Republic of Kenya and the United Republic of Tanzania as Uganda had ratified the Protocol the year before. Final negotiations of the draft Headquarters Agreement and the assessment of the progress in remodeling of the facilities offered by Uganda for hosting CASSOA were finalized during the reporting period.

v Investment and Financing Strategies for the Priority Airports Projects

A meeting of the Experts on the preparation of a ten (10) years Investment and Financing Strategy for priority airports projects was held in June, 2009 which among others considered: the proposal for Rwanda Priority Airports and aerodromes as points of international/regional entry and exit; develop Terms of Reference for carrying out preliminary feasibility studies.

vi MoUs and Agreements on Civil Aviation programmes

The draft Memorandum of Understanding on the East African Regional Plan for the operationalisation of the Regional Search and Rescue Agreement was developed and endorsement . A request has been put to Partner States Civil Aviation Authorities to consider funding the Global Navigation Satellite System project (GNSS) in their budgets.

vii The Unified Upper Flight Information Region (UFIR) and the Global Navigation Satellite System (GNSS) for selected EAC Airports

EAC executed a study on the Unified Upper Flight Information Region (UFIR) supported by the United States Trade Development Agency (USTDA). The study recommendations covering the unification of the Upper Airspace of the EAC and the establishment of the Area Control Centre (ACC) for the unified upper airspace were finalised in October 2008. A team of experts on the GNSS study developed a project proposal for implementation of the recommendations of the Study. Its worth noting that, the harmonisation and revision of the Safety, Security and Aerodromes Regulations and the establishment of the Unified Upper Flight Information Region were the two critical components of the EAC Civil Aviation Safety Project.

viii Liberalisation of the EAC Civil Aviation Market for Regional Carriers

The programme on the liberalisation of the civil aviation market for regional carriers within the framework of the Yamoussoukro Decision (YD) progressed well. The programme is aimed at strengthening the air transport capacities between the region's city pairs and the enhancement of competition in air transport services in the region so as to bring down the cost of travel and freight rates in the region. Following a directive of the Council in April 2006, that all EAC Partner States align their existing Bilateral Air Services Agreements (BASAs) to YD, an Air Transport Sub Committee to oversee the implementation of YD in the sub region was established. In May 2008, the draft framework for implementation was submitted to Partner States for comments. The full implementation of YD is expected to commence fully during the next Financial Year after the approval of the framework by the Partner States.

ix Priority Airports for Development

In order to improve the airport capacities in the region to accommodate the expanded traffic as a result of the ongoing liberalisation; the Community identified priority regional airports for development. In March 2008, the development of the five year airports development programme was finalized, that covered selected international airport projects and domestic airstrips projects to support local tourism; social and humanitarian disaster management operations. A project proposal was presented to the World Bank in May 2009, for possible financing.

2.1.4 COMMUNICATIONS

The key interventions and achievements of the sub-sector are highlighted below.

i. Development of a Harmonized Regional Framework for National ICT Policies

A regional framework for national ICT policies adopted at a regional stakeholders' workshop held in February 2009. The framework was also presented at the 15th Congress of East African Regulators, Postal and Telecommunications Operators (EARPTO) in May 2009 in Dar es Salaam. It is expected that, the framework will be adopted by Partner States during the first quarter of 2010/ 2011 financial year.

ii. Conclusion of the Regional ICT Support Programme (RICTSP)

RICT-SP was an ICT development programme benefiting countries in Eastern and Southern Africa. The programme was funded by the European Commission (EC). Within EAC, the programme supported a number of activities including the development of harmonized framework for ICT policies and regulation, support to the development of EAC web portal, and financial assistance to ICT incubator projects. The programme closed on 30th June 2009. EAC working closely with other Regional Economic Communities was following up a follow-up programme to consolidate the gains of the just concluded programme.

iii. The EAC-Broadband Infrastructure Network Project (EAC-BIN)

EAC and Japan Telecommunications Engineering and Consulting Service (JTEC) signed a contract for the consultancy in May 2009 to undertake the study. JTEC embarked on the assignment immediately and the study is expected to be finalized in September 2009.

iv. Operationalization of Technical Committees on Telecommunication, Information Technology (IT), Broadcasting and Postal Services

During its 6th Session on 26th February 2009, the Sectoral Council on Transport, Communications and Meteorology (TCM) established Technical Committees on Telecommunications, Information Technology (IT), Broadcasting and Postal Services. The launch meetings of the committees on Telecommunications, IT and Broadcasting have been held. Detailed work-plan for the period July 2009 to June 2010 was approved for each subcommittee and resources were being mobilized to implement the approved work-plans.

v. Mainstreaming of Postal and Broadcasting sub-sectors into departmental programmes.

In an effort to mainstream Postal sub-sector activities into EAC programmes, a strategy meeting with Universal Postal Union/Pan African Postal Union (UPU/PAPU). During the meeting, a list of short term and long term strategies for the sub-sector were drawn. Resource mobilization and consultations with Partner States for the activities is ongoing, and implementation was planned to begin July 2009. For the broadcasting sub-sector, contact with ITU and Partner States was established, and consultations yielded background material and strategy for the launch of Analog-to-Digital broadcast migration programmes.

vi. Promotion of ICT applications and services

The process of developing an enabling environment for the development and use e-government and e-commerce applications was on course and a regional framework for cyber-laws was developed awaiting consideration and adoption by the relevant Sectoral Council.

2.1.5 METEOROLOGY

Key interventions and milestones achieved were in relation to: climate change, enhancing safety navigation, data monitoring among others.

i Climate Change

The climate change program expanded with collaboration between EAC, COMESA and SADC on mitigation of climate change effects. Four(4) climate change round table meetings were conducted during the period. The four Partner States were able, during the meetings, to consolidate and shape up their climate change positions as regards the forthcoming climate change negotiation meeting, which will be held in Copenhagen in December 2009. During the meeting in Copenhagen, the world will negotiate a climate change arrangement to replace the Kyoto protocol, which comes to an end in 2012.

ii Lake Victoria Meteorological Project

A consultancy for the project "Enhancing Safety of Navigation and Efficient exploitation of natural resources over Lake Victoria and its Basin by strengthening meteorological services on the Lake was commissioned and expected to be finalised by June 2009.

iii Data Monitoring and Meteorological Operations

The Heads of Meteorological Services met in Kisumu, Kenya from 17th – 22nd May, 2009, to review data monitoring, meteorological operations and also meteorological projects and programs at EAC. Among the policy recommendations was the need for the establishment/identification of a climate/weather-modeling center in East Africa as a centre of excellence in Meteorology.

iv Other achievements were:

Finalization of the pre-investment study on the project "Enhancing Capacities of Meteorological Services in Support of Sustainable Development in the EAC Region"; establishment of the Host Centre a comprehensive nuclear test - ban treaty organization (CTBTO); establishment and Operationalisation of the East African Meteorological Society; implementation of the MOU between EAC and World Meteorological Organization including the development and harmonization of Meteorological policies and protocol ; development of a regional Master Plan on

climate change focusing on mitigation and adaptation measures. Host city for the Maritime Rescue Coordination Centre Identified Using criteria for establishing EAC institutions; implementation of the recommendations in the Plan touching on public weather forecasts, disaster preparedness, weather information for use by other sub sectors including – civil aviation, construction, marine services, agriculture and food security among others; and enhancement of disaster prevention and management capacities for sustainable development by strengthening meteorological early warning systems in the EAC region.

2.1.6 INVESTMENT PROMOTION AND PRIVATE SECTOR DEVELOPMENT

The promotion of the East African Community as an ideal global investment destination was a major pre-occupation for the sector during the year. Public and Private Sector Dialogue was enhanced in close collaboration with the East African Business Council (EABC).

The following are the highlights of the progress and achievements made during the year:

i. EAC Investment Policy Advocacy Program

Following the August 2007, Summit directive that, a suitable Industrial and Investment Policy and Strategy be formulated, a consultant was engaged in July 2008 to guide the process of formulation. The strategy aims at harmonizing Investment policies and strategies, laws, procedures and regulations in an effort to create one investment area framework that can attract and retain investors in the region.

ii. Image Building Initiative

As a part of her re- branding initiative, the Community undertook a successful investment mission to Canada in an effort to promote EAC as “One Market One Destination”. A number of inquiries about the possibility of investing in the region in areas such: tourism, ICT, Agro processing, trade partnership, infrastructure and services have started trickling in. Preparatory activities for the 2nd EAC Investment Conference scheduled for end of July 2009 just before the AGOA Economic Forum were in proceeding well. Collaboration with the Private Sector was also given top priority during the year and in June 2009 a joint EAC- EABC Investment Conference on Energy was held in Dar es Salaam where opportunities and policy issues in the sector were discussed.

2.1.7 FISCAL AND MONETARY POLICY HARMONISATION

Programmes undertaken and the key achievements are presented below:

i. Monetary policy harmonization

The main project undertaken by the sector was the commissioning of a study on the EAC Monetary Union. The contract agreement was signed between EAC and European Central Bank (ECB) in April 2009. An Inception Report on the establishment of the EAC Monetary Union was considered by the Central Bank Governors of the EAC Partner States and national consultative meeting and sensitization programmes of the East African citizen on the modalities, and the benefits of establishing the East African Monetary Union were also conducted during the period under review.

ii. Fiscal Policy Harmonization

The harmonization of fiscal policies of the Partner States was undertaken within the framework of the negotiations on the EAC Common Market Protocol in order to create one single market by eliminating tax distortions. The Tax Harmonization Project funded by GTZ is aimed at harmonizing and rationalizing tax policies within EAC. The Fiscal Affairs Committee meeting held in January 2009, discussed among

others the conceptual framework, project design, action plan 2009 and the Terms of reference for the study on tax system in EAC. The Training workshop on VAT harmonization was also held in March 2009.

iii. Banking and financial markets harmonization

With funding from the International Finance Corporation and Efficient Securities Markets Institutional Development Initiative (IFC-ESMID), two studies on EAC Capital markets Regionalization and a study on bond markets were finalized.

Other achievements were: harmonization of monetary and financial statistics (MFSs) for EAC Partner States and convening of a meeting of national experts on Monetary and Financial Statistics held in Arusha from in June 2009 to harmonize the MFSs in the EAC.

2.1.8 IMPLEMENTATION OF THE EAC COMMON MARKET

Following a directive by the 7th Summit of EAC Heads of State; negotiations on the EAC Common Market Protocol, commenced April 2008, spearheaded by a High Level Task Force of Experts (HLTF) drawn from the Partner States and EAC Organs and Institutions. By 30th June 2009, the HLTF had reached consensus on the following provisions of the draft EAC Common Market Protocol:

- (i) The Preamble
- (ii) Interpretation
- (iii) Establishment of the Common Market
- (iv) Objectives
- (v) Principles
- (vi) Free Movement of Goods
- (vii) Free Movement of Persons
- (viii) Free Movement of Workers
- (ix) Right of Establishment and Residence
- (x) Free Movement of Services
- (xi) Free Movement of Capital
- (xii) Economic and Financial Sector Policy Coordination
- (xiii) Competition and Consumer Welfare
- (xiv) Common Commercial Policy
- (xv) Common Transport Policy
- (xvi) Approximation of Laws
- (xvii) Common Social Policy
- (xviii) Environmental Management
- (xix) Cooperation in Statistics
- (xx) Research and Technological Development
- (xxi) Cooperation in Intellectual Property Rights
- (xxii) Industrial Development
- (xxiii) Agriculture and Food Security
- (xxiv) Institutional Framework
- (xxv) General and Final Provisions

In addition, the HLTF had commenced negotiations on the following annexes to the EAC Common Market Protocol: Free Movement of Persons; Free Movement of Workers; the Right of Establishment; the Right of Residence; Harmonisation and Mutual Recognition of Academic and Professional Qualifications; Free Movement of Capital; Free Movement of Services and Safeguard Measures.

2.1.9 HARMONISATION OF REGIONAL STATISTICS

The EAC Secretariat continued to implement programs aimed at ensuring timely availability of reliable and regionally comparable statistical data for effective planning, decision making and monitoring and evaluation. Key achievements were registered under the following projects:

i. Establishment of the EAC Statistics Database:

The development of the EAC statistics database was concluded and national validation workshops held in all the five Partner States. The final regional validation workshop to finalize and harmonize the descriptive data of the major socio-economic indicators was scheduled for July 2009. The procurement process of consultants for the Information Technology solution to the database progressed well. A computerized database is expected to be fully operational by December 2010.

ii. Harmonization of Statistics in different subject areas:

The sector continued to coordinate the harmonization of statistics in order to have regionally comparable statistical data. The following statistical areas were harmonized:

a) Monetary and Financial Statistics

The partner States agreed on a set of regional indicators to be periodically compiled using harmonized approaches. The set of indicators was adopted by the recently concluded Monetary Affairs committee and were recommended to Council for adoption;

b) Foreign Direct Investment Statistics:

Efforts to harmonize compilation of foreign direct investment statistics were in progress with national workshops for Rwanda, Uganda and Kenya completed. National workshops for Tanzania and Burundi were expected in the last quarter of the FY. The production of the EAC regional investment report was expected to be finalized next year;

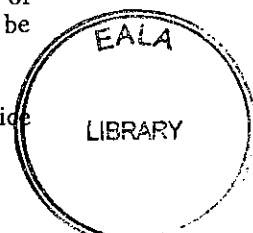
c) Others statistical areas harmonized include: National Accounts, Consumer Price Index, Agricultural, demographic and social statistics

iii. Maintenance of an updated Web based Council Decisions Database:

A fully functional web based database of the EAC Council of Ministers decisions and directives was finalized during the year. The database is expected to facilitate all Partner States and other stakeholders to access the Council decisions and directives on the EAC website. Plans were underway to have the status of implementation of Council Decision regularly updated by the Ministries responsible for EAC Affairs in the Partner States.

iv. Maintenance of an updated statistics web portal;

A web portal dedicated to statistics was developed during the reporting period and placed on the EAC website. The web portal will facilitate exchange of statistical data and disseminate the initiatives and programs being implemented by EAC. The portal can be accessed through www.statistics.eac.int. The web portal will also disseminate basic regional socio-economic statistical data as contained in the annual publications such as, *EAC Facts and Figures Report*: an annual report of the major socio-economic statistical indicators of all the Partner States that are crucial for planning and decision making; and *EAC Trade Report*: an annual report that presents the flow of trade in the region. The 2008 trade report was already posted.



2.1.10. STRENGTHENING THE MONITORING AND EVALUATION FUNCTION.

i. Monitoring the implementation of annual implementation /operational plans budgets

EAC Organs and Institutions continued to implement the quarterly reporting system as per the standard reporting formats. Testing of the reporting formats was done during the second quarter (October – December 2008) and during the compilation of the cumulative progress performance reports covering the four EAC organs (EAC Secretariat, EALA, EACJ) for the period July 2008 to March 2009.

ii. Midterm Review of the 2006-2010 Development Strategy

Mid-term review of the Development Strategy (2006-2010) whose objective was to undertake a thorough, in-depth analysis of all key priority programs, projects and policies and assess whether the objectives and the expected results were being achieved or a positive trend towards achievement of anticipated results at midterm was concluded. It is expected that the review will guide the planning and the formulation of the fourth EAC Development Strategy (2011-2016).

iii. Establishment of a Result Based Monitoring and Evaluation System

A World Bank Project aimed at supporting the EAC Secretariat establishes a Result Based M&E did not progress as anticipated. However, Terms of Reference were developed and approved by the World Bank, expression of interest was advertised in the regional print media and a shortlist made of eligible consultants. However, EAC could not go ahead to request for proposals due to failure by the World Bank release funding in time.

iv. Enhancing the capacity of the Monitoring and Evaluation Unit

As part of the strategy to strengthen the M&E capacity to coordinate M&E activities at directorate level, focal point officers were appointed to coordinate and liaise with the monitoring and Evaluation unit on matters related to monitoring and reporting on the implementation of planned activities on a regular basis at directorate and Organ level

v. Assessment of the progress of implementation and validation of performance reports.

A number of field visits were planned to assess the status of implementation of specific projects but due to limited capacity in terms of staffing, only two field visits were undertaken for the two regional projects under health and statistics. These were: EAC Regional Statistical database project jointly implemented by the Secretariat and the National Bureau of Statistics; and the integrated e- health information management project jointly implemented by secretariat and the six pilot sites in Uganda and the united republic of Tanzania.

2.2 SUPPORT TO PRODUCTIVE AND SOCIAL SECTORS

The Productive and Social Sectors are coordinated by a Directorate of Productive and Social Sectors and covers the following sectors: Agricultural and Food Security, Labour, Employment and Immigration, Gender, Community Development and Civil Society, Education, Culture, Sports, Training; Science and Technology; Health, Energy, Tourism and Wildlife Management, Environment and Natural Resources; and Industry..

2.2.1 AGRICULTURE AND FOOD SECURITY

Agriculture is and still remains the predominant sector in the economies of the EAC Partner States, accounting for a large share of GDP, employing a large proportion of the labour force, representing a major source of Foreign exchange; supplying basic food requirements, and providing income to the bulk of the population in the region. Over 80 percent of the population live in rural areas and depend on agriculture for their livelihood.

The following were the key achievements during the year:

i. Development of a Protocol on Sanitary and Phyto Sanitary (SPS)

A Draft protocol on Sanitary and Phyto Sanitary (SPS) was developed and validated during the national and regional workshops that were concluded in May, 2009. The SPS Protocol will be used in the application of the harmonized SPS standards for protection of human, animals and plants health within the EAC Partner States. The Protocol is also one of key the requirements under the Custom Union Protocol.

ii. Development of an Action Plan on Food Security

An action Plan to address food security in the region was developed by end of June 2009. The areas covered by the action plan are: provision of an enabling policy environment; Strategy for increasing agricultural production and productivity; improvement in access to food, and ensure stability of availability/access, implementation strategy and monitoring and resource mobilization. Funds totaling to US\$ 112,000 from Kilimo Trust, was secured to undertake a strategic study to support evidence-based negotiation position of the EAC with respect to agriculture sector between EAC and European Commission under the Economic Partnership Agreement (EPA) Framework.

iii. Implementation of the Regional Project on Strengthening Trade at Regional Level in Agricultural Inputs in Africa (STAR)

Implementation of the Regional Project on Agricultural input (Strengthening Trade at Regional Level in Agricultural Inputs in Africa - STAR) commenced during the period under review. The main objective of the project is to improve market access for African agricultural input traders and farmers. The project is aimed at: build capacity for agricultural input trade policy and institutional reforms; expand market linkages for agricultural input traders and farmers and their associations; disseminate market information to promote trade; implementation of the EAC socio-economic impact study on strengthening the; and EAC EPA Agriculture Text.

iv. Prevention and Control of Animal Transboundary Diseases

During the period under review, eleven important trans boundary animal diseases were identified in the region and a draft strategy on tackling them developed. The strategy addresses issues of early detection and immediate response to the transboundary diseases and further takes into account the emerging and re-emerging diseases that pose great challenge in the region.

v. Implementation of the EAC Regional Avian Influenza Project

The EAC Regional Avian Influenza Project is a three-year EU funded project, which aims at contributing to the socio-economic welfare and public health in the EAC by

minimizing the impact of Avian Influenza. The project was launched in December 2008 with a total project funding amounting to €3 million. The EAC Secretariat supervises and coordinates the regional project while the Food and Agriculture Organisation (FAO) is the funding/ implementing agent.

2.2.1.1 ENVIRONMENT AND NATURAL RESOURCES MANAGEMENT.

In cognizant of the severity of climate change adverse impacts in the region on the attainment of the MDGs, an initiative has been taken by the EAC Secretariat to address the challenge in the region.

i. Implementation of the Protocol on Environment and Natural Resources Management

The ratification process of the Protocol on Environment and Natural Resources Management proceeded well by all the Partner States and the Secretariat embarked on the process of developing an Implementation Plan for the ratified Protocol.

ii. Development of an EAC Climate Change Master Plan

The Master Plan when completed will focus on the key pillars of the Bali Action Plan and shall take cognizance of the outputs of the COP 15, to be held in Copenhagen in December 2009. The study on the regional Climate Change Master Plan is expected to be finalized by the end of February 2010.

iii. EAC Roundtable Consultative Dialogues on Climate Change

EAC organized national climate change Round table Consultative Dialogues between March to July 2009. The round tables were meant to prepare for EAC Common negotiation Position on Climate Change with an ultimate goal of ensuring that key issues relevant to EA Countries are adequately reflected in the African Position taken at the UNFCCC COP 15 in Copenhagen in December 2009. The Position was prepared based on the five pillars of Bali Plan of Action namely adaptation, mitigation, technology development and transfer, capacity building and means of implementation.

iv. Hosting of the AU-RECs Biosafety workshop for Eastern and Southern Africa

EAC co-organized and hosted the AU-RECs Regional workshop on Biosafety for Eastern and Southern African Region in May 2009. The workshop discussed the implementation of the African Strategy on Biosafety and the Draft Revised African Model Law on Biosafety, the harmonization and coordination of such initiatives at the AU level and shared experiences of the initiatives of the various Regional Economic Communities (RECs) on the issues of Biosafety.

v. Support to International Treaties and Conventions

EAC participated in a special session of the African Ministerial Conference on the Environment (AMCEN) on Climate Change held in Nairobi from 25th to 29th May 2009. EAC Partner States' Positions were captured within the Ministerial declaration and decision.

2.2.2 HEALTH SUB-SECTOR

The improvement in the overall quality of life and social wellbeing of the people of East Africa rests on how, the community responds in terms of providing affordable and accessibility to quality and efficient health a service.

For the period 1st July 2008 to 30th June 2009, a number of interventions were carried out under the stewardships of the respective EAC Technical Working Groups on Health and the committees including : technical Working Group on the Control and Prevention of Sexually Transmitted Infections (STIs) and HIV / AIDS + TB; technical Working Group on the Control and Prevention of Communicable and Non-Communicable Diseases; technical Working Group on Health Research, Policy and Health Systems Development; technical Working Group on Reproductive, Child, Adolescent Health and Nutrition and technical Working Group on Medicines and Food Safety.

i. Hosting of the 6th Regular Meeting of EAC Medical and Dental Practitioners' Boards/Councils and Associations

The 6th regular meeting of the EAC Partner States' National Medical and Dental Practitioners Boards/Councils and Associations was held on 30th July 2008 at the Sarova Whitesands Hotel and Resort in Mombasa, Kenya. The meeting was held on the sidelines of the 36th Annual Scientific Conference of the Kenya Medical Association (KMA) that took place in July / August 2008. The meeting discussed among others: the reciprocal recognition of EAC Medical and Dental Practitioners; registration of Medical and Dental Practitioners; joint inspection of EAC Medical and Dental Schools; accreditation of EAC Medical and Dental Schools; harmonization of Medical Internship Training; progress of implementation of CPD programmes in the Partner States and the coding of health facilities in EAC Partner States.

ii. Hosting of the First EAC Regional HIV Prevention Experts Think Tank

As part of the implementation of the EAC Regional Multisectoral Integrated HIV and AIDS Plan of Action, 2008-2012, the Community in collaboration with the United Nations' Joint Programme on AIDS (UNAIDS) and the National AIDS Commissions/Councils convened a three-day 1st EAC regional multisectoral experts think tank meeting on HIV prevention to review the state of the HIV and AIDS pandemic within the East Africa Community and to make recommendations for a way forward in order to revitalize HIV prevention. The meeting was held in February 2009 in Nairobi, Kenya and was attended by over sixty (60) regional and international experts and partners and other multisectoral stakeholders on HIV prevention.

iii. Hosting of the 3rd Annual East African Health and Scientific Conference

The 3rd Annual East African Health and Scientific Conference was held in March 2009 under the theme: Climate Change, Environment and Health. The conference was attended by representatives EAC Partner States' Ministries of Health, National Health Research Institutions, Academic Institutions, National Health Professional Boards/Councils/Associations/Societies, regional and international health-related organizations (NGOs, CBOs, FBOs, CSOs, etc) as well as individual health care providers/practitioners/institutions and other multisectoral stakeholders in both the private and public health sectors within each of the EAC Partner States. The 4th Annual East African Health and Scientific Conference will be hosted by the Government of the Republic of Rwanda from 31st March to 2nd April 2010 in Kigali, Rwanda while the 5th Annual EAC Health and Scientific Conference will be hosted by the Government of the Republic of Burundi from 30th March to 1st April 2011 in Bujumbura, Burundi.

iv. Convening of the East African Community Regional Cross-Border Transport Corridor HIV & AIDS Multisectoral Stakeholders Meeting and Field Visits to Lake Victoria Beaches (Usenge) and Kenya/Uganda Border Posts at Busia

The Community in collaboration with African Regional Inter-Parliamentary Forum on Health, Population and Development organized a regional leaders and multisectoral stakeholders meeting on HIV/AIDS response in cross-border water and road transport

corridors in the EAC Partner States. The meeting recommended reviewing and updating of the EAC Regional Strategic Plan on HIV and AIDS by the EAC Technical Working Group on HIV/AIDS and STIs to, *inter alia*, highlight mobile population issues.

2.2.3 SUPPORT TO THE ENERGY SECTOR

The energy sector continued to pursue her broad objective of promoting sustainable exploitation of both renewable and non-renewable energy sources in the most optimal and environmentally sound manner for the mutual benefit of East Africans.

Below is summary of the achievements:

i. Hosting of the 4th East African Petroleum Conference (EAPC'09)

The 4th East African Petroleum Conference (EAPC'09) was held in Mombasa in March 2009. The Conference attracted over 500 participants from all over the world, notably the international oil companies, oil industry service companies, Government institutions, academic institutions, international geo-scientific journals, non-oil and gas institutions and the media houses. The theme of the Conference was 'Exploration and Exploitation of Oil and Gas for Social and Economic Development'.

ii. Review and updating of the East African Power Master Plan

Following an agreement with the African Development Bank (AfDB), EAC carried out the update of the East African Power Master Plan jointly with the Eastern African Power Pool (EAPP). An EAC, AfDB and EAPP tripartite meeting held in April 2009 agreed on implementation modalities and harmonized Terms of Reference. The output of the study is a Power Master defining the power expansion plan for 25 years from 2013 to 2038 for ten countries of the EAC and EAPP. A separate Master Plan report covering the EAC Partner States will be produced as one of the outputs of the study. In addition to the two reports, a Grid Code to govern technical standards and operations of the power network in the Region will also be produced.

iii. Completion of the Namanga Cross-border Electrification Project

The Namanga cross-border electrification project in which Namanga (Tanzania) was connected to electricity supply from Kenya was completed in April 2009. In May 2009, the East African Energy Regulators Association (EREA) was launched through the signing of a Memorandum of Understanding by the Energy Regulators of the Partner States. The objective of EREA is to share experiences and promote best practice in carrying out energy regulatory functions within the Community.

iv. Feasibility Study for Dar es Salaam – Tanga – Mombasa Gas Pipeline

The African Development Bank (AfDB) approved a grant of US\$ 561,700 to finance a feasibility study on a natural gas pipeline from Dar es Salaam to Tanga and Mombasa Gas Pipeline. Request for 'Expression of Interest' for Consultancy Services to carry out the study was advertised in June 2009 as the first step in the procurement process.

v. EABC-EAC Energy Conference

EAC in collaboration with the East African Business Council organized an EABC-EAC Energy Conference in June 2009 in Dar es Salaam under the theme: 'Energy, a Viable Investment Opportunity'. The objective of the Conference was to generate interest among the business community to invest the energy sector. The conference brought together EAC Partner States government representatives, members of EABC, business community, and existing investors in the sector, renewable energy associations, energy experts and financiers.

vi. Regional Strategy on Scaling Up Access to Modern Energy Services

A Donors Conference aimed at mobilizing resources for the implementation of the Regional Strategy on Scaling up Access to Modern Energy Services was held in November 2008. The conference recommended the gradual implementation of the Strategy based on availability of resources and the formation of a Development Partners Group to coordinate support for the Strategy. Arising from the Donors Conference, the Royal Norwegian Government donated to EAC a grant of US\$ 232,000 to support capacity at the EAC Secretariat for implementing the Strategy.

2.2.4 SUPPORT TO EDUCATION, SCIENCE AND TECHNOLOGY, CULTURE AND SPORTS

The regional support to Education, Science and Technology, Culture and Sports sector is aimed at harmonizing the East African Education System for Enhancement of Productive Human Resource. Below is a summary of the achievements during the year:

i. Harmonization of the East African Education Systems and Training

A study on harmonization of the East African Education Systems and Training Curricula commenced in May 2009. The study undertaken by the Inter- University Council for East Africa is expected to contribute to the Annex to the EAC Common Market Protocol regulations on Harmonization and Mutual Recognition of Academic and Professional Qualifications.

ii. Hosting of New EAC Organs and Institutions

The United Republic of Tanzania applied to host the East African Kiswahili Commission at the East Africa Centre for Research of Oral Traditions and African National Languages (EACROTANAL), while the republics of Kenya, Rwanda and the United Republic of Tanzania also applied to host the East Africa Science and Technology Commission (EASTECO). The decision to seat the Institutions awaits Council of Ministers upon consideration of a technical report in respect to the hosting future EAC Institutions by Partner States

iii. Formulation and adoption of the East African Anthem

During the period under review, development of the East African Anthem went through a process of merging the best three songs that were earlier recommended. The merged song was considered by the Council and now awaiting endorsement by the Summit of the Heads of the States in November, 2009 for the Anthem to be officially launched.

iv. EAC Essay writing competition 2009

The topic for the 2009 EAC Essay writing competition was: *"Discuss the impact of HIV/AIDS on the East African region and show how the East African Community as a region can best address the problem."* National Awards ceremonies were successfully conducted in all the Partner States and essay winners taken on a tour on various locations within the EAC. Students demonstrated high level of knowledge about HIV/ AIDS and the EAC Integration process.

v. Strengthening collaboration between RECs/ RIO, ENESCO and AU

EAC participated in the third Meeting of the Forum of African Regional and Sub regional Organizations to Support Cooperation between UNESCO and NEPAD (FOSRASUN) held place in Libya in February 2009. FOSRASUN is an instrument for enhancing cooperation between the RECs/RIOs, UNESCO and the AU in order to encourage dialogue, exchanges of experience and the establishment of active partnership at the sub regional and regional levels. The Third Session of FOSRASUN attested to the mobilization of States and African organizations in favour of education, culture and science, and emphasized that actions implemented in those fields contribute to peace and fraternity among States and people. The FOSRASUN adopted the recommendations that each REC and RIO should launch a feasibility study on the harmonization of curricula, the inclusion of teacher training in a pan-African dimension, taking into account the linkage between education and culture. It

was also recommended that education, culture, science and communication should not be considered to be merely subsidiary matters in the regional integration process.

vi. Support to intellectual rights in the Region

In May 2009, the EAC Secretariat took part in an experts meeting on the Governance structure of the Pan African Intellectual Property Organization (PAIPO), which was established by the AU Heads of State Summit in 2007. The meeting noted that Intellectual Property rights are tools for economic growth and dissemination of knowledge and balancing the rights of producers and consumers of technology. The experts were encouraged to be creative and urged to promote protection and full exploitation of Intellectual Property rights throughout Africa. It was further agreed that, there is need to strengthen the capacity of national Intellectual Property institutions and boosting manpower development in Intellectual Property management.

vii. Hosting of the 3rd meeting of the African Ministerial Council on Science and Technology (AMCOST)

The 3rd meeting of the African Ministerial Council on Science and Technology (AMCOST) took place in Kigali in June 2009. AMCOST is a high-level policy and political forum for ministers of science and technology from all member states of the African Union (AU). It was established in November 2003 in Johannesburg, South Africa under the auspices of the New Partnership for Africa's Development (NEPAD) to build a strong political constituency and leadership to promote Africa's scientific and technological development.

2.2.5 TOURISM AND WILDLIFE MANAGEMENT

The sector aims at maximising the benefits from sustainable utilisation of tourism and wildlife resources under the two major themes: cooperation in tourism and wild life conservation and management.

i. Implementation of the East African Tourism and Wildlife Marketing Plan and Strategy

During the period under review, the sector continued the implementation of the East African Tourism and Wildlife Marketing Plan and Strategy whose objective is to promote East Africa as a single tourist destination. A number of workshops, press conferences and marketing consultations as part of the consolidation and exposure of EAC integration agenda abroad at the major trade fairs and exhibitions were carried out. For example EAC participated in the International Tourism fairs of World Travel Market in London and Internationale Tourismus Bourse (ITB) in Berlin in November, 2008 and March respectively. Terms of Reference for studies on the Harmonization of Laws and Policies on Tourism and Wildlife Management were also finalized and the studies are expected to be concluded by December 2009.

ii. Operationalisation of the East African Tourism and Wildlife Coordination Agency (EATWCA)

The Board of the East African Tourism and Wildlife Coordination Agency (EATWCA) was appointed to spearhead operationalization of the Agency. The draft protocol and operational manual for the Agency were developed and submitted to the Sectoral Council on Tourism and Wildlife Management in November 2008. The draft protocol was also considered by the Sectoral Council on Legal and Judicial Affairs.

iii. Standardization and Classification of Hotels and other Accommodation Facilities.

The criterion for standardization and classification of hotels was concluded and the Curriculum for training of assessors for accommodation and catering facilities in East Africa developed. Certificates and Plaques (template samples) to be awarded to classified establishments were also finalized and given to all Partners States. Other key achievements during the period under review include: the development of regional skills in specialized

tourism fields, conclusion of the Regional Institutional frame work of collaborations in Tourism sector and adoption of a regional Approach in protection of Wildlife resource from illegal use and practice among other.

2.2.6 GENDER AND COMMUNITY DEVELOPMENT

The EAC Gender and Community Development Framework is formulated within global, regional and national commitments with the overriding objective of mainstreaming gender in all regional development programmes. During the period under review the sector made the following achievements:

i Implementation of the EAC Gender and Community Development Framework

The EAC Gender and Community Development Framework was formulated in 2006, before the accession of the Republics of Burundi and Rwanda into the EAC. As such a gender focused situation analysis of the two Partner States was undertaken in September 2008 and the findings and recommendations of the study were incorporated into the revised Framework. A draft Strategic Plan and implementation guidelines in the areas of Gender, Youth, Children and Community Development were prepared in March 2009.

ii Convening of the 1st Forum for Ministers responsible for Social Development.

The first meeting of the Forum for Ministers responsible for Social Development was convened in Kigali, Rwanda in September 2008. The Forum recommended for the creation of an East African Youth and Women Councils and that Social Protection be fully harmonized and mainstreamed in all social development programmes of the EAC and Partner States. In addition, the Forum urged the EAC Partner States to harmonize their national social development strategies, policies, projects and programmes as well as the establishment of a multi-Sectoral Working Group to identify, prioritize and address key cooperation matters of social dimension.

iii Mobilization of Civil Society

During the period under review, the focus was in respect to : building partnerships with regional Civil Society Organizations (the East African Law Society, the East African Local Governments and the Eastern African Sub-Regional Support Initiative for the Advancement of Women);organization of workshops in Burundi, Kenya, Tanzania and Rwanda on the role of Local Governments in regional integration. A draft sensitization manual has been produced in order to reach community-based organizations and Organization of the 3rd Annual East African Civil Society Forum from 20th to 21st March, 2009 which called for an all inclusive nature and involvement of all non-state actors (with particular reference to the civil society) in the formal structures of the EAC integration process.

Other interventions carried out by the sector were: the publication and dissemination of the EAC Gender and Community Development Framework and follow-up on the implementation of the recommendations of the Forum for Ministers responsible for Social Development which held in September 2008.

2.2.7 IMMIGRATION, LABOUR AND REFUGEE MANAGEMENT

The broad objective of the Immigration, Labour/Employment and Refugee Management sector is to facilitate free movement of persons, labour and the management of refugee movement as a contribution to the greater goal of effective border management and promotion of peace and security in the region. The following were the key interventions during the reporting period

i Harmonization of Employment Policies in East Africa”

The study on "Harmonization of Employment Policies in East Africa" and on "Harmonization of Labour Legislation in East Africa" in the republics of Rwanda and Burundi were undertaken and finalized during the period under review. The recommendations of both studies will go a long way in implementing some of the commitments as laid down under the Common market Protocol

ii Development and discussion of the Regional Issues Paper

During the meeting of the Ministers responsible for Labour and Employment held in November 2008, the Ministers directed the EAC Secretariat to develop a Regional Issues Paper focused on the main factors contributing to youth unemployment and underemployment in the region. a number of papers were discussed

iii Participation by Immigration and Labour Experts in the Common Market Protocol Negotiations

Immigration, Labour and Employment experts from all Partner States participated effectively in the High Level Task Force (HLTF) negotiations of the Draft Common Market Protocol specifically on the provisions relating to the free movement of persons, free movement of workers, right of establishment and the right of residence.

iv Other Activities implemented under the Immigration Sub-sector

The Chiefs of Immigration continued to meet and review the implementation of Council decisions, which relate to the facilitation of the free movement of persons. Regional Immigration training programmes are now being carried out at the Tanzania Regional Immigration Training Academy (TRITA) based in Moshi for different Immigration cadres of staff.

Issuance of Identity cards by the United Republic of Tanzania and Uganda to their Nationals was addressed during the period and it is notable to mention that both countries have made considerable progress in the preparation of the identity card issuance exercise in terms of putting in place the relevant laws, structures and in the choice of technology to be utilized for the exercise. The Immigration Chiefs also commenced holding joint meetings with the tourism sector to deliberate on the issue of introducing the Single East African Tourist Visa.

3.0 CUSTOMS AND TRADE

The Directorate of Customs and Trade continued the monitoring the implementation of EAC Customs Union and the promotion of intra-regional trade through liberalization, promotion of efficiency in production, enhanced domestic and cross border investment among others. The following achievements were registered during the period under review:

3.1 DIRECTORATE OF CUSTOMS

The main objective of the Customs Directorate is to coordinate the implement the EAC Customs Union and during the period under review, a number of achievements were made in this regard. The implementation of the Customs Union has been going on for three and a half years; there was therefore a need to evaluate the impact of its implementation on Partner States and further identifying key challenges, and propose measures to address them in order to move the Customs Union forward. The following were the key interventions and achievements during the reporting period:

i Evaluation of the implementation of the Customs Union

A study on the benefits, challenges of the Customs Union to the Partner States and recommendations on the way forward was commissioned and supervised.

Overall, the study established that implementation of the customs union had generated positive results for the economies of the Partner States, through increased levels of trade and revenue, steady increase in intra-EAC trade. with the exception of the Republic of Kenya, trade in agricultural products remained dominant for all Partner States and manufactured products increasingly became most traded items in EAC among other findings.

The study made a number of recommendations including the need to: improve infrastructure; simplify and rationalize cross border trade procedures; increase sensitization and awareness about the Customs Union instruments, establish rapid response units to address reported NTBs, improve information exchange between the Secretariat and the coordinating Partner State Ministries and other implementing Agencies; strengthen the institutional and regulatory framework; streamline the dispute settlement mechanism; and strictly adhere to and effectively implement the provisions of the Treaty and the customs union instruments among others.

ii Implementation of the EAC Customs Union Instruments in the Republic of Burundi and the republic of Rwanda

Upon the signing of the Accession Treaties on 1st July 2007, which expanded the EAC membership to five Partner States. The Republics of Burundi and Rwanda made commitments to commence the implementation of the EAC Customs Union by the 1st July 2009. The Directorate of Customs provided technical support in terms of: configuration of customs information technology systems, alignment of the Common External Tariff (CET), and reviewing of their legal framework in line with the provisions of the EAC Customs Management Act. Training and sensitization workshops for the relevant stakeholders to enable them implement the Customs Union instruments were also carried out. An evaluation is expected to be conducted in a near future to assess the progress and challenges encountered in order to provide the necessary support.

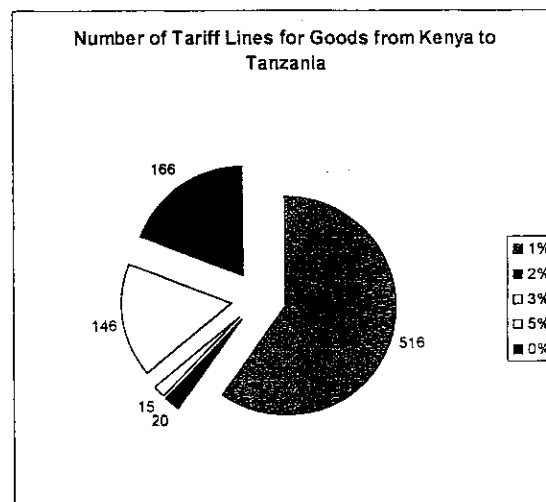
iii Pre- Budget consultations of Ministers Responsible for Finance and Review of the EAC Customs and Tariff policies

The Customs Union continued to provide a platform for policy harmonisation of fiscal and trade matters through the Pre-budget consultative meetings of Ministers of Finance through which Partner States jointly agree on key customs and tariff policy measures. During the period under review, the Ministers reviewed the Common External Tariff rates for particular products in response to the economic environment. Some selected products for which import duty rates were reviewed include: worn clothing – import duty reduced from US\$ 0.30 or 45% to US\$ 0.20 or 35% whichever is higher for a period of one year; Asbestos fibres of Hs Codes 6812.80.00 and 6812.99.00 – import duty reduced from 25% to 0%; Television Cameras, digital cameras and video camera recorders of Hs Code 8525.80.00 – import duty reduced from 25% to 0%.

In the same process, under the EAC Customs Management Act, the Ministers also granted exemption of import duty on tourist vehicles, industrial spare parts, machinery, spares & inputs for direct use in oil, gas and geothermal exploration. Furthermore, sector studies to establish production and supply capacity in the region, demand, and price competitiveness were conducted. Some of the sector studies conducted were for: iron and steel products, used clothing, zinc oxide, sulphates, Resins, Pharmaceuticals and Paper products.

iv Monitoring of the Internal Tariff Elimination Programme

The Directorate continued to monitor the internal tariff elimination programme which entered its fifth year of implementation on 1st January 2009. Goods under the 426 tariff lines from the Republic of Kenya to the Republic of Uganda now attract 2%. The illustration below shows the status of 863 tariff lines for goods originating from Kenya to Tanzania.



The above illustration shows that of the 863 tariff lines, majority (516) now attract import duty rate of 1%, while some of them have already moved to 0%. Some of the goods that still attract 5% include milk products, bicycle tyres, footwear, alcoholic drinks, tobacco, crown corks, vegetable oils and processed food stuffs. Goods which attract 1% include vegetable and animal products, fruits, tea, and furniture among others. Some of the goods that attract 3% are paper cartons and bags.

v Implementation of the EAC Rules of Origin.

The review of the definitions of workings and processes that lead to Change in Tariff Heading (CTH) as provided in Schedule 2 of the EAC Rules of Origin to pave way for implementation of this criterion was finalized. Following the review, the Sectoral Council on Trade, Industry, Finance and Investment lifted the use of the CTH to grant preferential treatment for goods originating and traded within the EAC Partner States.

Further, the Directorate undertook verification studies of the manufacturing processes so as to establish the extent of transformation and further ascertain if certain goods qualified for preferential tariff treatment in accordance with the provisions of the EAC Rules of Origin. Some of the products whose manufacturing processes were studied include: Nestle products, lubricants, Televisions, beauty products and buses all manufactured in Kenya.

vi Development of a Policy to control Counterfeit Trade.

The fight against counterfeits was stepped up during the period under review through the finalization of an EAC anti-counterfeit policy. Stakeholder consultations were carried out and feedback received on the contents of the policy. As a follow up to the policy, the process developing of an EAC Counterfeit law commenced during the reporting period.

vii Review of Legal instruments for implementation of the Customs Union

A number of provisions of the EAC CMA were reviewed in line with the current trade environment. Some of the provisions reviewed were related to: the requirement to keep and produce documents; submission of manifests; computerization and use of electronic documents; security and vehicles conveying goods under customs control in the region among others. Regulations on the working arrangement between the EAC Secretariat and the Customs Administrations of the Partner States were finalized and came into effect during the period under review. Others were the review the EAC Customs Management Regulations and approved by the Council and the initiation of a process of developing regulations for assemblers and enforcement regulations.

viii Simplification of Customs Procedures and Trade Facilitation

An EAC framework for harmonization of customs valuation activities was developed and adopted by Partner States. The framework is expected to bring convergence in application of the WTO Customs Valuation agreement. Recognizing the importance of interconnectivity and interface of customs administration systems in enhancing trade facilitation, the process of procuring a consultant to prepare a framework for the interconnectivity commenced. Terms of reference for the scope of work were prepared in consultation with all the key stakeholders.

ix Development of an EAC Customs Strategy

As the Community moves towards a fully-fledged Customs Union, there was need for a comprehensive strategy to guide future customs operations. In this regard, the process of developing a five-year EAC Customs Strategy commenced during the year.

x Implementation of Regional Capacity Building

Given the technical nature of some aspects of customs administration, there was need to develop a regional capacity building program so as imparts the necessary knowledge and skills to officers. It is worth noting that, currently each Partner State runs its own training programme. In order to harmonise the training, a draft EAC Customs training curriculum was approved by Council awaiting operationalisation. In order to enhance awareness of the Customs Union instruments, the directorate held training and sensitisation workshops for customs officials and private sector practitioners in the Partner States. Participants were drawn from EALA, civil society,

manufacturers, farmers, freight forwarders, chambers of commerce and the relevant government institutions. To strengthen capacity at the EAC Secretariat, two officers attended training courses on EAC Rules of Origin and Trade Facilitation to enhance their capacity. Additional courses to build capacity for other staff will be undertaken in the next financial year.

xi Participation in Bilateral, Multilateral and Regional initiatives

The Directorate heavily participated in the development of the EAC – EU EPA Market Access Offer. The offer is based on the EAC Common External Tariff was finalized and submitted to the EU as an integral part of the negotiations.

At the international level, EAC signed an MOU with World Customs Organization (WCO), to enhance trade facilitation through application of the WCO instruments such as the Columbus programme, the Authorised Economic Operators, and capacity building interventions among other. Furthermore, directorate provided technical input in the ongoing tripartite trade arrangements between COMESA, EAC and SADC particularly in the development of the MOU, and during the drafting of the Free Trade and the Rules of Origin Agreement.

3.2 DIRECTORATE OF TRADE

The Trade Report 2008 shows that, Total Intra-EAC trade increased by 37.6 percent reaching the highest value of US\$ 2,715.4 million on account of increased Intra-EAC imports and exports compared to the previous year. The United Republic of Tanzania recorded the highest growth rate increasing by more than two folds from US\$279.5 million in 2007 to US\$ 735.8 million in 2008. The increase can be attributed partly to automation of data compilation processes at the entry points bordering EAC Partner States. Overall, the Republic of Kenya continued to dominate the EAC regional trade, accounting for 44.8 percent of total value of trade and the country recorded a surplus in intra-EAC trade. Uganda and Tanzania accounted for 28.1 percent and 27.1 percent of the total intra-EAC trade respectively. Table 3.1 presents details on Intra-EAC trade for the period 2005 to 2008.

Table 3.1: Total Intra-EAC Trade, 2005-2008 (US\$ million)

Country	Imports				Percentage Changes		
	2005	2006	2007	2008	2006	2007	2008
Uganda	550.8	429.7	526.5	566.8	-22	22.5	7.7
Tanzania	175.9	220.6	110.1	425.3	25.4	-50.1	286.3
Kenya	59.5	76.7	188	181	28.9	145.1	-3.7
TOTAL	786.2	727	824.6	1,173.10	-7.5	13.4	42.3
Country	Exports				Percentage Changes		
	2005	2006	2007	2008	2006	2007	2008
Uganda	87.9	101.8	148.8	195.2	15.8	46.2	31.2
Tanzania	142	147.4	169.4	310.5	3.8	14.9	83.3
Kenya	831.2	641	830.4	1,036.60	-22.9	29.5	24.8
TOTAL	1,061.10	890.2	1,148.60	1,542.20	-16.1	29	34.3
Country	Total EAC Trade value				Percentage Changes		
	2005	2006	2007	2008	2006	2007	2008
Uganda	638.7	531.4	675.3	762	-16.8	27.1	12.8
Tanzania	317.9	368	279.5	735.8	15.8	-24	163.2
Kenya	890.7	717.7	1,018.40	1,217.60	-19.4	41.9	19.6
Total	1,847.30	1,617.10	1,973.20	2,715.40	-12.5	22	37.6

Source: Partner States Revenue Authorities, Central Banks and National Statistics Offices

Other tangible achievements were:

i. Operationalisation of EAC mechanism on removal of Non Tariff Barriers

The Treaty for establishment of East African Community under article 75 outlaws imposition of NTBs to intra EAC trade. In addition, the Customs Union Protocol provides for the development of a mechanism to eliminate NTBs. During the period under review, National Monitoring Committees (NMCs) were facilitated as part of the implement the time-bound program for the elimination of Non Tariff Barriers. Members of the NMCs were also trained through a number of capacity building workshops.

ii. Operationalisation of EAC Competition Act 2006

The EAC Competition Act was assented to by the Heads of States in 2006. The Act is intended to promote and protect fair competition in trade within the Community and establishes the EAC Competition Authority. A prerequisite for the operationalisation of the EAC Competition Act, 2006 i.e the appointment of the Commissioners was adopted by Council of the EAC Competition Regulations. During the period under review, the EAC Competition Regulations were finalized by Partner States and adopted by Council.

iii. Annual EAC Jua Kali/Nguvu Kazi Expo

Over the years, the EAC Jua Kali/Nguvu Kazi exhibitions have served as a new market frontiers for artisans' products, bridged the technological gaps between Artisans' and have acted as avenues for integrating the artisans' in the Community. The 10th East African Jua Kali/Nguvu Kazi Exhibition was held between 27th November and 7th December 2008, at Gikondo show grounds in Kigali, Rwanda. The exhibitions were attended by eight hundred and fifty (850) exhibitors from all the five Partner States. Items exhibited included: textiles, handicrafts, food processing equipments, metal products, leather and woodwork products, herbal medicine, Agro-products (Bee-Keeping) and Building Materials among others.

iv. Standardization, Quality Assurance, Metrology and Testing (SQMT)

Pursuant to section 11(1) of the EAC SQMT Act, 2006, the East African Accreditation Board (EAAB) was established early in 2009 to take its role as envisaged under the Act. The Board held its first meeting and resolved to establish an Accreditation Technical Sub-Committee to undertake the implementation of accreditation activities for which Partner States would nominate experts to the membership of the sub-committee. Furthermore, the Community gazette over 1080 standards after approval by the Council of Ministers. In the same vein, the Secretariat also facilitated the development the following key regulations: EAC Inspection regulations for implementation of compulsory standards; EAC regulations for product certification in Partner States and the EAC regulations on designation of testing laboratories. Capacity building workshops were also organized to strengthen the capacity of national and regional institutions to enforce the SQMT Act, 2006.

v. Support To EAC -EC-EPA Negotiations

In November 2007 a Framework Economic Partnership Agreement (FEPA) was launched/initialed in Kampala to cover: Trade in Goods/Market Access, Development Cooperation, and Fisheries. The Framework further provided for negotiations of a comprehensive Economic Partnership Agreements (EPAs). Upon the launching of EAC-EC comprehensive EPA negotiations in March 2008, and the subsequent adoption of structure for negotiation in April the same year, the Secretariat facilitated a number of Bilateral and other regional meetings of experts in order to move the negotiations process forward. Work was on-going by the end of financial year towards the finalisation of and signing of both the FEPA and EPA.

vi. Conclusion of the Trade and Investment Framework Agreement between the EAC and the USA

The Community negotiated and concluded a Trade and Investment Framework Agreement (TIFA) with USA. Upon the signing of the TIFA, the Secretariat initiated dialogue with the United States Trade Representative's (USTR) to come up with a draft a work plan that would facilitate the implementation of the signed Agreement and the establishment of the EAC-USA TIFA Council.

vii. Support to Regional Export Promotion

During the period under review, EAC was actively involved in operationalising the EAC Joint Strategies on Investment and Export promotion. Furthermore, the Secretariat coordinated the participation of EAC Partner States in the 8th AGOA Forum held in August 2009 in Nairobi, Kenya, where a number of issues were discussed and key recommendations made.

viii. Support to COMESA-SADC –EAC Tripartite Arrangement

coordination and harmonization of programme through a Tripartite Task Force (TTF) composed of the Chief Executives of the three RECs supported by the respective Secretariats. In the context of this cooperation framework, work has been done in terms of: reviewing of the rules of origin, simplification of customs procedures and documentation, rationalization of COMESA and SADC transit bond guarantee schemes, development of Customs training and capacity building programmes, harmonization of standards, coordination of competition policies and institutional frameworks, identification, monitoring the removal of non-tariff barriers (NTBs) and cooperation and development of infrastructure, with the North-South Corridor as a pilot project in this area among other.

The first Tripartite Summit held in October 2008, approved the establishment of Grand FTA encompassing COMESA, EAC, SADC and directed that a study be undertaken so as to guide the establishment of a Grand FTA and the Road Map for its implementation. Instruments for the Tripartite FTA were prepared, discussed by special TTF Sub-Committee and submitted to the Partner States for further comments in preparation for EAC Permanent Secretaries' Consultative meeting scheduled for 1st – 5th February 2010 and the Tripartite Summit scheduled for end of April 2010.

4.0 CAPACITY BUILDING AND INSTITUTIONAL DEVELOPMENT.

During the year, the Community underwent a restructuring process, with a view of mainstreaming the Republic of Burundi and the Republic of Rwanda nationals into the management structure of the East African Community. Two positions were created at the level of Deputy Secretary Generals ie Deputy Secretary General –Productive and Social Sectors) and Deputy Secretary General – Planning and Infrastructure. The defense Liaison Office was also expanded from three to five defense liaison officers.

i. Staff Training and Development:

During the reporting period, the following training and other capacity building activities were undertaken to enhance staff capacity.

- Eighty Four (84) Executive and Professional Staff participated in a Strategic Planning Workshop held in Mombasa from 24th -26th October 2008; that agreed on the Strategic objectives that the Community would focus in the next year
- One hundred and Forty Eight (148) Staff of the EAC participate in the annual staff Retreat on 27th -28th October 2008; where key issues affecting the overall performance of EAC were discussed and an action plan formulated to tackle the challenges identified
- Forty Eight (48) EAC staff, including Executives and Heads of the EAC Organs and Institutions participated in the High Level Strategy Retreat for Organs and Institutions on 8th -12th February, 2009; to discuss issues related to Inter Organ / Institutional relations
- Thirty Seven (37) Professional and General Staff attend ad-hoc technical and competency based staff development programmes 28 Staff of the Secretariat, EACJ and EALA were registered and attended French classes; and the Secretariat facilitated a major sensitization programme for the Republic of Rwanda as part of the process of fast-tracking its integration into the Community.

ii. Improvement of EAC Management Systems and Processes:

The Secretariat embarked on the process of reviewing, harmonizing and updating of the EAC's operational policy manuals, systems and procedures. By 30th June 2009 the following manuals and policies had been developed and others awaiting stakeholder' validation and others approval by the Council: EAC Procurement Manual; EAC HR Policies and Procedures Manual; EAC Governance Charter; EAC Code of Conduct; EAC Confidential Reporting (Whistle Blowing) Policy; EAC Anti-Fraud and Anti-Corruption Policy; EAC Transport Policy; and the EAC Records Management and Information Policy. An exercise to review Job descriptions, competency mapping and training needs assessment was also initiated during the financial year.

iii. Upgrading of the EAC Information and Communication Technology:

A major highlight in the area of communication and Information technology improvement was the acquisition and installation of the African Union Commission (AUC) video conferencing system. This system links all AU regional representative offices in seventeen Countries and the Regional Economic Communities (REC's – EAC, ECCAS, ECOWAS, COMESA, SADC, IGAD and CEN-SAD). The services are based on a voice, data and video platform in a closed environment within the AUC network infrastructure and Internet service in a dedicated separate link. Other achievements in the area of ICT improvement were: updating the Finance (Sunsystem), Human Resources (Inspiro People), Records (Trim) and Library Resource Management (Adlib) databases; revamping of the East African Community Website and developing sub-websites for EACJ, Customs and Trade, CASSOA and the department of Investment and Private Sector Development among other; and the reviewing, redesigning and upgrading the EAC on line reports database to adequately handle storage and retrieval of information.

iv. Publication and Dissemination of EAC Programmes through Deposit Libraries in the Partner States:

Deposit Libraries were identified in the Republic of Burundi and the Republic of Rwanda and the process of operationalizing them commenced.

v. **Provision of Office Space and Equipment:**

As the Community continues to grow by leaps and bounds, the pressure for expansion of office facilities to adequately cater for the increased staffing levels became inevitable and during the year the following initiatives were made in this regard: the Secretariat concluded the negotiation of the Headquarters agreement with the Republic of Uganda to facilitate the re-location of the Civil Aviation Safety and Security Oversight Agency (CASSOA) one of the EAC Institutions to its Headquarters in Entebbe, Uganda; Office space was outsourced for the expanded EACJ and EALA outside the AICC Complex currently hosting the EAC Secretariat after efforts to secure more space did not yield positive results; planning and design of the state of art EAC headquarters was completed, building permit obtained from and Tender Documents revised awaiting final tendering process.

5.0 CORPORATE COMMUNICATIONS AND PUBLIC AFFAIRS

The promotion and dissemination of Information is apart of the EAC Secretariat's mandate as specified under Article 71 (f), the Treaty. During the year, the Corporate Communication Department registered substantial progress on the following projects and programmes:

i. Implementing the EAC Re-Branding Project and Formulation of IEC Policy and Strategy

Implementation of the EAC Re-Branding Project and development of a five (5) year EAC Information, Education and Communication Policy and Strategy progressed well and the key highlights being: the restructuring and re-launching EAC information, education and communication/publicity and marketing strategy; and establishing of a Corporate Communications and Public Affairs Directorate (CCPAD) to steer the EAC Re-Branding Project. The broad objective of the IEC policy and strategy is to increase EAC visibility and brand the EAC as an ideal institution, dynamic and people-centered. In line with the Re-branding project the following interventions were made:

- d) Terms of Reference for a consultant to develop a 5-year Information, Education and Communication Strategy were finalized, Request for proposals made and bids received by 13th January 2009. However due to a low response by potential bidders, re-advertisement was made and the closing date extended to 5th October 2009.
- e) Various EAC corporate publications were made including EAC Annual Report 2007/2008 e-newsletter and revamping of the EAC Website.
- f) Hosting of the 2nd Annual East African Media Summit in Dar es Salaam (2008), where over one hundred and fifty (150) media owners, CEOs and Practitioners attended. Preparation for the 3rd Annual East African Media Summit in Kampala, Uganda in 2009 are under way.
- g) Marketing and promotion of EAC through special occasion advertisement and supplements in the local and international media continued during the period under review and
- h) Production of various corporate image promotional items, e.g. general EAC Brochures; portraits of the EAC Heads of State for display at EAC Headquarters and EAC establishments throughout the region; and production of EAC Calendars and Diaries for 2008/09 as well as various corporate promotion /gift items (EAC Flag, T-Shirts, caps, banners, key holders, wheel covers, ties, Scarves, etc), was done.

ii. Expansion of the EAC printing and publication programme

During the period under review, the directorate printed and distributed some key EAC publications and promotional materials. Specifically the promotional materials printed and distributed were: the Amended Treaty, EAC Development Strategy 2006-

2010, EAC Annual Report 2006/07, EAC Update, EAC Brochure in English and French, EAC Customs Union Protocol, branded EAC document wallet, 2009 wall calendars, seasonal greetings cards and, diaries were printed and distributed among other. Furthermore, publication of the *EAC Update e-Newsletter* continued fortnightly on Fridays and the e-newsletter became not only popular as a reliable source of news and information, but also a key reference material to various stakeholders. **Enhancing EAC Media Relations**

In a bid to enhance EAC Media Relations, the Community launched the EAC Media Centre with weekly press briefings in September 2008. The Media Centre greatly enhanced good-will and relations between EAC and the media within and outside the region. The Media Centre provided vital updates to over 250 journalists on regional integration issues. Furthermore, three major reportage missions for the Journalists on EAC projects and programmes were organized and this led to an in-depth understanding and reporting on EAC projects and programmes by the media houses.

The 2nd annual EAC Media Summit targeting media owners, CEOs, and leading media practitioners from all the EAC Partner States was held. The Summit stimulated great interest among the media in the EAC integration process and was used as an opportunity to launch the EAC as a Brand among the key stakeholders.

iii. Scaling-up Marketing, Promotion and Visibility of EAC

The Department prepared a robust EAC Radio and TV programmes/spots to be aired/broadcast in the Partner States Public Broadcasting Media Houses. Preparation to establish EAC Shop (s) at the EAC Secretariat was also initiated. The EAC Shops are expected to make available all EAC publications and souvenirs to the general public.

During the period under review, sensitization workshop was conducted to over 120 Media owners, CEOs and Practitioners in the Republic of Burundi. The objective of the workshop was to sensitize the target audience on the general EAC regional integration process and to specifically highlight their role in the integration process and work out modalities for collaboration between media houses and the Community.

Preparatory activities for the launching of the EAC 10th anniversary (1999-2009) to celebrate the steady progress and major achievements made in the regional integration process scheduled for November 2009 were also carried out.

iv. Strengthening the Capacity of the Department

In order to beef up the human capacity of the Department, short term experts (Corporate Communications Expert, Information/ICT Assistant, Media Centre Coordinator and Photographer) were recruited during the year. A re-branding project vehicle (TCD 168 EAC) was procured to ease the mobility/transport requirements for the Department. The vehicle greatly contributed to the timely dispatch of promotional/educational materials to stakeholders, as well as easing transporting material and staff during sensitization/outreach programmes/activities in the Partner States.

6.0 LEGAL AND JUDICIAL AFFAIRS

i. Review and Amendment of the Treaty for the establishment of the East African Community

In line with the Council of Ministers directive, the Legal Division facilitated the collation of views from the Partner States, organs and Institutions of the Community and other stakeholders in relation to the amendment of the Treaty. The proposed amendments were in relation to: the fundamental legal attributes of the Treaty; adequacy of the provisions on areas of co-operation, institutional and other related lacunas. The amendment also addressed the annexes to the Treaty such as Rules of Procedure for the Meetings of the Executive organs of the Community among others.

ii. Preparation of a Protocol on Extension of Jurisdiction of the East African Court Of Justice

A draft Protocol to extend the Court's jurisdiction so as to cover Appellate matters, human rights and original jurisdiction was prepared. National and regional workshops for key stakeholders (Governments, the National Assemblies, the Judiciaries, EAC organs and institutions, the Business Community, Professional Associations and Civil Society) were held and their inputs incorporated into the initial draft of the Protocol. However the protocol could not be finalised, as Partner States needed more time to address other salient issues that may impact on National Constitutions and Court Systems.

iii. Support to the East African Community Legislative Process

The legal division supported the legislative process through research and drafting the Bills initiated by the Council of Ministers. The following were some of the bills that were enacted into legislations: -the Community Emblems (Amendment) Act, 2008 which revised the Community's emblems following the expansion of the Community's country membership to include the Republic of Burundi and the Republic of Rwanda enacted in September 2008; the East African Appropriation Act of 2008 enacted in September 2008; the Inter-University Council for East Africa Act, 2007 which established the Inter-University Council as a body corporate enacted in September 2008.

The Council of Ministers also initiated a Bill for an Act Entitled the East African Community Customs Management Act (Amendment) Act, 2009 for the purposes of amending certain provisions that facilitate customs administration and management in December 2008.

iv. Regional Judicial Training

Judicial Officers serving on the Partner States' judiciaries and in Auxiliary para-legal services were trained through seminars and workshops. The areas covered under the various trainings were: computer literacy, Internet research, accounting and judgement writing. Plans were made to involve the judiciaries of the Republic of Burundi and the Republic of Rwanda in regional judicial training programmes and activities.

v. Harmonisation of National Laws in the EAC Context

The approach to approximation and harmonisation of National Laws in the East African Community context was re-oriented towards laying more emphasis to the establishment of the East African Common Market. In this regard, the Partner States' Commercial Laws that relate to the projections under the draft Protocol for the Establishment of the Common Market were prioritised. The Investment Climate Facility for Africa offered to support a study on the Harmonisation of the Partner States' commercial laws.

vi. Provision of legal advice and services to EAC Organs and Institutions

This routine activity included organising and facilitating Sectoral and full Council meetings, perusal of Agreements and rendering legal advice on various EAC

matters. Consequently all policy and other decisions were taken in a proper legal framework that was consistent with the Treaty for the establishment of the East African Community.

7.0 DEPARTMENT OF RESOURCES MOBILIZATION

i. Partnership Fund Projects 08/09

The budget for projects funded under Partnership Fund for FY 08/09 amounted to USD 7,772,395 to support priority intervention such as: Common Market Negotiations; Support to Economic Partnership Agreement (EPA) Negotiations; Capacity Building of EAC Secretariat; Fast Tracking of Rwanda and Burundi; Support to Studies; Support to Programme Implementation Unit. Which the contributions from Development Partners amounted to 6,611,143, the actual expenditure amounted to USD 6,999,858 million. Mult-year financing Agreements were signed with DFID (5.1 million UK pounds for three years) and CIDA (CDN\$ 3,000,000) for three years, the republic of Germany doubled its contribution from 1.5 million Euros to 3 million Euros for three years and the republic of Finland signed a financing Agreement for 1.5 million Euros from to run from Jan 2008 to 2010. refer to table 4. and 5

Table: 4 Total disbursement of funding by DP's for FY 2008/2009.

Development Partner	Amount USD
Denmark	625,716.97
Norway	507,827.78
Finland	1,901,694.84
Germany	700,935.00
France	129,870.13
Sweden	383,430.00
UK (DFID)	1,181,500.00
Canada (CIDA)	788,394.00
Belgium	391,774.55
Total	6,611,143.27

Total Disbursements by DP's FY 08/09

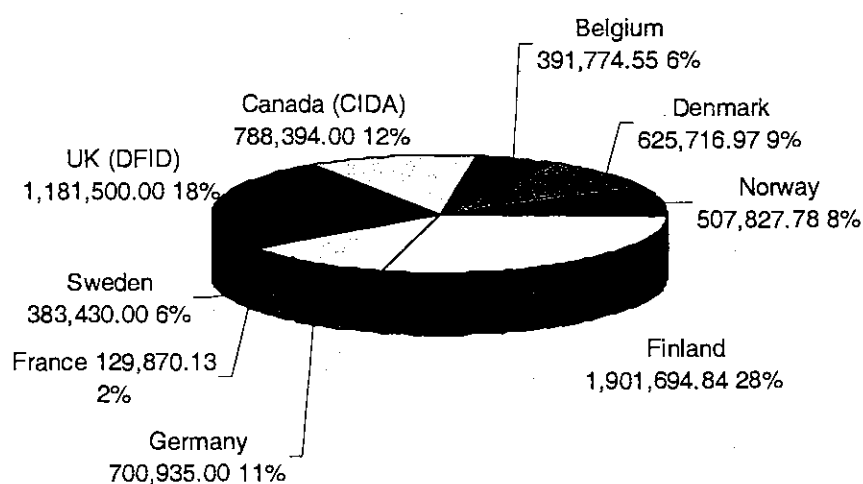
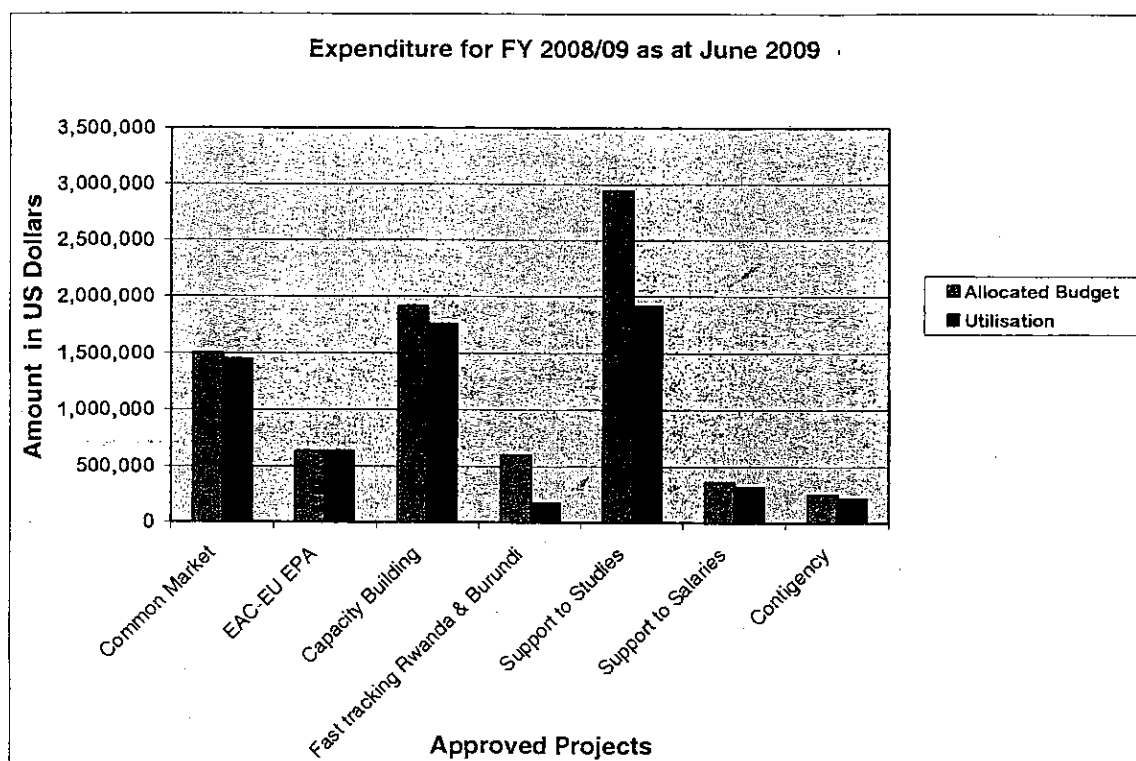


Table: 5 Expenditure for FY 2008/2009 as at June 2009:

Focus Area	Approved Budget USD	Utilisation USD	%
Support to the EAC Common Market Negotiations	1,500,000	1,445,000	96.33
Support to the EAC-EU- Economic Partnership Agreement Negotiations	630,000	630,000	65.94
Capacity Building of the EAC Secretariat	1,911,740	1,757,872	91.95
Fast Tracking Rwanda and Burundi into the EAC	600,030	168,600	28.10
Support to Studies in the EAC	2,942,080	1,910,420	64.93
Support to Salaries	357,170	315,428	65.6
Contingency	250,000	215,000	88.31
Total	8,516,396	6,442,320	75.65



ii. **Regional Integration Support Programme (RISP)**

The programme is implemented through a Contribution Agreement (CA) signed between COMESA and the European Commission. The total budget for RISP for the period January-December 2008 amounted to Euros 3,952,950.37 or USD 5,336,483.00. By 31st December 2008 expenditure amounted to Euros 2,708,175.47 or USD 3,656,036.89 translating to 69% of the total budget. Regional Integration Support Programme (RISP) Work Plan and Budget for EAC from 1st January – 31 December 2009 was submitted to COMESA amounting to USD 4,590,000.

iii. **10th European Development Fund (EDF) 645 Million Euros**

Following the signing of the Regional Strategy Paper (RSP) for 645 Million Euros the following projects have been identified, prepared and submitted to the EC. The RECS have gone through the 1st stage of Project Identification Fiche and are now working on the next stage of the Annual Action Fiche. EAC is preparing two main projects ie political integration, and good governance and infrastructure development.

iv. **EAC HIV Aids Implementation Framework - USD 7,641,160**

The EAC HIV&AIDS Implementation Framework Programme is funded by the Governments of Sweden and Norway through the Swedish-Norwegian Regional HIV&AIDS Team for Africa and the Government of Ireland through Irish Aid from 2008 - 2012. The project is currently financed through an Agreement signed in November 2008 between the Swedish-Norwegian Regional HIV&AIDS Team for Africa and EAC for 27,500,000 Swedish Kroner and a Letter Agreement signed in December 2008 between Irish Aid and EAC for Euros 890,000 where implementation and funds will be disbursed to the EAC Secretariat.

v. **EAC Development fund**

During the year, EAC, undertook three main activities towards development of the EAC development Fund: commissioning of a study explore the possibilities and feasibility of establish an EAC Development Fund which study was finalized and a report submitted to council for consideration; finalization of a draft protocol for the establishing the Fund and under taking Partner States consultations on the proposed Protocol and policy framework.

vi. **IRCC (Inter regional coordination committee)**

As part of the resources mobilization strategy, during the year under review EAC chaired the Committee that brings together COMESA, IGAD, EAC and EC with SADC as an observer. The key achievement in the year was the finalization of the Regional strategy paper for 10TH EDF that led to the signing of 645 million Euros for a period of five years.

8.0 POLITICAL FEDERATION

8.1 POLITICAL AFFAIRS:

The coordination of activities towards laying the foundation and building an institutional mechanism and a frameworks for political integration was the major pre occupations for the department of Political affairs. The activities were: continuous sensitization of East Africans with a view to improve awareness on the East African political integration; national consultations in the Republic of Burundi and the Republic of Rwanda on the EA Political Federation; consolidation of stakeholder inputs on the various legal frameworks relating to the promotion of good governance and practices. The following specific interventions were carried out:

i. Continued sensitization and awareness creation for East Africans on the EAPF

Pursuant to the 2007 Summit directive, that continued the sensitization and awareness creation programmes in all the Partner States be undertaken, the Department held sensitization and awareness creation sessions targeting participants from a cross section of stakeholders, including the political parties, academia, students, civil society, private sector, local administration officials. The awareness seminars were well attended and key issues that are likely to slow down the fast tracking of the EAC political federation were discussed and key recommendation made.

ii. National Stakeholders Consultations on the EAC Draft Protocol on Anti-Corruption.

The Council, in recognition of the "people centered" integration, directed that national stakeholder's consultations on the draft Protocol be carried out. Consultations were carried out in all the five Partner States and stakeholder's inputs incorporated the 2nd Draft Protocol.

iii. Convening of the first Meeting of Chief Justices of the EAC Partner States

The EAC convened the first meeting of Chief Justices of the five EAC Partner States in March 2009 in Kigali. The rationale was to enhance the involvement of the judiciary as a third arm of government in the integration process. The meeting deliberated the role of Chief Justices in the EAC integration Agenda especially on issues of upholding the rule of law, access to justice and good governance among other. The meeting further recommended the establishment of an EAC Forum of Chief Justices for which the Council was yet to consider the proposal and pronounce by the end of the reporting period.

iv. Facilitation of the Meetings of National Human Rights Commissions

The meeting was held on 17th -18th March 2009 in Arusha. The purpose of the meeting was review implementation of previous decisions of the Council, deliberate on emerging human rights issues in the EAC region; and review the Draft EAC Bill of Rights. The Meeting recommended to the Council to urge the EAC Secretariat to integrate the rights based approach in the EAC projects and programmes from the point of formulation, implementation and evaluation in order to promote human rights in the EAC integration. And. The meeting also noted the need for the establishment strong statutory civilian oversight institutions to monitor the security agencies in nurturing a more accountable security agency. The Council is yet to consider the policy recommendations made.

v. Short Term Research Papers on Political Integration

Following the national consultations on the EAC Political Federation, a number of issues and questions were raised by East Africans regarding structures of the Federations, the degree of involvement of political parties including representation and inclusiveness in EAC integration processes. As a strategy to address some of the issues raised and sustaining debate and dialogue on the issues, short term consultancies for development of EAC research papers were commenced. The aim was to promote sensitisation and awareness, continuous dialogue and debate on the EAC integration process.

8.2 INTERNATIONAL RELATIONS

As a strategy to strengthen her external relations, the Community continued to coordinate the development of frameworks and strategies for a joint, structured and sustainable coordination of Partner States' common foreign policies. The establishment of the Sectoral Council on Foreign Policy Coordination led to expeditious decision making on matters under international relations. Tangible achievements were registered in terms of strengthening institutional and operational frameworks to foster EAC's leverage on the global operating terrain. Below are the key deliverables during the period under review;

i. Conclusion of the Draft Protocol on Foreign Policy Coordination

The final Draft Protocol on Foreign Policy Coordination was adopted by the Council of Ministers in February, 2009. The protocol transformed the hitherto 1999 Memorandum of Understanding on Foreign Policy Coordination into a more binding framework to guide the conduct of Partner States' common foreign policies. The Draft Protocol addresses among other: issues related to coordination of collaboration in Diplomatic and Consular activities by Partner States on behalf of each other and multilateral diplomacy as well as in Economic and Social issues.

ii. Continued engagement of Partner States' Diplomatic Missions in pursuit of the EAC integration Agenda.

In line with the decision of the Council that all Partner States' Diplomatic Missions be regularly appraised on the progress on EAC programmes and related developments, a workshop for Partner States' Heads of Diplomatic Missions based in the EAC region was held in April 2009 in Arusha. The workshop that brought together, Heads of Missions and the Directors handling EAC affairs in the Partner States' Ministries responsible for Foreign Affairs was aimed at empowering Partner States Diplomatic Missions to play a leading role in all stages of the development, negotiations, and follow up on EAC integration programs.

iii. Joint Support for East Africans to access international jobs

The EAC Sub Committee on Candidatures for International Jobs successfully mobilised support for country and individual candidatures for top-notch positions in the international civil service. Candidatures included those for memberships on Governing Boards of Agencies within the United Nations system, such as the International Atomic Energy Agency and the UN Committee on Rights of the Child. Other candidates supported were for Judges and Commissioners to specialised Commissions within the structures of the African Union such as the AU Court on Human and Peoples Rights, AU Commission on Human and Peoples Rights, the AU Commission on International Law and AU Commission on Corruption. A total of 13 East African candidatures were successfully appointed to the respective offices. The rationale is to mitigate undue competition amongst East Africans for the limited international vacancies.

iv. Strengthened Relations with other Regional Organisations

In the pursuit of promoting synergy and maximising on the complementarities for integration, EAC participated at the SADC Summit in August 2008, during which EAC was able to fine-tune on some aspects relating to the EAC/COMESA/SADC Tripartite initiative. The zenith was the Tripartite Summit of Heads of State and Government of the

three RECs in October 2008 in Kampala, Uganda, at which the prospects of an inter-regional Free Trade Area were concretised.

v. Strengthened relations with the African Union

Pursuant to the Protocol signed in January 2008 between the AU Commission and RECs on Relations between the African Union Commission and the Regional Economic Communities (RECs), EAC participated in the development of the framework for the Minimum Integration Programme (MIP) - a dynamic strategic and continental framework for the continent's integration processes. Under the MIP, the RECs are expected to identify and commit to implementing the programs and projects that have the great potential for propelling the continental economic integration envisaged under the Abuja Treaty.

The EAC also participated at statutory sessions of the AU policy organs in the pursuit of the Community's interests, guided by the EAC Summit and Council decisions and directives. Key among these was the common position taken by the EAC Summit in April 2009 on the establishment of the AU Government where Partner States agreed on the transformation of the AU Commission into an Authority and the need to strengthen RECs as building blocks for the continent's integration. This position, which was adopted by the AU Assembly of Summit of Heads of State and Government at its 2009 mid-year Ordinary session, was a manifestation of Partner States' joint action in pursuit of Community objectives.

vi. Strengthened relations with the EU, the UN and other international organisations

The EAC participated at the Summit on the Africa-EU Dialogue, whose objective was to set up premises that should inform the identification and support for programs that are aligned to the specific interests of each regional organisation. EAC also took part in the October 2008 Review of the Ten-year UN Capacity Development Programme for Africa's regional organizations, coordinated by the UN Economic Commission for Africa (UNECA) under the Regional Coordination Mechanism (RCM) program. Furthermore, the EAC participated at the Turkey-Africa Summit, in which the EAC potential areas of engagement with the Turkey were highlighted. Discussions were also for a regional approach to EAC-China engagement, within the context of the Forum for China-Africa Cooperation (FOCAC) that was endorsed at the China-Africa Summit in 2007.

9.0 EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)

During the period under review the Assembly continued to focus on its legislative, oversight and representative functions. The Assembly held five plenary meetings in all the EAC Partner States on a rotational basis. Committees' activities were also held including capacity building initiatives for members of the assembly from the republic of Burundi and the republic of Rwanda.

Key achievements during the reporting period:

i. Legislation

Under Legislation the Assembly enacted seven (7) Bills into law, namely;

- the EAC Appropriation Bill 2008; the EAC Supplementary Appropriation Bill, 2008; the Inter-University Council for East Africa Bill, 2008; the EAC Emblems (Amendment) Bill, 2008; the EAC Budget Bill, 2008; the EAC Customs Management (Amendment) Bill, 2008; and the Acts of the East African Community Act (Amendment) Bill, 2009.
- The assembly also completed consideration of the following four (4) Bills in preparation for the Second Reading stage: the Lake Victoria Basin Commission Bill; the Civil Aviation Safety and Security Oversight Agency Bill; the EAC Elections Bill; and the EAC Tourism and Wildlife Management Bill. The Tourism Bill and the Elections Bill were sponsored by the respective Committees; however, the Administration of the Assembly's Bill was referred back to the Mover to resolve the legal questions associated with the proposal.
- The Committees of the Assembly also deliberated wide ranging issues on the broad areas of co-operation as stipulated in Chapters 12 – 23 of the Treaty and urged the Council of Ministers to bring up the necessary pieces of legislation. However, by way of resolutions, the Assembly considered and adopted eleven resolution on:
 - Commending the Chairperson of the EAC Summit of Heads of State for the concise exposition of the EAC policy contained in the State of the Community address to the Assembly on 27th February, 2009;
 - Committee of Ways and Means to consider and approve the EAC Financial Statements for the Financial Year 2008/09;
 - Committee of Supply to consider and approve the revised Estimates of Expenditure for the Financial Year 2008/09 and Estimates of Expenditure for the Financial Year 2009/10;
 - The development of East African Community integrated policies and laws on energy security; the resolution on the adoption of a common position on ICTR completion of cases and attendant issues;
 - The peaceful resolution of the conflict in the DR Congo due to its resultant effect on the region; the resolution on the call to Partner States to ratify the UN General Assembly Resolution on the Convention of the Rights of Persons with Disabilities;
 - The development of a joint policy to protect the environment and natural resources;
 - Streamlining of the EPA negotiations;
 - A congratulatory message to President Barack Obama on his election as the President of the United States of America; and
 - Urging the Partner States of Uganda and Kenya to amicably resolve the Mbingo Island dispute.

The legislative mandate was further enhanced through the parliamentary question time where a total of 24 questions were prepared and successfully put to the Council

on wide ranging issues regarding the implementation of the provisions of the Treaty and the integration process in general.

ii. Representative Function

The Assembly participated in a number of statutory international meetings. It took part in the 119th and 120th Inter-Parliamentary Union, the Commonwealth Parliamentary Association conference in Kuala Lumpur and the United Kingdom; the African Parliamentary Union in Kampala; the World Speakers Conference and the UN-IPU annual Parliamentary Hearing in New York; the bi-annual Pan-African Plenary Sessions in Gauteng, South Africa in May and October 2008; and Sessions of the African Union in Ethiopia on gender, health and finance matters. The respective delegations prepared resolutions for debate and adoption by the Assembly.

Members an opportunity to consult the respective citizens of East Africa, Parliamentarians and the local leaders. The reports from the interactive meetings were debated and the recommendations transmitted to the Council of Ministers actions.

With direct support from the respective Partner States, specific country tours were also undertaken in the coastal town of Mombasa; in Western Uganda; and in the Country side of Rwanda. Through these tours, Members were able to interact with the citizens on specific issues on the EAC integration agenda.

With Support from the EAC Secretariat, the Assembly also undertook consultative public hearings in all the EAC Partner States on aspects of the EAC Common Market Protocol in December 2008. The reports from the interactive meetings were debated in March 2009 and the resulting recommendations transmitted to the Council of Ministers for action.

With Support from AWEPA; the Agriculture, Tourism and Natural Resources Committee undertook a public hearing mission in all the Partner States of the EAC to gather views on the Bill. Their views were incorporated in the Bill.

iii. Oversight Function

With support from the National Democratic Institute, the Committee on Agriculture undertook oversight missions of the extractive industries of Tanzania in October 2008 and Uganda in June 2009. The seven Committees of the Assembly held interactive meetings with EAC staff (Executive and Professional) to discuss various issues pertaining to their work. The meeting reports were adopted by the Assembly in accordance with Art.49 of the Treaty.

iv. Other achievements were:

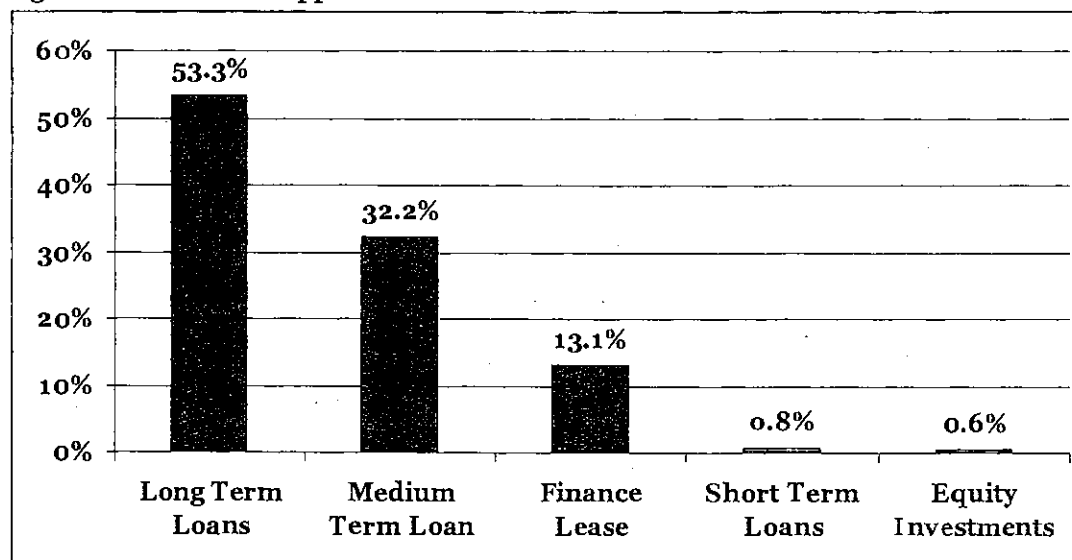
Establishment of formal working structures between EALA & National Assemblies. The EAC Speakers Forum met in September 2008 in Kigali, Rwanda and in April 2009 in Bujumbura, Burundi while Senior Parliamentary Officials met in April 2009 in Kampala, Uganda. During these meetings, the Speakers considered and approved their Rules of Procedure, proposals on the harmonization of Rules to consider EALA business at the level of the national parliament, adopted a proposal to establish the East African Parliamentary Institute, adopted a proposal to establish a new EAC Organ labeled EAC Speakers Forum, adopted a proposal to transfer the docket of the East African Inter-parliamentary Committee to EALA, and took a decision to refer all these matters to the Summit through the Council.

The EALA also organized the Annual Nanyuki Conference attended by over 250 participants representing all EAC National Assemblies/Parliaments in October 2008 in Kigali; and Inter-parliamentary Liaison Committees on Trade; Health, Population and Development and Accounts were held. The respective reports were prepared and debated by the Assembly from which a number of resolutions were extracted and transmitted to the Council and Partner States.

The East African Development Bank (EADB) operations continued to be underpinned by its mandate of promoting the development aspirations of its Member States – Kenya, Rwanda, Tanzania, and Uganda – through Loans and Equity Investments. The Bank offers Long Term Loans - with maturities of 5 to 12 years, Medium Loans - repayable over a period of 2 to 4 years, Short Term/Working Capital Loans - offered for procurement of raw materials, spare parts and small auxiliary equipment repayable over a period of 1 to 2 years; Trade Finance that involves financing the import and export transactions that are of a self liquidating nature usually over a period of 12 months.

Equity Investments involves supporting the development of viable private sector enterprises the Bank provides funding in the form of risk capital to selected enterprises for an agreed period after which the Bank divests. Other forms of financing include: Asset Leasing, Real Estate and Property Development, Agency for Donor Funds and Loan Guarantees

Figure 1: Investment Approvals in 2008



Source: EADB Annual Report 2008

The Bank's investments concentration on long term lending is based on the consideration that the private sector in the region is substantially constrained by long-term lending due to limited participation by commercial banks that dominate the East African region's financial system. The product distribution of the Bank's investments observed in 2008 is not unique to that year; indeed, the Bank's gross portfolio as at the end of 2008 amounting USD 163 million is dominated by long-term lending (Figure 2).

Figure 2: Gross Portfolio as at 31st December 2008

Telecommunication Services and Information Technology	5.3%
Commercial Banks	4.5%
Investment Companies	0.3%
Micro Finance Institutions	0.1%
Oil, Electricity and Gas	2.4%
Education, Health and other Community Services	8.1%
General Trading	4.9%

Source: EADB Annual Report 2008

The Bank continues to pursue the portfolio diversification objective taking cognisance of the fact that even with the overall health of the banking system in its Member States remaining good – on the back of strong legal and supervisory frameworks – the level of intermediation remains low and credit is concentrated in a few sectors.

Other Key Developments.

The Republic of Rwanda joined the membership of Bank in 2008, making it the fourth Member State. This followed Rwanda's formal admission to the East African Community in July 2007. The Republic of Rwanda's joining the Bank's membership reflects not only its enthusiasm and support for the region's integration but also an indication of its deliberate endeavour to support the Bank to enable it accomplish its developmental mandate.

Subsequent to the enactment of the East African Development Act in the Rwandan law and active participation of Rwanda in the Bank's governance structure, a liaison office has been set up in Kigali, Rwanda's Capital. The Bank's first loan of USD 5 million to a development finance institution (DFI) in Rwanda was approved in 2009. The process of establishing a fully fledged country office in Rwanda is on course.

Engagement with stakeholders.

The Bank remained engaged with stakeholders that support its operations. Among the Key stakeholders are the Member States, whose equity injection has been leveraged by the Bank to access international and regional financial markets. The Bank's USD 45 million recapitalisation programme approved in 2003 where each of the 3 Member States at the time was to inject USD 3 million per year for five years reached its final year in 2008. In another programme approved in 2007 the three member states committed to inject a further USD 90 million – USD 30 million each (revised to USD 22.5 million for each of the four member states, upon the Republic of Rwanda joining the Bank). The additional equity is meant to support equity investments and housing development in the region.

The other key stakeholders that the Bank remained engaged with include: (a) lenders who are comprised of major national and international development financial institutions from whom the Bank is accessing financial resources both for lending and technical assistance, leading commercial banks where the Bank has arranged currency swaps to enable it avail a currency mix as its borrowers may demand, and holders of the Bank's bonds (b) commercial banks, in the region and in the international financial markets, with which there is a banking relationship (c) the Bank's international rating agency – Fitchratings; (d) co-financiers in projects, including international institutions such as the International Finance Corporation (IFC) – the World Bank's private sector lending arm, regional DFIs such as the Eastern and Southern Africa Trade and Development Bank (PTA Bank), and commercial banks (e) capital markets regulators in the East African region (f) the EAC Secretariat.

The lines of credit from whose resources the Bank financed a bulk of the projects in as earlier outlined are from the following organisations: FMO of Netherlands, DEG of Germany, European Investment Bank (EIB), Opec Fund for International Development (OFID), African Development Bank (AfDB), Export-Import (EXIM) Bank of India, Nordic Development Fund (NDF) and Development Bank of Southern Africa (DBSA). The lines of credit currently available for draw-down include those from China Development Bank (CDB), DBSA, AfDB and EIB.

Challenges.

In pursuit of its mandate, the Bank experiences a number of challenges which, although binding during the review period, are generally obtaining. These challenges include the following:

- The portfolio being affected by exogenous circumstances. The overriding guide to the Bank's investments is the developmental impact. This necessitates the Bank to exercise diligent risk assessment, especially in its investments in areas that are perceived to be high risk and therefore not readily amenable to commercial banks' lending. Notwithstanding the level of diligence, the Bank's portfolio has often been affected by such investments being adversely affected by unforeseen exogenous factors.
The adverse effect have in instances occasioned increases in impairment losses on loans and advances as the Bank's policy of adherence to International Financial Reporting and its Charter compels the reflection of a fair value of its assets. In view of this challenge the Bank continuously explores measures of improving the quality of its portfolio, with the thrust being a careful screening of the quality of projects entering the portfolio, strengthening risk management and control, and enhancing project supervision and debt collection.
- Limited capacity to invest in essential projects of a public good nature, while a significant portion of the Bank's resources are mobilized from commercial sources.

Lake Victoria Fisheries Organization (LVFO) is an Intergovernmental Organization established by the Governments of the Republic of Kenya, the Republic of Uganda and the United Republic of Tanzania through a Convention signed in 1994. The objective of the Organization is to foster cooperation among the Partner States by harmonizing national measures, developing and adopting conservation and management measures for the sustainable utilization of the living resources of Lake Victoria for the benefit of the present and future generations.

Key Achievements during the reporting period

i. Performance monitoring, functional analysis of LVFO, including review of LVFO Strategic Vision

The LVFO Institutional analysis of the wider Institutions was completed in July 2008. The functional analysis was considered during the Regular Sessions of Executive Committee, the Policy Steering Committee and the Council of Ministers in February 2009. The LVFO Business Plan study was concurrently undertaken with the wider LVFO functional and institutional analysis in July 2008 and identified the cost of running the LVFO and the FMP and proposed viable sources of income

ii. Strengthening linkages

Progress was made in developing institutional linkages with GTZ, LVBC/AMREF (HIV/AIDS), Industrial fish processors, ICEIDA (post-harvest training and landing sites) and Institutions involved in Kenyan coastal BMU development (CORDIO), FAO and Fisheries Department Coast Province offices

iii. Guidelines on by-law formation

Legal empowerment of Beach Management Units was enacted and completed by December 2008. During the Regional Stakeholders Conference on Lake Victoria Fisheries held in Kampala, Uganda, the LVFO Council of Ministers in their Joint Communiqué of 29th October 2008 directed the gazettment of some areas of the lake as Lacustrine Protected Areas (LPAs) closed to fishing to allow regeneration of stocks.

iv. Consolidation of number of processing plants

The IFMP continued to support collaboration with the fish processing industry through a series of meetings. A regional meeting was held between the Directors and the Industrial Fish Processors in December 2008 to address the decline of the Nile perch fishery. The meeting recommended that the fish processors move to full implementation of the Nile perch lower slot size of 50 cm TL measure and this was operationalized in January 2009. Partner States were also urged to step up efforts to eradicate fishing illegalities on Lake Victoria and illegal trade in undersized fish

v. Mobilization of communities and awareness raising.

All the 1069 BMUs on Lake Victoria are registered. The development of BMUs bylaws is ongoing. In Kenya all the 281 BMUs were able to develop approve bylaws to guide their operations. In Tanzania the 433 BMUs developed bylaws but only 254 were approved by the respective districts; and in Uganda out of 365 BMUs, 333 developed bylaws and only 89 were approved at the sub-county level. Public media both electronic and print were used to create awareness by spreading information and key messages. The LVFO participated in the World Fisheries Day 2008 celebrations held in December 2008 in Kalangala District, where LVFO presented papers on co-management during the pre-world day workshop, held exhibitions and distributed awareness raising materials.

vi. Landing sites improved

In an effort to improve the working environment of fishing communities in terms of fish handling, processing and marketing facilities the process of procuring the services of a consultant to develop model landing sites in the respective countries is in progress. In Kenya, bids for the landing sites were received, evaluated and sent to RAO/ECD for approval. In Tanzania, Consultants contract had been approved and bids prepared for advertisement. In Uganda, the bids were advertised.

vii. Construction of MCS and research vessels

Four patrol vessels for Kenya, Tanzania, Uganda and the LVFO were delivered to LVFO, and handed over to the Partner States in December 2008. Research capability is being strengthened by the provision of two new research vessels for Kenya and Uganda, as well as fishing gear and associated equipment. The construction work was in progress in Mwanza, Tanzania.

viii. Hydro-acoustic survey

A hydro -acoustic survey aimed at estimating fish stock abundance and distribution in Lake Victoria was carried out in August/September 2008 and February/March. The study revealed that:

- Nile perch biomass declined further to 227,356 t in the August/ Sept 2008 hydroacoustic survey estimates from 369,498 t estimated in February 2008 but the total fish biomass remained within the August estimates of total biomass over the years of around 1,488,004 t.
- The biomass of Dagaa was estimated at 742,289 t. This followed the same trend of higher biomass in February and lower biomass in August.
- Haplochromines and other fish biomass were estimated at 518,359±295,550.
- Higher densities of the haplochromines group are recorded in the inshore regions of the lake.
- *Caridina nilotica* which were very important in the food web also show a declining trend from 291,208 ± 159,146 in February 2008 down to 101,380 ± 138,710 in this survey.
- From the limnological investigations, the Lake waters were well mixed and oxygenated. Mean surface temperature for the entire lake was 25.2 ± 0.11 °C, while that of Dissolved Oxygen (DO) was 7.8 ± 0.13 µg/l. and chlorophyll-a 9.0 ± 0.94 µg/l.
- Overall water transparency measured as Secchi disk was 2.9 ± 0.27 m. The highest Secchi disk reading (6.8 m) and the lowest conductivity values (73.3 µS/cm) were recorded in the Southern quadrants implying it has the clearest waters. Most stations in the Northern quadrants had the highest temperature and conductivity, and the lowest DO and Secchi disk readings.

ix. Conducting inter-district patrols involving BMUs

Kenya continued to undertake inter-district patrols whereby 9 beach seines, 12 monofilaments and 40 pieces of gill net , 1560 kgs of undersized Nile perch and tilapia were confiscated. In Tanzania, Inter-district activities were focused all the districts but with special attention on Geita and Sengerema. The illegal gears confiscated included Beach Seines, undersize Gill nets, Monofilament nets, dagaa seine net of mesh size below 10mm and immature fish confiscated included Nile Perch, Tilapia and 2 fishing boats were seized. Several culprits were apprehended and taken to Court.

x. Staff Capacity Building and Scholarships

A total of 337 fisheries extension staff and 40,534 BMU members were trained under the BMUs Fisheries Management Training Program and the Trainers Manual was produced. Other activities undertaken include training of Frame Survey Supervisors and Enumerators, Training in the Financial Management Package, Training in use of the new EAFish Database, Training in EU procurement procedures, Training in business management and printing of a Trainers Manual on fish handling. LVFO continued to collaborate with its Focal fisheries training institutes (Nyegezi Freshwater Fisheries Institute (NFFI), Mwanza, Ramogi Institute of Advanced Technology, (RAMOGI),

Kisumu and Fisheries Training Institute (FTI), Entebbe) and proposals on staff development were developed. Plans made, and implemented by different FFTIs.

xi. Construction & equipping LVFO headquarters

Monthly site inspections were made by secretariat and site meetings held with the contractor, consultant supervisor and ECD. LVFO Office construction were completed in October, 2008 and launched in December, 2008

12.0 LAKE VICTORIA BASIN COMMISSION

Lake Victoria Basin Commission (LVBC) is established by a Protocol for Sustainable Development of Lake Victoria Basin under Article 33 as a Permanent Apex Institution of the East African Community responsible for promoting sustainable development in the Lake Victoria Basin. The objectives and broad functions of the Commission are defined under Article. 42 of the protocol. The Goal of the Commission is promotion of sustainable development in the Lake Victoria Basin with a vision of "a prosperous population living in a healthy and sustainably managed environment providing equitable opportunities and benefits".

The following is a summary of the key achievements during year:

- i. LVBC Secretariat was strengthened through recruitment of new staff and acquisition of additional office space at the 1st floor of the Re-insurance building in Kisumu, Kenya.
- ii. The process of developing a project code named "LVEMP II" was completed and preparatory activities carried out in the Republics of Kenya, the Republic of Uganda & the United Republic of Tanzania. However, preparatory activities for the Republics of Burundi and Rwanda were still ongoing by the end of the year.
- iii. Mt Elgon Regional Ecosystem Conservation Project (MERCEP) was redesigned and the project implementation unit integrated into LVBC secretariat;
- iv. Implementation of the safety of navigation project with particular focus on the hydrographic surveys of the lake major routes, establishing communication network, and preparation for the installation of the Aids to Navigation were carried out.
- v. The draft Lake Victoria Transport (Maritime Safety) Regulations and Lake Victoria Transport, (Fees) Regulations, 2008, were prepared as part of the Operationalisation of the Lake Victoria Transport Act 2007 as provided for under section 246 of the Act;
- vi. A detailed pre-investment analysis/study of the proposed Maritime Communications for Safety on Lake Victoria (MCSLV) was on going by the closing of the year. The project is aimed at facilitating efficient and affordable communications across the Lake Victoria Basin.
- vii. Strengthened regional coordination of the Lake Victoria Basin HIV/AIDS initiative through increased Partner States involvement and participation in key project activity implementation;
- viii. Designing of the phase two of Lake Victoria Basin Water and Sanitation (LVWATSAN) Program was initiated with the financial support of African Water Facility of the African Development Bank. The phase II of the project aims at extending the scope to the additional 15 towns within the region.

Challenges

In the achievement of the above, the Commission faced a number of challenges that include: delays in disbursement of earmarked funds from the Development Partners remained the single most important reason for the commission's inability to undertake planned activities within the stipulated timeframe; lack of clear procurement procedures as the Commission did not have a procurement manual; capacity constraint at the National Focal Point Offices also made it difficult for the Commission to comply with the principle of subsidiary.

13.0 FINANCIAL AFFAIRS OF THE EAST AFRICAN COMMUNITY

The following section presents a Summary of the Financial Affairs of the Community for the Year Ended 30th June 2009

13.1 Achievements of the Directorate of Finance in the financial year 2008/2009

During the financial year, EAC made the following achievements in the execution of the finance support function:

- i. The Directorate embarked on the strengthening of financial systems by updating the Financial Rules and Regulations and to develop the Financial Policies and Procedures Manual that is currently undergoing the approval process.

The Directorate embarked on the customization process of the Financial Management system, SUN Systems, and also developed the capacity of the finance staff by conducting both on-job and off-site training workshops.

The Directorate, in keeping abreast with the contemporary financial management best practices and standards, also supported finance staff to attend continuous professional education

- ii. The Directorate of Finance commenced the financial year 2009/2010 budget process by identifying and training focal staff from other Directorates on the Medium Term Expenditure Framework (MTEF) budget framework. This refresher training workshop was very important in the preparation for the FY 2009/2010 annual budget process, which budget was promptly prepared and approved prior to the start of the financial year to which it related.

13.2 Summary of the Financial Affairs of the Community for the Year Ended 30th June 2009

Sources of funding of the Community

The East African Community draws its funding from two major sources namely Partner States contributions and contributions from Development Partners.

13.2.1 Summary of Community funding from the Partner States

For the financial year under review, 2008/2009, the following was the contribution from the Partners States towards the budget

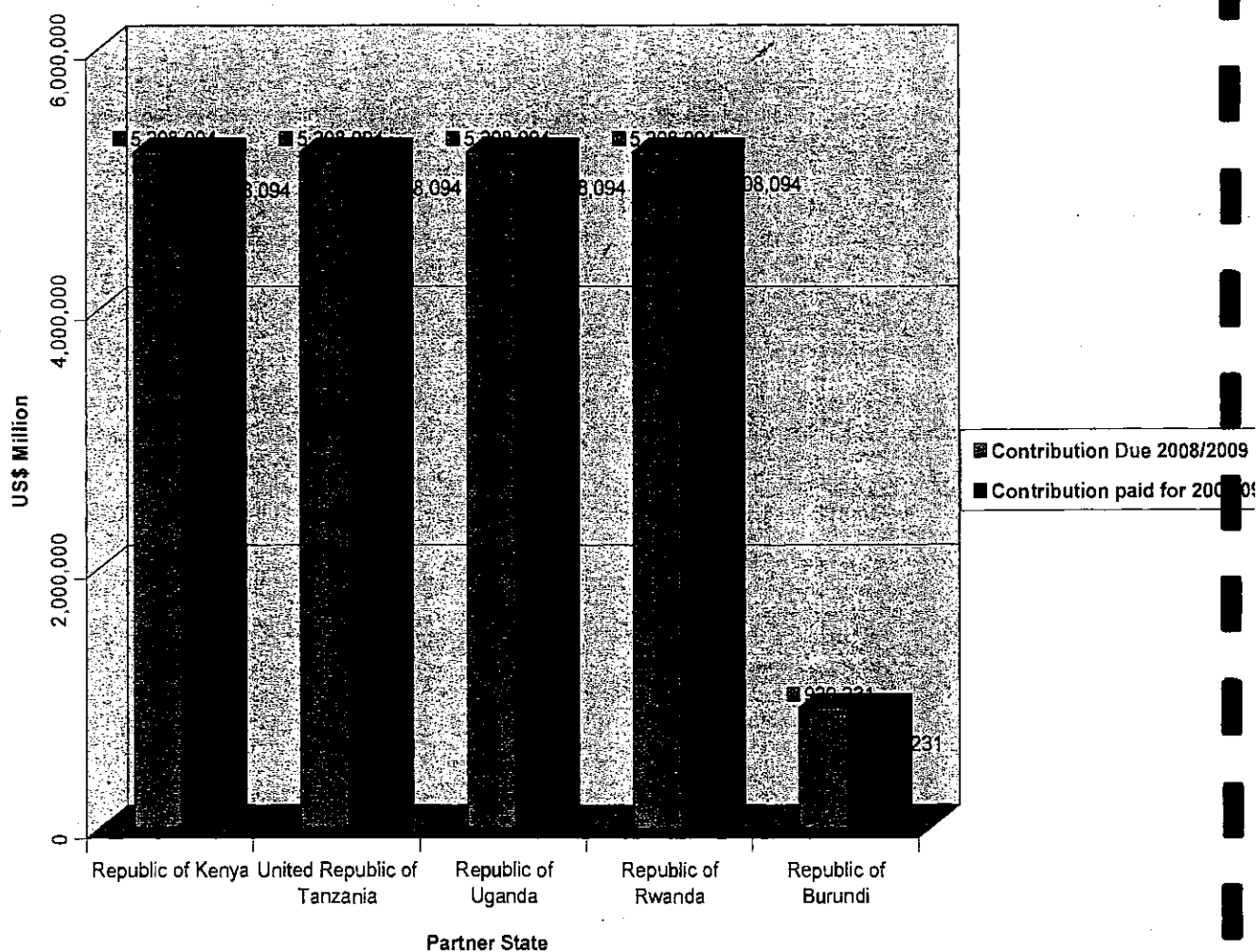
Table 1; Showing Contribution from Partner States for the financial year 2008/2009

	Contribution Due 2008/2009	Contribution paid 2008/09 for	Total Outstanding	% Paid
	5,208,094	5,208,094	-	100%
	5,208,094	5,208,094	-	100%
	5,208,094	5,208,094	-	100%
	5,208,094	5,208,094	-	100%
	929,231	929,231	-	100%
	21,761,607	21,761,607		100%

Source: Audited Financial Reports for the FY 2008/2009

The contribution schedule above reflects the agreement on the legal interpretation on the timing of the accession of the Republic of Rwanda and the Republic of Burundi as full members of the East African Community.

Figure 1; Shows the Status of Contribution from Partner States for the financial year 2008/2009



Source: Audited Financial Reports for the FY 2008/2009

13.2.2 Summary of Community funding from the Development Partners

For the financial year under review, 2008/2009, the following was the contribution from the Development Partners towards the budget.

Table 2: Contributions from Development Partners for financial year 2008/2009 (in United States Dollars)

<i>Contribution from Development Partners</i>	2008/09	2007/08
GTZ	0	37,137
SIDA (Sweden)	0	0
International Labour Organization	556	51,687
EAC (RISP)	0	0
Partnership Fund	0	0
Austrian Development Co-op Bureau	0	0
Government of Finland	16,275	77,062
African Capacity Building Foundation	0	0
Rockefeller Foundation	56,947	105,425
United Nations Environmental Programme	0	71
Deferred credit from Donors released to income	0	45,999
World Bank – Customs Union	21,626	5,153
Government of France	0	26,792
IDRC	84,371	85,092
Unifem	0	0
Swiss Tropical Institute	0	12,324
World Bank Capacity Building	32,859	67,088
Government of France for Customs Union	0	0
WHO - World Health Organization	13,500	0
Star Project	38,310	0
BAT	87,558	0
KILIMO TRUST	24,437	0
COMESA Climate Change	69,195	0
ICF	106,767	0
Bundersministerium	73,623	0
CTBTO	14,372	0
KFW	161,771	623,986
Total Income from Development Partners	802,167	1,137,816

Source: Audited Financial Reports for the FY 2008/2009

Table 3: Showing Contributions from Other Independently Managed Projects for the FY 2008/2009

Other Independent Managed Projects	Receipts in US \$	Receipts in EURO
Regional Integration Support Program	7,682,263.83	-
Partnership Fund	6,611,144.00	-
AU - Capacity Building	-	-
African Capacity Building Foundation Project	246,668.59	-
Total Contribution	14,540,076.42	-

Source: Audited Financial Reports for the FY 2008/2009

The contribution from development partners was mainly in three forms, Partnership Fund; through individual projects, and by direct payments to service providers for services rendered to EAC. In the year under review the contributors to Partnership Fund were Sweden, Denmark, Norway and Germany. For funding from European Commission, World Bank and SIDA Sweden, specific projects were funded. For ADB, PTB project, KfW, GTZ, Norad and JICA, funds were channeled directly to service providers who supported the Community.

13.2.3 The East African Community Audited Accounts for FY 2008/2009

The summary of the Audited Statements of the Community are highlighted in tables 4, 5

Table 4: THE AUDITED STATEMENT OF THE CONSOLIDATED FINANCIAL PERFORMANCE OF THE EAST AFRICAN COMMUNITY FOR YEAR ENDED 30TH JUNE 2009.

	2008/09	2007/08
INCOME	US \$	US \$
Contribution from Partner States	21,761,608	19,913,260
Contribution from Development Partners	885,305	1,137,816
Miscellaneous Income	98,301	97,952
TOTAL	22,745,214	21,149,028
LESS EXPENDITURE		
Staff Emoluments	12,749,361	10,407,832
Administrative and consultancy Expenses	8,798,580	7,724,462
Financial Expenses	40,141	53,101
Depreciation Charged	445,314	290,763
Waived off Contributions	-	6,637,753
TOTAL	22,033,396	25,113,911

SURPLUS / (DEFICIT)	711,818	(3,964,883)
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Source: Audited Financial Reports for the FY 2008/2009

The waived-off contributions of USD 6,637,753.00 are exclusive of that relating to Lake Victoria Basin Commission, whose financial reports are not consolidated in the reports presented here.

Table: 5. THE AUDITED STATEMENT OF THE CONSOLIDATED FINANCIAL POSITION OF THE EAST AFRICAN COMMUNITY AS AT 30TH JUNE 2009.

	2008/09	2007/08
ASSETS	US \$	US \$
NON CURRENT ASSETS		
Property, Plant and Equipment	4,513,242	2,063,091
Intangible Assets	149,162	122,590
TOTAL NON CURRENT ASSETS	4,662,404	2,185,681
CURRENT ASSETS		
Inventory	85,425	29,163
Accounts Receivable	2,279,873	557,095
Other Current Assets	811,915	657,298
Cash and Bank	4,779,566	6,048,999
TOTAL CURRENT ASSETS	7,956,779	7,292,555
TOTAL ASSETS	12,619,183	9,478,236
LIABILITIES AND ACCUMULATED FUND		
ACCUMULATED FUND	7,347,919	4,331,897
NON CURRENT LIABILITIES		
Gratuity for staff of the Community	3,204,666	1,960,563
Deferred Income from Donors	567,251	954,495
TOTAL NON CURRENT LIABILITIES	3,771,917	2,915,058
CURRENT LIABILITIES		
Accruals	626,779	1,058,717
Accounts Payable	872,568	1,172,564
TOTAL CURRENT LIABILITIES	1,499,347	2,231,281
TOTAL LIABILITIES	5,271,264	5,146,339
TOTAL LIABILITIES AND ACCUMULATED FUND	12,619,183	9,478,236

Source: Audited Financial Reports for the FY 2008/2009

Table 6: THE AUDITED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2009

	2008/09	2007/08
	US \$	US \$
Cash flows from operating activities		
Surplus / (Deficit) at the end of the year	711,818	(2,414,201)
<i>Adjustment for:</i>		
Depreciation	445,314	223,515
Foreign exchange (gain)/loss	-	-
Prior Year Adjustment	2,304,204	(16,180)
Deferred income	(387,244)	75,897
Loss / (Gain) on Disposals	-	7,205
	3,074,092	(2,123,764)
Changes in working Capital		
(Increase) / Decrease in Accounts Receivable	(1,722,778)	(163,915)
(Increase) / Decrease in inventory	(56,262)	5,376
(Increase) / Decrease in Other Current Assets	(154,617)	118,278
Increase / (Decrease) in Current liabilities	(731,934)	(1,243,011)
Increase (Decrease) in gratuity for staff	1,244,103	1,056,968
Net Cash flows from operating activities	1,652,604	(2,350,068)
Cash flow from investing activities		
Acquisition of fixed assets	(2,922,037)	(970,569)
Cash generated from investing activities	(2,922,037)	(970,569)
Net increase in cash and cash equivalents	(1,269,433)	(3,320,637)
Cash and cash equivalents at beginning of period	6,048,999	8,874,116
Cash and cash equivalents at end of period	4,779,566	5,553,479

Source: Audited Financial Reports for the FY 2008/2009

13.2.4 Budget Proposals for 2008/2009:

In comparison to the year in review 2008/2009, the following budget proposals were made by the Community for the financial year 2009/2010.

Table 7; Showing the budgetary proposal for the financial year 2008/2009

	All figures in US \$			
Budget Item	Approved Budget 2008/09	Proposed Budget 2009/10	Increase/ (Decrease)	Increase/ (Decrease) %
Personnel Emoluments	13,837,297	15,430,372	1,593,075	12
Recurrent Expenditure	8,599,975	10,138,895	1,538,920	18
Development Expenditure	15,623,347	16,449,472	826,125	5
Total Budget	38,060,619	42,018,738	3,958,119	10

Source: Audited Financial Reports for the FY 2008/2009.

Source: Audited Financial Reports for the FY 2008/2009

