



EAST AFRICAN COMMUNITY

EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)

Official Report of the Proceedings of the East African Legislative Assembly 80TH SITTING – SECOND ASSEMBLY: FOURTH MEETING – THIRD SESSION

Tuesday, 20 April 2010

*The East African Legislative Assembly met at 2.30 p.m. in the Chamber of the
Parliament of Rwanda, Kigali.*

PRAYER

(The Speaker, Mr. Abdirahin Abdi, in the Chair)

(The Assembly was called to order.)

PAPERS

The following Papers were laid on the Table: -

By Mr. Abdul Karim Harelimana:

*The Report on the Parliamentary Conference on Democracy held in Gaborone, in
Botswana from 14th to 19th September 2009*

The Chairperson, General Purpose Committee (Ms. Sebtuu Nassor) (Tanzania):

*The Report of the General Purpose Committee on Inter-Parliamentary Forum on
Health, Population and Development*

MOTION

**FOR THE CONSIDERATION AND ADOPTION OF THE REPORT OF THE COMMITTEE
ON ACCOUNTS ON THE ON-SPORT ASSESSMENT VISIT TO THE MERECIP PROJECTS**

Mr. Bernard Mulengani (Uganda): Mr. Speaker, I beg to move:-

THAT, the report of the Committee on Accounts on the On-Spot Visit to MERECP Projects be adopted.

A Hon Member: Seconded.

Mr. Mulengani: Mr. Speaker, before I read the Report, I want to go on record for appreciating every one of you here for the role you played during the time I lost my wife. I have no other words to express myself but just to say, thank you very much. *(Applause)*

Mr. Speaker, sir, the Report on the On-Spot Assessment of MERECP Projects in Sironko, Mbale and Kapchorwa districts of Uganda from 9th to 14th March 2010 is a 14-page report. It begins with an introduction.

1.0 Introduction

The Mount Elgon Regional Ecosystem Project (MERECP) is an EAC regional programme initiated in response to the conservation and development needs of the Mt. Elgon Ecosystem. This is a trans-boundary ecosystem that spans the border between Kenya and Uganda. It has over 180,000 hectares of forest, and supports many hundreds of thousands of people, directly or indirectly. It is a catchments area for important water systems contributing to the Turkwell River, Lake Turkana, the Lake Victoria basin and the Nile River basin via Lake Kyoga.

On 3 February 2004, the EAC entered into a financing agreement with the Norwegian government for a grant of US\$4,874,342 to be extended by the governments of Norway and Sweden to support the inception phase of the MERECP for a period of four years from September 2005 to 2009.

On 2 September 2005, the EAC entered into a cooperation agreement with the World Conservation Union (IUCN) for the provision of technical, advisory, programme and financial management services to MERECP. The IUCN was therefore responsible for the provision of the overall technical backstopping supervision and coordination of programme activities carried out by the implementing institutions and consultants.

A mid-term review of the project was done and the project life has been extended to December, 2010.

2.0 Background

The Accounts Committee met in Kampala in 2007 and reviewed the concerns of the auditors on weaknesses that existed in the management of the project. The Assembly sitting in Arusha in the same year concurred with the recommendations of the Committee and directed the Committee to meet in Nairobi to follow-up and consider the following year's audit reports of MERECP to establish if the recommendations had been implemented, as well as carrying out a review of other projects supported by EAC development partners.

The specific weaknesses that were discovered and discussed included, among others:

- a) Non opening of a specific Bank Account for MERECP by IUCN and partner institutions leading to commingling of funds;
- b) Non opening of MERECP Bank Accounts by partner institutions;
- c) Uncompetitive procurements by NEMA, Uganda;
- d) Delayed implementation of Programme activities;
- e) Late accountability for funds disbursed to implementing institutions;
- f) Avoidable high operational costs;
- g) Lack of supervision of Programme activities ;
- h) Plough down of Leuceana and Calliandra seed orchard by Sironko prison;

Further, the Assembly directed as follows: -

- MERECP activities to be harmonized to ADB activities that were being carried out at the same time
- A mid-term review of the project to be carried out.
- Programme performance reports to be submitted to EAC every three months.
- EAC Management to make a follow-up on non opening of accounts

A detailed report of this is on pages 3 to 15 of Annex I attached to this report.

A midterm review was carried out and a number of changes were made, including the extension of the project life from December 2009 to December 2010, and transferring responsibility of the management of the project to Lake Victoria Basin Commission effective January 2010. It is, however, unfortunate that the directives given to address weaknesses in internal control and record keeping in the 2006 financial year were not implemented, and the same weaknesses were raised by the Auditors for the accounts of 2007. The situation deteriorated further such that the Auditors could not form an opinion of the accounts of MERECP for the financial year ending June 2008. The Auditors therefore issued a disclaimer report.

The detailed reports of the Assembly are attached to this report as Annexes II and III, and the matter under discussion is captured on pages 36-37 of Annex III.

In view of the above, the Assembly directed as follows:-

- i) LVBC management to draw terms of reference for the forensic audit in consultation with the Audit Commission;
- ii) LVBC management to institute and carry out forensic audit of the Project by advertising and engaging independent audit firms only from the EAC Partner States of the United Republic of Tanzania, the Republic of Rwanda and the Republic of Burundi.
- iii) The Committee to carry out an on-spot assessment visit to Sironko and any other MERECP project to inspect and confirm implementation.

It is largely on this basis, and in conformity with the provisions of Article 49 sub Article (2) paragraphs (a) (c),(d), and (g) of the Treaty, which give the functions of the Assembly, and Rule 79 and Annex 5(A) of the Rules of Procedure that the Assembly directed the Committee on Accounts to carry out an on-spot assessment visit to the districts of Mbale, Sironko and Kapchorwa in Uganda to establish the following, among others:

- i) The status of implementation of Assembly directives;
- ii) The status of performance and impact of the MERECP project in Sironko and Kapchwora;
- iii) Value for money;
- iv) Whether the district leadership and community of Sironko and Kapchwora are knowledgeable of the MERECP projects;

3.0 Methodology

As a method of getting information and data for the on-spot assessment of MERECP in Uganda, the committee applied observation methods, interactive interviews, EALA reports on audited accounts, Report of the Accounts Committee on the review of IUCN (MERECP) and the projects supported by EAC development partners, MERECP status reports by focal persons, and presentations from the Sironko District leadership; the Kapchwora District leaders; UWA; NFA; and MERECP officials.

The Committee conducted on-spot field visits to to Mutufu fodder bank, the seed orchard in Sironko and Kapchebut farmers association where the activities are taking place.

4.0 The Field Visit

The field visit started on 10 March 2010 and ended on 11 March 2010, during which time the Committee on Accounts met the district leadership of Sironko and Kapchorwa districts. The Committee also visited a fodder bank and seed orchard at Mutufu in Sironko district, and the Kapchebut Farmers Association. The Committee also held a meeting with officials from the National Forest Authority, the Uganda Wildlife Authority and the Mbale district officials.

On the third day, 12 March 2010, the Committee on Accounts held meetings with the Public Accounts Committee and the Natural Resources Committee of the Parliament of Uganda, and also met the Minister for Water and Environment. Below is a detailed report on the successive meetings.

4.1 Meeting at Sironko District

The coordinator of MERECP gave an introduction on MERECP and the MERECP focal person presented the MERECP status report indicating the work plan, together with the budget and its disbursements, planned activities, achievements and challenges. The planned activities were supporting horticultural crop development, livestock development, and apiculture development, establishing a fodder bank of Napier and seed orchard of agro-forestry trees, establishing on-farm demonstration on soil and water conservation and carrying out landscape restoration activities, promoting vanilla, promoting alternatives or substitutes to forest resources, increasing forest resource endowment and promoting apple production. A detailed report is hereby attached and marked as Annex IV.

Planned activities and achievements notwithstanding, the report contradict the justification. For example, in the report on the planned activity of supporting horticultural crop development, the report says that 30 farmers were trained in horticultural production, savings and credit management yet the same report remarks that grants were not given due to lack of funds. The Committee wondered how achievements could be registered yet there was lack of funds. No wonder the program had to be redesigned in April and May, 2008.

In addition to observations on the report, the local administration, and specifically the Chairman of the District and the Resident District Commissioner, informed the Committee that MERECP is not known to people and had not made any significant impact on the people of Sironko.

After meeting with the district leadership and the MERECP focal person, the Committee visited MERECP fodder bank of Nappier, and the seed orchard of agro-forestry trees at Mutufu. This particular fodder bank of Nappier and seed orchard of agro-forestry trees had earlier on featured as an audit query in respect to the prison officers having slashed it down.

4.1.1 Committee Observations:

- i) No person was held accountable or responsible for the act of cutting down the MERECP fodder bank of Nappier and seed orchard of agro-forestry trees at Mutufu of Sironko district.
- ii) The fodder bank seemed to have been abandoned for a long time.
- iii) The size of the planted area seemed less than was reported.
- iv) There was no evidence of value for money.
- v) There was no evidence of progressive beneficiaries from the project.
- vi) There was lack of communication and sensitization amongst the local community about MERECP and its sou
- vii) There was a glaring absence of sensitization by the Secretariat on EAC projects.
- viii) There was lack of synchronization of administration among the district officials and the MERECP focal person, leading to ineffective monitoring and evaluation of the MERECP project.

4.1.2 Recommendations

- i) The EAC in conjunction with the Partner States should hold persons accountable for destruction and mismanagement of Community projects and programmes.
- ii) There is a need for the supervision of EAC projects by the EAC Secretariat.
- iii) There is overwhelming need for EALA committees to do their oversight roles regularly.

4.2 Meeting in Mbale with UWA, NFA and Local Government Officials

The Committee wanted to be upraised on the operations of MERECP in the Mt. Elgon region, and on the current status of implementation of MERECP projects in view of the EALA directives. Among those who attended the meeting were the Forest Supervisor; the NFA Sector Manager; the NFA official from UWA, the Environment Development Officer, the MERECP focal person; the Mbale Conservation Area Manager; UWA Acting Director for Environment Affairs/NFP MERECP and the MERECP Coordinator.

The LVBC MERECP coordinator presented a status report of MERECP, hereby attached and marked as *Annex V*. However, the Committee found the coordinators report lacking in that it did not capture the current status of the project, nor did it inform the Committee on the progress of EALA directives.

4.2.1 Committee Observations:

- i) In respect of the status report, the Committee notes that it has not received a copy of the documents of the mid-term review which extended the project life from 2009 to December 2010; and, the due diligence report.
- ii) In respect to the Assembly directives, the Committee notes that the Committee had not received the terms of reference for the forensic audit, but that the process of securing auditors to carry out a forensic audit had begun. The Committee also notes that there was a departure from recommendation (ii) of the Assembly for *“the LVBC Management to institute and carry out a forensic audit of MERECP, and to engage an independent audit firm only from the EAC Partner States of the United Republic of Tanzania, the Republic of Rwanda, and Republic of Burundi”*.

Recommendations:

In light of this finding the Committee was perturbed that none of the EALA directives was adhered to and therefore recommends that:

- (i) A status report on the forensic audit should be submitted to the Assembly by the first week of May 2010, and that the Ugandan audit firm that had been engaged should be suspended immediately.
- (ii) The LVBC is to give an explanation as to why they deviated from the Assembly directives.
- iii) The LVBC is to provide the documents mentioned in the observations above to the Committee.
- iv) There is need for a Trans-boundary commission to handle all trans-boundary ecosystem concerns.

4.2 Meeting with Kapchorwa District Officials

The Committee interacted with the district officials led by the Local Council (V) Chairman, the Resident District Commissioner, and the Chief Executive Officer. The LVBC coordinator of MERECP gave an introduction on MERECP and the Kapchorwa MERECP focal person presented the MERECP status report, indicating the work plan, the planned activities and achievements, which included, among others:

- (i) Establishment of a Nappier grass fodder bank where so far many have benefited;
- (ii) Establishment of a free seed orchard with 6 species;
- (iii) Provision of 5 crossbreed heifers in two sub counties;
- (iv) Raising of tree nurseries in 5 sub counties;
- (v) Establishment of soil fertility management and water conservation structures (digging trenches, planting Nappier grass and agro forestry trees);

- (vi) Tour visits of farmers to Kampala (for a comparative study);
- (vii) Horticulture support;
- (viii) Provision of beehives;
- (ix) Provision of a biogas plant.

4.3.1 Visit to the Mt. Elgon Kapchebut Farmers Association in Kapchorwa

4.3.1.1 Committee Observations

- i) The program has limited visible evidence on the achievements on the ground.
- ii) The Committee was concerned by the method used in identifying the community based organizations (CBOs) to work with, taking into account that these CBOs would have been operational already, and had the capacity of getting money from other donors such as NAADS. As such, the input of MERECP could not be ascertained.
- iii) There seems to be concentration on progressive CBOs only.
- iv) People who were born in the forest reserves before the gazetting of national parks in 1936 and 1993 have not been resettled yet.
- v) The program does not sufficiently address the level of demand in the region. It is like a drop of water in the Ocean. It would take centuries at that rate to make environmental impacts or achieve the objectives of MERECP in the Region.
- vi) There seem to be many projects providing similar services.
- vii) There is no evidence of periodic reports by MERECP focal persons.

4.3.1.2 Recommendation

- i) There is need for a legal framework at the regional level that could champion all trans-boundary concerns in and out of the region.
- ii) There is need to establish a permanent commission on trans-boundary ecosystem concerns.
- iii) There is need to involve local politicians to scale up local funding for these activities.
- iv) The Committee urges the local leadership to take note of such programmes and participate in monitoring and supervision.

5.0 Meeting with Committees of the Parliament of Uganda

5.1 Meeting with the Public Accounts Committee

The Committees discussed, among others, how to effectively handle EALA reports on the EAC audited accounts. Various opinions were raised on how member states could get involved or compliment the role of EALA on implementation of its recommendations on the EAC Audited Accounts. These included, among others, sharing of information through the regional Public Accounts body, which meets regularly; regular interactions with the PAC committees of the national parliaments, and use of the routine delivery of the EALA records to the national parliaments.

5.1.1 Committee Recommendations

- i) In respect to the implementation of the Assembly directives arising out of the Audit Commission report, the Committee urges the Clerk, pursuant to Article 65 of the Treaty, to transmit expeditiously to the national assemblies, records of the meetings of the Assembly.
- ii) The Committee further recommends that when the Minister in charge of EAC affairs transmits such information to the national assemblies, action on such matters should be taken up by the relevant parliamentary committees, taking cognizance of EALA directives.
- iii) The Committee recommends that the respective EALA committees need to take on regular site visits and to have regular interface with their counterpart committees in the national assemblies to strengthen the inter-parliamentary liaison Committees and sharing of information.

5.2 Meeting with Committee on Natural Resources.

During the Committee interaction with the members of the Natural Resources of Uganda, the Committee found out that most of the members on the Natural Resources Committee were not well informed about the EAC programmes and projects that are being implemented in the country. The few who knew something about this particular project were mainly from the Mt. Elgon region. Moreover, they could not connect MERECP project to EAC but rather to IUCN. The Committee on Accounts therefore went ahead to give an overview to the members of the Natural Resources Committee on the purpose of the on-spot assessment, and the issues surrounding the MERECP in Uganda and in the entire EAC.

The following concerns emerged from the meeting:

- i) There is a gap in the process of EALA legislations directly generating debate in the member state parliaments. This needs to be corrected.
- ii) There is need to sensitize national Members of Parliament on the various programmes and activities initiated by the EAC in the respective member countries.
- iii) There is need for regular interaction between EALA committees and the Committee of the national parliaments, which have similar functions. This will inform and enable national parliaments to play a complementary role to that of EALA in the areas of legislation, oversight and supervision.

On the performance of MERECP, members from the region informed the Committee that some people from Bulambuli County in Sironko District had been promised dairy cows in 2004 but the cows had not been supplied to date. The Committee was informed that the reason MERECP gave to the locals for this was that the cows were yet to be air lifted from Tanzania.

In Manafa District, the Committee was informed that MERECP had not paid the local people who supplied them with seedlings, and that the activities of MERECP were far from the people and the District leadership.

5.2.1 Recommendations

- i) The Committee urged the members to show interest in the EAC activities by asking the relevant Ministers, on the floor of Parliament, such questions on updates or progress of projects, and the direct and indirect tangible benefits to the people of the EAC in form of services and projects being implemented in the respective Partner States.
- ii) For effective control and supervision, there is need for EALA to approve all loans to the EAC.

6.0 Meeting with the Minister of Water and Environment

The Minister was not conversant with MERECP projects, and therefore sought information from the EALA Committee on Accounts. In addition, she had limited knowledge on the status of the project.

6.1 The Committee discussed with the Minister the following issues:-

- i) How far the Ministry has gone to address environmental issues;
- ii) Priorities of the Ministry while following up such issues, especially programmes created to cater for environmental issues, for example MERECP and others; and,
- iii) Differentiation of accountability to avoid duplication of programmes.

6.2 The following was agreed:-

- i) Increasing funds for monitoring and awareness at the district level;
- ii) Enhancing of revolving funds;
- iii) Constant follow up of projects by the Ministry and information sharing;
- iv) Creation of a structured system to govern the trans-boundary ecosystem;
- v) Creation of an institution to manage the cross-boundary ecosystem;
- vi) The Ministry to take up the issue and own it;
- vii) The Ministry to follow up with IUCN and to report on everything that transpires;
- viii) Instruction to a focal person to write a report on the matter, copied to EALA Committee on Accounts.

6.3 Recommendations

- i) On-site assessment visits should be a regular feature of the oversight function of the Assembly. In light of this, the Committee reiterates:

- That the Assembly directive to visit RV Jumuiya and MERECP project in the Republic of Kenya should be operationalised;
 - That the Partner States should take necessary measures to deter and punish vandalism and mismanagement of EAC projects and programmes.
- ii) A commission should be established and a legal framework to manage the trans-boundary ecosystem put in place.
- iii) Creation of awareness and sensitization of EAC programmes for Partner State Members of Parliament should be carried out expeditiously.
- iv) LVBC should submit to the EALA Accounts Committee the following documents:
- The Agreements of the re-designed MERECP with governments of Kenya and Uganda, its ministries, districts and Community Based Organizations (CBOs);
 - A detailed account of what they took over from IUCN;
 - A detailed Mid Term Review Report on MERECP; and
 - A copy of the Terms of Reference as agreed with the Audit Commission and a status report on the forensic audit.

7.0 Conclusion

The on-spot assessment visit enabled the Committee to appreciate the operations of MERECP projects to a limited extent. The Committee will be in position to appreciate fully the operations of the project after an on-spot assessment for the MERECP projects in Kenya, and upon receipt of the forensic report.

8.0 Acknowledgements

The Committee acknowledges that this is the first time in this Second Assembly that it has been accorded an opportunity to do an on-spot assessment of EAC projects. It therefore wishes to thank the Speaker, the Secretary General, and the Republic of Uganda for the facilitation for this important oversight activity. We urge the Assembly to continue supporting such noble functions.

I thank you. (Applause)

(Question of the motion proposed)

Mr. Christopher Nakuleu (Kenya): Mr. Speaker, I wish to take this opportunity to thank the new Chairperson of the Committee on Accounts for having made the on-site visit to the MERECP projects a success.

I wish to restrict my contribution to the issues regarding the audit query. Upon reaching Sironko, the Committee took note of one glaring issue, namely, the need to regularize on-site visits as a way of strengthening the oversight function of the Assembly to make sure that the report by the Audit Commission tallies with what is on the ground. As the Chairperson of pointed out, what the Committee found when we reached there was not as had been reported to the Assembly.

For example, it had been reported that farmers had been trained in horticulture production, and in savings and credit management. However, that was not the case on the ground. The Committee was taken to some bush that had been abandoned some ten years back. Therefore, I wish for this Assembly to treat that expenditure by the EAC as a scandal to the taxpayers' money and the donor funds. There is no reason why we should spend such a huge amount of money on activities whose results are not realizable.

Mr. Speaker, when we reached there we were told that no person had been held accountable for the slashing down of the nappier grass and orchards. So, what does that say? It implies that as an Assembly we may now not believe the report that was given to the Audit Commission that some prison officers interfered with the orchard. In fact, we can treat this as a conspiracy to justify a falsified expenditure. They informed us further that some consultancy services had been engaged to look into the issue, but how do you engage a consultant in a situation where no farm existed in the first place? Even the acreage claimed is a quarter of what is in the report. In this regard, I wish to request the Assembly to take a very serious step on this issue in order to stop such things from recurring in the future. *(Applause)*

Similarly, on the issue of the consultancy services that was engaged in MERECP, I wish to suggest to this Assembly that the Secretariat should come up with a clear criteria for engaging consultancy services, because most of the consultants that are engaged are extremely dubious, and without any qualifications.

I am saying this because there are several reports that have come to our committees, and beside typographical errors, even the syntax of the reports do not show that these people are learned, for example the report of the Committee on Regional Affairs and Conflict Resolution, which is yet to be tabled in the House. There was no reason to pay the consultant money. Therefore, I wish to suggest that before making any payment, either the Secretariat or the Members of the Assembly will need to go through a report first to justify such expenditure. Otherwise, we will have to re-write the report, which will consume more time. *(Applause)*

Mr. Speaker, still on the issue of reports, there is a need to harmonize most of them. The report brought to the House contradicts what we got on the ground. For example, the report that we got from Sironko District is contrary to the report that was brought to the House. In fact, the liaison officer said the Community does not know anything about MERECP, yet in the report, it says some achievements were registered. How do you register these achievements when in the later part of the report you are saying there was lack of funds? What did you use to make the achievements?

With those remarks, I beg to support the Motion. *(Applause)*

Dr. Sabine Ntakarutimana (Burundi): Thank you, Mr. Speaker, and please allow me to begin by congratulating the Republic of Rwanda for the hospitality given to us since we came here. *(Applause)*

I am a member of this Committee, and I was in the team that went for the on-spot assessment. I would like to emphasise recommendation three in this report. Mr. Speaker, we did not find it normal that a project was going on in a Partner State and yet the local members of Parliament, or the relevant ministers, or even the local

administration, were not aware of what the project was bringing to the Community. I think the people of East Africa have the right to be informed. *(Applause)* There should be sufficient sensitization about the projects and programmes going on in the Partner States. If the Secretariat could increase the sensitization, it would be good for the Community. To resolve this problem, I think it is important to put in place an effective communication programme.

I beg to support the motion – *(Applause)*.

Mr. Mike Sebalu (Uganda): Mr. Speaker, I want to congratulate the Chairperson of the Committee on Accounts for the informative and exhaustive report he has given regarding the status of the projects that they visited as a Committee, and the engagement they had with the population and other stakeholders that culminated into this report. I believe that is the way to go.

Mr. Speaker, this report raises very interesting issues that we need to take on as a legislature in terms of our mandate of representation. We all know that there is a paradigm shift in terms of how we are going about the business of integration, and bringing in a very important aspect of having it done at the centre of the integration, the integration being people-centered. If we don't creatively and innovatively engage a process that gets to bring the East Africans on board for them to appreciate what has so far been done for their benefit as we integrate, then we will be having a bit of a problem. This is because when you go out there, there is the common question, what is being done at the EAC level; what is it that is there for us as East Africans? Therefore, when you get some of these projects being undertaken and even the would be beneficiaries, the communities around the projects, don't seem to be aware that, that is an East African project that is meant to benefit them, then it is a very serious issue that we need to look into as a Parliament. *(Applause)*

For this effort, I would like to thank you, Mr. Speaker, sir, the House Business Committee, and the leadership of this Assembly, for having engaged a process for the Committee to interface with the population. However, I think the problem is bigger. We need to sit down as a Parliament with the Secretariat and work out methods and means of engaging with the people of East Africa on some of the projects that we are already undertaking, so that as we move to higher levels of integration, the people are aware and appreciate what we have done so far. So, some of these projects need to be known.

To find that even the respective ministries in our Partner States, the local Members of Parliament, and the representatives of the people are not aware, is something very serious. We need to work out a strategy to get the respective committees of the national Parliament of a Partner State to be aware and to work with us in order to popularize and even sensitize the population to support and appreciate what we are undertaking whenever we implement an East African project in a Partner State. So, this report is revealing a lot, and I think it is something that we need to follow up so that come next year, at the same time like this, we don't get reports which include serious omissions in terms of people's appreciation of what is going on.

I would like to thank the Committee, and I pray that we will implement the recommendations of the Committee as a way of mitigating that gap. I beg to support the Motion - *(Applause)*.

Dr. James Ndahiro (Rwanda): Mr. Speaker, I am not a member of this Committee, but I rise to support the Motion. I would like to point out these important weaknesses that we have to consider as an Assembly. One, there is an issue of accountability and transparency.

When you consider that what we have as an audited report is not reading into this report, what we have are the committee reports contradicting the auditors' report. This shows that either the auditors were misled or they just sat on their desks and drafted a report. That is serious! If, indeed, what is in this report is true, it is very sensitive; it is a shame to the Community. You cannot suggest that you have a project running and indicate in your report that you have made progress, you give figures, and yet those figures are false.

Mr. Speaker, beyond this, I would recommend that within your powers, you look at the possibility of putting together a Select Committee to look at the two reports for purposes of verification, and to ascertain the truth behind all this. *(Applause)* Based on that, this House can then call the people behind this to account. This will give confidence to not only the communities, but also the people involved in this project, as well as the donors and Partner States who fund this project. Otherwise, if we take the two reports, the auditors' report, which is giving us this information, which includes achievements, and the report that is clearly demonstrating that based on evidence, there is nothing on the ground – *(Interruption)* -

The Speaker: Hon. Ndahiro before you continue, which of the reports is not correct? Is it the auditors' report or the MERECP report? *(Interjection)*

Mr. Mulengani: On a point of information, Mr. Speaker, and for purposes of clarification, the report by the focal person in Sironko is the one that is contradicting the achievements and other remarks.

The Speaker: The Audit Report is the other report. Hon. Ndahiro, please refer to the correct report.

Dr. Ndahiro: I thank you, Mr. Speaker, for your guidance. My conclusion, therefore, is that we need to get the records clear, and we need more information beyond this. That is why I am suggesting that we look into the possibility of putting together a Select Committee.

The Speaker: Hon. Members, before I put the question, I know that honourable members have made some serious allegations to the effect that the Council is tabling reports that are not proper before this House. Perhaps the Secretary-General or the Council can say something before I call on the Chairperson to wind up debate.

The Secretary-General (Ambassador Juma Mwapachu) (Ex-Officio): Mr. Speaker, I think this House has the power and responsibility to determine, whenever a report, whether audit or otherwise, comes before it, whether its efficacy meets the position of the House. Therefore, the House can actually direct itself appropriately on the action that it needs to take where it is not satisfied.

The Speaker: Hon. Secretary-General, are you leading us towards a Select Committee? I thought you were going to say something else! *(Laughter)*

Ambassador Juma Mwapachu: Hon. Speaker, I do not think the House has really resolved on a select committee, so I was not responding to the proposal on the select committee. I do not see in this particular respect the need for a select committee of the House. I think there is more that we can do from my side as Secretary-General, to look much more deeply into this MERECP project. It is not the first time that this matter is raised before this House. Of course, from this visit it appears that some of the problems that were identified a year ago seem to subsist when we had expected the Lake Victoria Basin Commission to have taken more robust steps to ensure that this MERECP project is brought into line with the recommendations of this House. So, all I can say is that given this report now, we will mount our own special investigations to get to the root of the problem as identified in this report. *(Applause)*

Mr. Mulengani: Mr. Speaker, perhaps before I thank all the contributors, I should begin from the Secretary-General's response. It is good that the Secretary-General has noted that there is indeed urgent need for the Secretariat to take on its responsibility to supervise the projects of the Community more seriously. The fact that a forensic audit was directed by this House through your guidance just tells it all, that we as an Assembly has been relying on hearsay reports given to this House. However, as we continue to move out of the House to do our roles as mentioned in the Treaty, many more such issues may come up.

I want therefore to urge the Secretary-General to take on the role bestowed upon his office seriously because people out there do not know about the activities of the Community. From his own insinuation, it looks like we should have demanded a report from the Secretary-General on what is happening.

May I, therefore, thank the Secretary-General for his contribution, as well as all the Members who spoke, including Hon. Nakuleu, Dr. Ntakarutimana, Mr. Sebalu, and Dr. Ndahiro? I beg to move. *(Applause)*

(Question put and agreed to)

Resolution adopted.

MOTION

FOR THE CONSIDERATION AND ADOPTION OF THE REPORT OF THE COMMITTEE ON COMMUNICATIONS, TRADE AND INVESTMENTS ON THE EAC MONETARY UNION WORKSHOP

Mr. Abdullah Mwinyi (Tanzania): Mr. Speaker, Sir, I beg to move:

THAT, the report of the Committee on Communications, Trade and Investment on the EAC Monetary Union Workshop be adopted.

Dr. Ndahiro: Seconded.

Mr. Mwinyi: Mr. Speaker, sir, the East African Legislative Assembly (EALA) is one of the Seven Organs of the East African Community (EAC). Under the Provisions of *Article 49* of the Treaty for the Establishment of the East African Community, it is mandated to exercise both legislative and oversight functions on all matters within the scope of the EAC.

One of the objectives of the Assembly is to ensure that legislations necessary for the efficient functioning of the Community are put in place. To achieve the stated objectives, it is necessary to build and strengthen the capacity of Members of EALA through trainings, workshops, and study tours. In this regard, Members of the Committee on Communications, Trade and Investments conducted a two-day workshop at the Hilton Hotel in Nairobi in Kenya from 4th to 5th of March 2010 on the East African Monetary Union (EAMU) and the Regional Investment Policy Framework, with the following objectives;

2.0 Objectives

The overall objective of the workshop was to have the experts from the EAC Secretariat and from the Partner States who are engaged in the preparations for the establishment of the East African Monetary Union and the Regional Investment Policy Framework, to brief Members of EALA Committee on Communication, Trade and Investments, together with Members of the Committees on Trade and Investments in the national parliaments on the state of play in the above mentioned areas.

The Specific objectives of the workshop were to enable the participants:

- Understand the prerequisites for the establishment of the East African Monetary Union;
- Understand legal, regulatory and institutional framework necessary for the implementation of EAMU ;
- Understand the EAC Regional Investment Policy Framework and the EAC cross border private investments.
- Propose recommendations on the process of establishing the EAMU and the EAC regional investment policy framework

3.0 Participation

Delegates from the Central Banks of the five EAC Partner States, officials from the EAC Secretariat, Members of EALA in the Committee on Communications, Trade, and Investments, Members of Parliament in the Committees of Trade and Investments in the National Assemblies of the Partner States together with Consultants from the European Central Bank attended the workshop.

4.0 Presentation of EAC Monetary Union Study

Mr. Speaker, the Consultants from European Central Bank (ECB) commissioned by the EAC Secretariat made a detailed presentation on the EAC Monetary Union Study, and the following are the highlights.

4.1 Prerequisites for the Establishment of the East Africa Monetary Union

- **Market Integration:** This involves free movement of trade in goods and services, financial flows, establishment of businesses, and movement of people across borders within the region.

- Economic convergence: This encompasses the compatibility of economies in aspects such as monetary and fiscal policies i.e. harmonized growth rates, inflation rates, exposure to external shocks, public finances, balance of payments, interest rates, and, bilateral exchange rates. Performance of a sustainable convergence regime is evidence of a favorable climate for a monetary union. However, to attain a sustainable convergence, there must be a single exchange rate policy, which should suit all fiscal policies and solve the “free rider” problem.
- Legal convergence: This entails the adoption and adaptation of harmonized EAC and national legislations.
- Removal of prohibitive obstacles and putting in place minimum necessary features for the establishment of the East African Monetary Union.

4.2 Legal, Regulatory and Institutional Framework

The following legal instruments will govern the EAMU:-

- The Treaty for the Establishment of the East African Community (EAC Treaty).
- The Protocol on the establishment of a monetary union among the Partner States of the East African Community, which should be concluded to govern the EAMU. This will be annexed to the EAC Treaty in accordance with *Article 151* thereof.
- National legislation such as statutes of National Central Banks (NCBs) as adopted in light of EAMU Protocol.

Furthermore, new institutions, including the following, should be established to supplement the above-mentioned legal and regulatory framework:

- (i) The East African Monetary Institute (EAMI): This institution will be mandated to enhance cooperation between NCBs of Partner States, foster coordination of national monetary and exchange rate policies and operations, act as an institutional hub for organising, co-ordinating, and monitoring preparations for EAMU;
- (ii) The East African Central Bank (EACB): This one will also be mandated to primarily stabilise prices and support economic policy in the Community.

The EAC organs will exercise their supervisory role to the East African Monetary Institute and the EACB in the following manner: The Summit will be responsible for strategic decisions and appointments of the members of the governing bodies. The Council of Ministers will be a forum for the coordination of the Partner State economic policies and for dealing with legislative competences. The East African Legislative Assembly will be responsible for legislation and accountability, and the East African Court of Justice for judicial review of legal Acts.

4.3 Preparatory Work

For the work of establishing the East African Monetary Union to commence, the following preparations should be undertaken:-

- There is a need for coordination among all relevant stakeholders.
- EAMI should be formed as the central hub for coordinating, synchronizing, and monitoring the preparatory work.
- A master plan for all activities should be put in place. Tasks should be identified and responsibilities allocated. Interrelationships between projects should be identified and appropriate action taken.

4.4 Challenges Foreseen in Establishing EAMU

The presentation highlighted the following challenges ahead of and in the establishment of the East African Monetary Union, and these include:-

- Developing market integration and economic convergence
- Strengthening coordination of monetary and exchange rate policies
- Defining a strategy towards EAMU
- Developing the legal, institutional, operational, and regulatory framework for EAMU
- Building capacity for preparatory work.

4.5 Presentation on the EAC Regional Investment Policy Framework and the EAC Cross Border Private Investment

Mr. Speaker, during the same workshop, other consultants from the EAC Secretariat made presentations on the studies carried out on the EAC Regional Investment Policy Framework, and from the studies carried out, it was found that the following areas need to be tackled and strengthened within the EAC regional investment policy framework:-

- Transparency in the Legal and Institutional Regime for Investment in the EAC;
- Property Ownership and Protection;
- Protection of Intellectual Property Rights;
- Contract Enforcement and Dispute Settlement;
- Regulations on Nationalization and Expropriation;
- Non-Discrimination;
- Regional and International Cooperation on Investment Promotion and Protection.

5.0 Outcomes of the Workshop

The workshop yielded the following outcomes:-

- Participants understood the prerequisites for the establishment of EAMU;
- Participants were made familiar with the operational legal, regulatory and institutional framework necessary for the implementation of EAMU;
- Participants were further informed about the EAC Regional Investment Policy Framework;
- Recommendations were made on both the establishment of the East African Monetary Union and the EAC regional investment policy framework.

6.0 Recommendations from the Workshop

6.1 Recommendations from EAMU Presentation

Mr. Speaker, following the presentations and plenary discussions, the following recommendations were made:-

1. Establish East African Monetary Institute through legislation;
2. Consultations on the East African Monetary Union study report recommendations at the National level be intensified to take on board the real and actual situations of EAC Partner States in order to build a wider consensus on the East African Monetary Union;
3. Enhance the sensitization program for all Stakeholders at both regional and national levels;
4. The EAC Council of Ministers to come up with a calendar of activities on key issues for both the Common Market and the Monetary Union;
5. The Council of Ministers should present the final road map to EALA;
6. EAC Partner States and the Council of Ministers should facilitate sufficient capacity both human and financial to support the EAMU process.

6.2 Recommendations from the presentation on EAC Regional Investment Policy Framework and the EAC Cross Border Private Investment.

Out of the presentation, discussions, and other emerging issues from the EAC Private Sector and Investment Strategy, the following recommendations were made:-

1. Enactment of regional legislation on investment promotion in line with international commitment of Partner States.
2. Address human, financial, institutional, infrastructural, and any other capacity requirements for effective promotion of investment at the regional and Partner State levels.
3. Develop enabling regional legislation for PPP to allow private sector participation in development as per Treaty aspirations.
4. EAC should identify regional strengths and potential investment opportunities that should be jointly marketed by the Partner States.
5. EAC should fast track legislations on counterfeits and intellectual property rights and strengthen watchdog institutions that oversee the implementation of the legislations.
6. EAC and Partner States to enhance harmonization of investment packages and

- promotional incentives for domestic investors.
7. In all investment promotion fora, EALA and National Assemblies should be invited.
 8. The regional capital markets and stock exchange infrastructure should be enhanced to mobilize savings for long term investment.
 9. Partner States should urgently sign and ratify the Avoidance of Double Taxation agreements.

Finally, I would like to take this opportunity to thank you, Mr. Speaker, for facilitating this workshop. Furthermore, I would like to thank hon. Dr. James Ndahiro on whose behalf I am reading this report for his sterling leadership of the Committee; even though it has only been for a month. I am sure I am speaking on behalf of my colleagues when I say that we have noticed an injection of dynamism in the Committee through his leadership and long may it continue. *(Applause)*

Last but not least, I would like to thank my colleagues from the Committee and the staff for their support in producing this report.

Mr. Speaker, I beg to move. *(Applause)*

(Question proposed)

Ms. Margaret Zziwa (Uganda): Thank you very much, Mr. Speaker, sir. I want to thank the Committee for this very informative report. I also want to thank hon. Mwinyi for the good presentation of this report.

Mr. Speaker, I know this report brings forth the significance of this very important pillar in the EAC integration process. I want to say that this pillar has a lot of expectations from the people. Recognising that the EAC integration we are spearheading is people-centred, it is very important that this monetary union is thoroughly understood by both the key players in the integration process and the people of East Africa themselves.

I want to salute the opportunity for organising this workshop because I am sure both the EALA members and the members of the committees from the national assemblies went away when they had at least a glimpse of what the monetary union is all about. I am sure we will also get the opportunity to get the report as presented by the experts so that we can also appraise ourselves on what exactly is contained in the monetary union.

Mr. Speaker, I want to support a very key recommendation by the Committee. This is the recommendation that the EAC Council of Ministers should come up with a calendar of activities for the key activities of both the Common Market and the Monetary Union. This is a very important recommendation. Although the dates for the activities of the integration process are set, the finer details are not yet done. In many cases, they are taken in a very low-key, which means that they do not get the opportunity to be popularised. The effect of this is that many of the would-be beneficiaries don't get informed.

I want to draw on the experience we had when we went for the public hearing seminars in the respective Partner States on the Common Market. At that time, we did

appreciate that this very important pillar of the integration process had not been given sufficient publicity and sensitisation among the public. Consequently, there was continuous withholding of very fundamental information.

I know very well that many people who are of mature age did witness the common currency in the 1960s, and that many of them remember that common currency with nostalgia, but many East Africans who were too young then do not even know what will happen, how it will operate and what the fate of their currencies, which they hold dear, will be.

So, I think it is very important for this calendar to come out and the EALA is given an opportunity to participate so that we can demystify some of the aspects, which the people may have fears about. I also want to say that this activity should be supported with prerequisite funding. It is in that breadth that I request for this recommendation to be taken very seriously. I would even go further and request that a timeframe within which should expect this calendar be given, as well as the road map.

With those remarks, I want to thank the Committee, once again, and I beg to support the motion. *(Applause)*

Dr. Lwanyantika Masha (Tanzania): Mr. Speaker, I am not a member of this committee, and unfortunately I just saw this report this afternoon. After scanning it quickly, I don't see a problem with the recommendations as they are. Perhaps, I would just congratulate the Committee for at least highlighting some of the elements for both a monetary union and a regional investment policy. I realise that this is a committee dealing with trade and investments, but I think they ended up with a problem in the report, which if it is not taken care of might confuse matters.

There is a lack of focus in the report on the relationship, if there is any, between a monetary union and a regional investment policy. You can have a regional investment policy without necessarily having a monetary union. Because the two are put in the same report, the recommendations are good in each case, but the presence of the two matters in one report might suggest that in order to achieve a monetary union, you need a regional investment policy. I don't believe that is the case. I am not an economist, but I think economists will agree with me that you don't need one to have the other. As they appear in this report, it is as if without a regional investment policy you cannot have a monetary union. I wanted to correct this impression because some of the recommendations which come up under the regional – *(Interruption)* -

Dr. Ndahiro: On a point of information, Mr. Speaker, sir, I would like to give information about the two presentations. In that workshop, we had two different groups. The first presentation was given by the consultants from the European Central Bank. The second presentation was made by the members of the EAC Secretariat. They are put in the same report because they were discussed in the same workshop. But the two are separate and do not depend on each other. One does not suggest the outcome of the other. The report does not suggest that we need a regional investment strategy as a pre-requisite for a monetary union or that we need a monetary union to harmonise our investment policies; no. They are two subjects that were discussed in the same workshop, and that is why we are reporting them in one report.

The Speaker: I think Hon. Masha has confused issues here, because it says report on the monetary union. I think that is where the confusion came from.

Dr. Masha: Mr. Speaker, I think that was indeed the problem. The heading for the paper is for the monetary union, but I am glad the Chairperson has given the clarification. That is exactly what I wanted so that we do not mislead anyone to think that because the heading is on the monetary union, the conditions set up for the regional investment policy are necessary in order to have the monetary union.

Otherwise, I beg to support motion.

Mr. Leonce Ndarubagiye (Burundi): Thank you very much, Mr. Speaker. I want to support this Motion and to congratulate the Committee. I am not a member of this Committee but I just wanted to make a small remark.

When you look at the document, you will find out that they were working with consultants from the European Central Bank, which is a very good thing; I agree with them but knowing what is going on in the capitalist world in respect of the monetary and fiscal situations, isn't it time for us also to consult other emerging economic powers? I wonder if it is a choice we have made in our cooperation policy that we must always deal with AWEPA, GTZ and other western organisations. Isn't it time we also looked east and started consulting with countries like the Peoples Republic of China, Cuba and others? *(Applause)*

Ms. Dora Byamukama (Uganda): Mr. Speaker, I fully support hon. Ndarubagiye's suggestion, but I would like to go further and take note of the fact that the Treaty, under *Article 5*, provides that we shall have a customs union, a common market, subsequently a monetary union, and ultimately a political federation.

Whenever I read this particular provision of the Treaty, I remember the words of the people who debated such serious issues; people like the late Kwame Nkrumah who said that we should first seek the political kingdom and the rest would follow. I agree that this is very important, especially for us East Africans, instead of getting consultants from these other countries, who, when they come, pick our brains...it is not that we cannot be consultants ourselves. Moreover, when we employ them we also divulge to them information concerning the Community, which they would otherwise not be privy to.

In light of this, I would like to propose that we as East Africans should put in place a body to help us seriously research these issues of the Monetary Union and the Common Market so that we can build on them to create a roadmap, as well as implement what we would like as East Africans. Therefore, I would like to mention that I am weary of those consultants that hon. Ndarubagiye is talking about.

Mr. Speaker, again, when you look at the Treaty, you will find that the Article to operationalise the Monetary Union does not only talk about the monetary aspect, but also talks about financial cooperation. Because it brings in the physical aspect, it is therefore a very important component. For example, when you look at Article 82(2), it says:

"The Partner States shall, in order to implement the provisions of - the scope of cooperation under monetary and financial cooperation - maintain the existing

convertibility of their currencies to promote the use of national currencies in the settlement of payments for all transactions among the Partner States, thereby economising on the use of foreign currency.”

I believe this is one of the stages, because eventually we should have one currency, but if in the meantime we should be using our own currencies to settle payments and transactions, why shouldn't we, at some near point in future, find a way of having a currency so that the East African budget is run using our own East African currency? Right now we are using the US Dollar and yet we are supposed to be economising on the use of the Dollar. So, I am proposing that in the near future we should come up with our own East African currency, which will help us to economise on the use of the foreign currency, the Dollar!

Finally, I would like to thank the Committee, and to say how proud I am to hear that the hon. Dr. Ndahiro is doing an excellent job. This was to be expected, and I hope to hear more good things from this Committee. *(Applause)*

The Committee has mentioned two very important things, the first of which is the calendar of activities. I can see the Chairman of the Council of Ministers is engaged right now, but I would like to hear more on the calendar of activities from the Council of Ministers. Here we are implementing a common market, we have a monetary union in the offing, and we do not have a calendar of activities? We need to hear this clearly from the Chairman of the Council of Ministers so that we can work together in the implementation process.

Sometimes when we are invited to speak on the FM radio stations, and they ask us what is happening at the EAC, in most instances we just give the broad posts. We need to know the corners and the turns we are going to take so that we can clearly inform the East Africans for them to prepare themselves to effectively utilise the benefits of being part of the East African Community, and in particular, the benefits of having a common market and eventually a monetary union.

With those few comments, I beg to support motion. *(Applause)*

Ms. Valerie Nyirahabineza (Rwanda): Mr. Speaker, I would like, first, to thank you in a special way for having facilitated this workshop whose report we are discussing this afternoon. I have to declare that I am a member of this Committee, and for that matter, I was particularly delighted by the fact that such a workshop took place. As you may have noticed, the objectives of this workshop were very clear. I am also happy because it seems that now our views as legislators will be taken on board, because we have now been briefed on the steps taken so far in the establishment of the monetary union. Before I go any further, let me just touch on what hon. Byamukama has said.

I know that this will eventually come out during the discussion of the report of the Committee on Communications, Trade and Investments on the tour of the borders posts, during which the Committee had an opportunity to interact with the business people. They revealed to us that in order for them to do business and reduce the cost of doing business, all of us need a common currency. So, it means that we should work towards achieving the common currency in order for us to do business smoothly. *(Applause)*

Mr. Speaker, the report is very informative, as many of my colleagues have said, but I would like to put emphasis on some elements of our recommendations. Hon. Zziwa mentioned the issue of public hearings on the Common Market. Even though we were not thoroughly briefed as EALA Members, we were very discouraged by the fact that stakeholders were not briefed enough. So, since we are now engaging in the process of establishing the EAC Common Market, sensitisation campaigns should be carried out and many stakeholders, both at the national and regional levels, should be brought on board so that their views can be taken on board.

Mr. Speaker, many issues were discussed during this important workshop, but I want to comment on one area of concern, which has also been mentioned by one of my colleagues. Of course these European consultants were fair enough to show us how far they have gone to establish the European monetary union, but I recall some of them saying that maybe it is not yet time for us as the East African Community to think about this important stage of integration. This means that we should first consider our human capacities within the Community and then see how best we can improve and develop our region. Of course we have to learn from others, but experience has shown that some of them do not want us to develop as quickly as they did.

Mr. Speaker, I do not want to say much because this report is very detailed. The workshop was fantastic, and I wish and hope that more of such workshops are organised in the future so that the whole House can be brought on board and our collective views taken into consideration.

With those remarks, I beg to support the Motion – *(Applause)*.

Mr. Mike Sebalu (Uganda): Mr. Speaker, allow me to thank the Chairman of the Committee, my good friend, Dr. Ndahiro, and his personal representative, hon. Mwinyi. *(Laughter)* Mr. Speaker, this is a very important report, and I just want to look at it from two perspectives.

We are managing the implementation of a common market, whose modalities have already been worked out, and it will be in force soon. We are also looking at a monetary union, the discussions on which are being undertaken by very high level experts. These are two critical stages of the integration process which need serious consideration in terms of the scope and depth to ensure that the people of East Africa understand and appreciate what is in the process for them. These are the two stages where direct benefits will accrue from the process.

When we talk about the freedoms and rights within the Common Market and how the Monetary Union can facilitate trade and other transactions, it is critical for us to give them ample time, and to bring all the stakeholders on board to ensure that everyone appreciates this. So, it was timely that this time round the Assembly, through the Committee on Communications, Trade and Investment, was brought on board early enough to be able to at least engage with the process, unlike in the Common Market where we were brought in as a by the way, very belatedly. We were never brought on board in good time for us to appreciate the conceptual and technical aspects of that stage of integration. This is very important for us because when it comes to explaining the process of integration and the particular stage we are at to the people, and then we are well informed. So, it is important that the Committee is on board.

This is a very technical phase. It requires us to build technical capacity at the level of the leaders. We need to build that capacity amongst us as legislators at a regional level; we need to build the same capacity for the leadership in our Partner States, especially of the members of the legislature. We need to build the same capacity in the local government in our Partner States because these issues will have to be explained up to the lower levels for purposes of ensuring that the people do appreciate them. When you talk about issues like macro-economic convergence, these are not issues that are a cup of tea for everyone - *(Laughter)*. So, we really need to grasp these technical issues.

My plea is to the Secretary-General, that this time round, let us have a very systematic way of engaging with the population, beginning with your partners at the regional level. You have got very good and able men and women in this Parliament who can do a good job of going out there and explaining this phase so that later on when our people are required to give their views, they do it from an informed position. Leadership in this day and age can only be useful if it is knowledge-based. We need this technical capacity in these issues to be able to help our population. *(Applause)*

Mr. Speaker, referring to the observation by hon. Ndarubagiye, I think he made a very important observation, which I think we need to appreciate. There is very good capacity in this area that has been developed at the African Union at the level of the Economic Commission for Africa which we can tap into. We can also collaborate with them to build internal African capacity in these areas. I believe we have got some very good brains in economics. Let the Secretariat look even within the East African region. I believe we are not short of some of these brains, who may actually even need exposure and opportunities to also prove their worth in terms of informing this process. So, we can collaborate.

The example of the European Union is definitely a good one for purposes of comparing notes and sharing experiences, but there are some other strategic aspects of our monetary union which should be home grown for purposes of serving our interests. So, that is something we also need to look at; to be able to build internal regional capacity from within East Africa for purposes of sustainability, and to ensure that our process is not dependent on other actors alone. We can also enhance the process using local capacity.

I want to support this motion, and I pray and hope that an opportunity will be afforded to the entire House to engage with some of these experts, raise questions and make observations. The same thing should be done at the national levels so that our Members of Parliament can also be engaged in the process, such that the leadership gets to internalise the intricacies of this stage to be able to explain them when we get to the people. *(Applause)*

The Minister for East African Cooperation, Tanzania, and Chairperson, EAC Council of Ministers (Dr. Diodorus Kamala) (Ex-Officio): Mr. Speaker, let me first congratulate the members of the Committee which has presented this very good report to us. I do congratulate the members for putting together the information. *(Applause)*

Mr Speaker, we have the directive of the Summit on when the Monetary Union should be in place. We are hoping that by the year 2012 the EAC Monetary Union

should be in place, but there are different schools of thought as to whether this is achievable or not. It is always better to be optimistic. I am personally optimistic that it is achievable. *(Applause)* However, optimism alone is not enough if you don't recognise the magnitude of the job.

If you look at the report, on page three it points out clearly that one of the prerequisites for the establishment of the East African Monetary Union is market integration. When you talk about market integration, it is a difficult thing. You can have a common market but it is not synonymous with a single market. A common market is the beginning towards realising a single market.

If we will be able to realise a common market, and I hope we shall, because the good news from Tanzania is that we were able to ratify the Common Market Protocol yesterday - *(Applause)* - I have no doubt that the rest of the Partner States will do the same. Uganda has already ratified. *(Applause)* Kenya, have you ratified or you are still thinking? *(Laughter)* How about Rwanda? Yes, Rwanda has already ratified. *(Applause)* How about Burundi? They are on the way. So, we hope that by the 1st of July, the Common Market will take off.

We must, however, understand that we have agreed on a progressive implementation towards a single market from 1st of July. Now, as soon as the protocol is ratified, this august House will have a number of things to do in terms of legislation. The experts have identified a number of areas related to commercial law, business law, and financial law, which Partner States have to address and which this august House will have to address as well. So, we shall have to identify laws which are supposed to be enacted by this House and remind Partner States of the laws they need to pass. We shall work on that.

There is also the issue of economic convergence. I would like to remind this august House that there are three or four schedules of the Common Market Protocol, which are yet to be concluded, but the High Level Task Force will be starting to negotiate on those annexes soon. One of them is on the macro-economic convergence, which will guide us on how to proceed towards the monetary union. So, a number of tasks, which are going to be undertaken during the Common Market, and particularly the annex on macro-economic convergence, will give us the criteria on how to move forward.

Mr. Speaker, let me tell you how difficult things may be. There is this issue of exchange rate. For example, today in Rwanda, the exchange rate for Rwandan Francs is One Dollar to 575 Rwandan Francs. If you go to Tanzania, One Dollar is equivalent to Tshs.1,300. If you go to Kenya, One Dollar is equivalent to Kshs77. If you go to Uganda, One Dollar is equivalent to Ushs2,000. Now, we shall have to agree on what to do. We shall have to decide on a basket of currencies; a cocktail of currencies. Deciding on that is one of the most sensitive issues. When you decide on fixed exchange rates, you must agree on which limits someone will be allowed to operate within, and you must give it time to see whether it works or not. So, let us all be optimistic, but there is a serious job to be done.

On the financial rates, we must agree on the limits on inflation rates, and what should be the limit on deficits to the budget. For example, if I want to manage the budgeting system of Uganda, Rwanda, Burundi or Kenya, I don't have to be there. What I need to do is to tell them this should be the limit of your budget deficits. As long as I can

give you the limit, it means that I have fixed you. Now, will the Partner States agree for their budgets to be fixed when their priorities differ? *(Laughter)* These are the issues which we must start thinking about, but let us be optimistic that we can handle them.

Let me conclude by saying that the Council has taken note of the recommendations, and that we shall work on them. It is important, however, to note that with respect to recommendation number four on the calendar of activities, the Common Market is not yet in place, as we all know. The ratification process is on. Immediately from the 1st of July, we must be able to come up with a calendar of activities because thereafter legislation can start.

On the Monetary Union, I can say we are currently brainstorming. Even the negotiations on the protocol are yet to start. So, as we go along, we shall identify what we think we should ask you to do. What is important is for us all to work towards a single currency because in East Africa the people need this single currency today and not tomorrow. *(Applause)* So, if you want to make sure that we get a single currency tomorrow, make sure I continue to be Chairman, Council of Ministers. *(Laughter)* If I am there, the single currency will be achieved. *(Laughter)*

The Speaker: Very well. I will now call on the Chairman of the Committee to reply.

Dr. Ndahiro: Mr. Speaker, I would like to thank the Council of Ministers for their appreciation of the report, and for having given us a definite time frame which I hope they are going to honour and produce that calendar of activities. I want to mention a few things before I thank all the Members who contributed. First, monetary union is not a new idea in the East African region. It was there before. Actually, the European Union, which is coming to advise us now, initially came to be advised by the East Africans. *(Applause)*

When you consider the definition that people give consultants, one of it is that a consultant is a person who asks for your watch to tell you the time. So, we know, but those are things we cannot avoid in this modern era.

Secondly, a monetary union is one of the instruments used to operationalise even a common market. So, it is one of the pre-requisites. We had a monetary union; we had laws and institutions in place. They worked then, and we hope that the Secretariat, together with the Council, will retrieve those archives so that East Africans are told that we are not starting at zero; we are continuing the journey that was started in the 1960s.

Mr. Speaker, a common currency is important for trade. However, if it is introduced together with a monetary union framework, then it is well protected, sustainable and it provides confidence. This is because we cannot print money only for the sake of introducing a common currency without a monetary union. A monetary union provides the mechanism to protect the currency, to improve the economic situation in the region. I just pray that we will move on the monetary union and eventually arrive at a common currency. One of our recommendations is that we should put institutional frameworks in place to guide the Council, the Assembly and everybody else in the preparation and negotiation of the protocol so that we can have a monetary union in place.

Mr. Speaker, allow me to thank hon. Zziwa, hon. Masha, hon. Ndarubagiye, hon. Nyirahabineza, hon. Byamukama, hon. Sebalu and the Chairman, Council of Ministers, Dr. Kamala. *(Applause)*

I beg to move.

The Speaker: I thought you were also going to thank hon. Mwinyi, but he is your personal assistant. *(Laughter)*

(Question put and agreed to)

Resolution adopted.

MOTION

FOR A RESOLUTION OF THE ASSEMBLY TO ESTABLISH AN EAC RAILWAYS AUTHORITY

Ms. Margaret Zziwa (Uganda): Mr. Speaker, I beg to move:

THAT, this Assembly do resolve to urge the EAC Partner States to establish an EAC Railways Authority.

An Honourable Member: Seconded.

Ms. Zziwa: Mr. Speaker_

WHEREAS Article 89 of the Treaty for the Establishment of the East African Community provides that in order to promote the achievements of the objectives of the Community as set out in Article 5 of the Treaty, the Partner States undertake to evolve coordinated, harmonised and complimentary transport and communication policies, improve and expand the existing transport and communication links, and establish new ones as a means of furthering the physical cohesion of the Partner States so as to facilitate and promote the movement of traffic within the country;

AND Whereas in view of the fact that the ultimate objective is to have a common transport policy, Article 89 sets out the steps to be taken, while Article 91 provides that the Partner States agree to establish and maintain coordinated railway services, which would efficiently connect the Partner States within the Community, and where necessary, to construct additional railways connections;

Taking into account that in implementing the Treaty provisions, the Second East African Community Development Strategy 2006/2010 was adopted with regard to the railways with the main objective of the strategy, and in this regard being towards restructuring of railways in the five Partner States in areas of ownership, management, infrastructure, financing and investment; national legislation and human resources, and to recommend a harmonised approach towards restructuring of the railways in the region and possible areas of cooperation during the restructuring process;

Recognising that the railways of Kenya, Uganda and Tanzania play a crucial role, not only in the economic development and social environment of these countries, but also provide an access to the ports of Mombasa and Dar-es-Salaam for the

landlocked countries of Southern Sudan, Rwanda, Burundi, Eastern Democratic Republic of Congo and Zambia, thereby ensuring the transport of goods at competitive rates, supporting the development of industries and the creation of jobs and providing safe and efficient transport of commuters and passengers;

FURTHER RECOGNISING that after many years of decline the railways sector and associated rail marine services have lost their potential to play an important role in the future development of the EAC, particularly for long distance freight and bulk transport, and also for urban transport in major cities and for medium distance intensity passenger transport;

NOTING that the railways have lost significant market trucks over the past years as a result of a long series of problems, which contributed to deteriorating services;

CONSIDERING that the East African Railways Master-plan was a directive of the Summit of the Heads of State in April 2004 to link the region and neighbouring countries for efficient trade;

APPRECIATING that the EAC, under the 2006/2010 Strategic Development Plan, has completed the long awaited EAC Railways Master-plan;

NOTING WITH DISSATISFACTION that the EAC Railways Master-plan does not provide for a joint authority to manage the railways systems in the region;

CONSIDERING that a joint EAC Railway Authority will result into a more coordinated and speedy implementation of the EAC Railways Master-plan;

NOTING FURTHER that the to-be re-established EAC Railways Authority has the potential to more than triple the current handling over the next 20 years while improving the railways infrastructure and rolling stock; it has the potential not only to regain market share lost to the trucks with improved services but can also grow by capturing the traffic that will be available as a result of new initiatives, industries and mining development in the respective catchments areas which are being promoted by the northern and central corridor transit transport coordination authorities;

NOW THEREFORE, This Assembly do resolve to urge the EAC Partner States to: -

- (i) Cede the powers in relation to the railways sector under Articles 89 and 91 to the Treaty respectively, to a regional authority.*
- (ii) Urge the EAC Partner States in the spirit of East Africaness to establish the EAC Railways Authority to manage the planning, development, implementation and monitoring of the integrated railways system in the region.*

I beg to move. (Applause)

(Question proposed)

Mr. Leonce Ndarubagiye (Burundi): Thank you very much, Mr. Speaker, I think the idea behind the Motion is very interesting and extremely useful for the region. Contrary to what has been written, the railways have lost significant market to trucks over the past years because of some problems that existed in the region. I tend to

believe that some of the decision makers were also owners of the trucks. I can substantiate this later on if it does not hurt some people. *(Laughter)* They were more interested in having trucks going on the roads.

Mr. Speaker, when I made the comparison about currencies, people laughed. This time I will request that we should look for examples like in Western Europe where the railways have been doing very useful work since World War One. But let me remind you that even there, in some of those countries the railways belong to the State; they are not privatised as they are advising us to do here. I don't believe that the Bundesband in Germany is privately owned. The railway in France is also state-owned. So, sometimes it is good for them to be privately owned and sometimes it is good for them to be owned by the State. There is nothing communist in that!

I beg to support motion. *(Applause)*

Ms. Safina Kwekwe (Kenya): Mr. Speaker, I wish to add my voice in supporting the Motion as moved by hon. Zziwa because, the current stage of integration, that of the Common Market, cannot be attained without addressing such a crucial sector as the railways.

Mr. Speaker, the Common Market is seized with freedoms; free movement of goods, persons, capital and labour. For the movement of goods, particularly the bulky goods, there is no better way of ensuring that these goods reach their destinations, particularly in the land-locked countries, more economically than through a working railways system.

Mr. Speaker, yesterday when the United Republic of Tanzania was debating the ratification of the EAC Common Market, I was very much encouraged by the spirited presentation made by our very own Dr. Kamala, the Chairperson of the EAC Council of Ministers, for educating and persuading the Members of Parliament of Tanzania to understand that this Common Market is the only way to go for the EAC at this time. *(Applause)* I am confident that in the same spirit, the hon. Dr. Kamala and the entire team of the Council of Ministers can also persuade the EAC Partner States that we must, as a unit, work together towards establishing the EAC Railways Authority and give it autonomy as envisaged in the Treaty under Article 91.

We don't need much persuasion to see why it is important for us to have a working railways system. If you travel along the Nairobi-Mombasa highway, a road that is less than 10 years old, these are lessons so alive and real for East Africans. There was a time when there were very many accidents on it because people would easily fall asleep on their steering wheels because the road was very smooth. Right now that very road that was a model for the region has trenches and gullies made by wheels of heavy vehicles. The reason for this is that the road is over used by heavy trucks. If we had an alternative and economic way to transport our goods, like by a railway, we would be able to preserve our roads and the investments that go with them. I know it is within the means, power and interest of the Council of Ministers to ensure that we have a working railways system for the EAC, and to ensure that it is managed by a body that is competent, and one that can deliver to the East Africans.

I beg to support the motion. *(Applause)*

Mr. Abdul Karim Harelimana (Rwanda): Thank you, Mr. Speaker, for giving me the Floor. I rise to support the Motion.

Mr. Speaker, I was born in these hills of Kigali and I left this country in 1968. That was my second time to leave Rwanda for another country, and I went to Uganda, at that time for my studies. It was my first time to see trains moving, and they were beautiful; some of them carrying people while others carrying goods. The then railway station of Kampala was full of goods. I remember trucks moving from Kigali, Burundi and Eastern DRC going to collect goods from there. Now, after a few years, we find that they are almost not there.

The only railway line now in Uganda is between the railway station in Kampala and somewhere at Mukwano; some two or three kilometres away. But in 1968 up to the mid-1970s, it used to travel from Mombasa to Kampala to Kasese to Gulu, Soroti and Mbale. There was also that train of Dar-es-Salaam-Kigoma, and Dar-es-Salaam-Tazara. I don't think they are working well today. We even heard last year that there was an accident and a decision was taken to stop the movement of trains between Dar-es-Salaam and other parts of Tanzania. In Kenya, I think it is the same problem.

My colleague, hon. Kwekwe was talking about the Nairobi-Mombasa Road, saying it is less than 10 years old, but I think it is only five years old, because it was being rehabilitated in 2005. It is just five years old and it is nowhere to be seen! So, I think we need to adopt this resolution because this is the trend today. We have done it in other sectors and it proved that sometimes it works. So, let us move this business from where it is now and make it a business at the regional level. I think that way it will work better.

Mr. Speaker, you can see the actions that are killing our people; loss of goods here and there, and the concession which was done without good follow-up from the governments. Instead of us growing economically, we are just going down because the movement of goods is not getting better.

I was listening to some people on some radio station in Tanzania when the train movements were stopped for a few months and the people of Kigoma were crying that they could not move their goods to Dar-es-Salaam, especially the perishable ones. Similarly, goods from Dar-es-Salaam to other parts could not move. People are crying that there is famine and yet food is not a problem; the problem is the movement of the food.

Mr. Speaker, there is clear evidence that it is very possible to cede this authority to the regional level, and by that I am sure that the railways sector will flourish and be beneficial, not only to the business in the region, but also to our people as a whole.

I beg to support the Motion. *(Applause)*

Dr. Said Bilal (Tanzania): Thank you, Mr. Speaker, I know that there is no railways system in Zanzibar where I come from - *(Laughter)* - but I want to be on record that Zanzibar was probably the first East African country to have a railways system, however short it was.

I want to thank you Hon. Speaker for allowing me the opportunity to share my views on this Motion. I must, however, first of all thank hon. Zziwa for this very important Motion; for the insight in bringing forth this Motion.

There is a need for a regional authority as well as a regional policy on railway transport. I have had the opportunity to traverse vast parts of Tanzania, and the cry for viable infrastructure in this vast region of East Africa is genuine. The only way to have that is to have a very sound system of transport.

Last month I was in Dar-es-Salaam to represent EALA at a conference to discuss the East African Railways Master-Plan. That conference summoned a very big group of experts on how to tackle the issue of both the infrastructure and the rolling stock. Admittedly, the investment in railway infrastructure is a very huge initial investment. The ministers were at pains on how best to tackle this issue in terms of the right trains with the right speeds, and what to move. I learnt that there is a problem of the length and standard of the rail, and also what to move. Are we to move goods? If so, at what speed? These are different issues that need tackling.

I want to agree that the only way to tackle this is to have a very competent regional authority that must be supported by a solid and sound regional policy.

With those remarks, I beg to support the motion. (*Applause*)

The Minister for East African Cooperation, Tanzania and Chairman, EAC Council of Ministers (Dr. Diodorus Kamala): Mr. Speaker, let me say that the Council of Ministers is in full support of the Motion before us. The EAC Summit and Council of Ministers is well aware of the challenges facing the railways sector. Recently in Dar-es-Salaam, the EAC organised a conference on the EAC Railways systems and considered a number of options.

The Council of Ministers subscribes to the idea of considering the re-establishment of the East African Community Railways; we must look into that. Nevertheless, I think we should not only end there; we must go further and see whether there is need to continue having Rwanda Air, Air Tanzania, Kenya Airways and Burundi Airways and so on, or to stop that and immediately move to the East African Airways. This is because as far as I understand it, you can appear to be a giant in East Africa or in Africa, but when it comes to global competition, you are as small as –as we say in mathematics, you become statistically insignificant. So, as we are now moving towards the Common Market, and as we are all aware that one day we shall be moving towards a political federation, it is time we re-established the institutions which were there before the collapse of the former EAC. That is why I will be travelling to Uganda next week to visit the Soroti Flying School. I would like to see that college revived as an East African institute. (*Applause*) I have the support of hon. Kategaya, and I believe President Museveni will support this idea even before I present it to him.

Mr. Speaker, there are issues, which need to be sorted out very quickly. We have the mess of the concession between Kenya and Uganda. It did not work as planned. Similarly, the Tanzanian concession did not work as planned. We were advised by the World Bank. Therefore, next time, we should not only take whatever we are advised to do by the World Bank. We must be able to decide for us and not only depend on

everything advised by the World Bank. The concession was a World Bank advice which did not work. I think we need to constitute a delegation of EAC Ministers and EALA Members to go to the World Bank to tell them that their advice did not work so that they can know that they did not advise us appropriately, and in future they will think twice before giving us advice. *(Laughter)*

There are on-going discussions on which railway gauge we should adopt; should we continue with the old ones or go for standard ones? However, according to the East African Railway Master-Plan, we will adopt the standard gauge and avoid the metre gauge, which is out-dated. So, on that area, a decision has been taken.

I would like to add that the challenge before us is how to raise the resources. We are supposed to raise over US\$20 billion in order to revive the East African railways systems.

I would like to take this opportunity to congratulate Tanzania, Rwanda and Burundi. The three countries have signed a memorandum of understanding to build a new railway line from Ishaka to Rwanda and Burundi. I would also like to congratulate Uganda and Tanzania for signing a memorandum of understanding to develop a new railway line from Tanga to Musoma, and then to have connections to Uganda.

I would like to conclude by saying that the idea of establishing an EAC Railways Authority is a good one. The only thing I must say is that the Council of Ministers is fully appreciative of this idea, and we shall work towards it to see whether we can realise it. *(Applause)*

Ms. Zziwa: Mr. Speaker, allow me to most sincerely thank the Members for supporting this very important Motion. I am actually very encouraged by the response of the Chairman, Council of Ministers, because it is very positive towards this Motion. This is one of the most important statements we as this august House have received this afternoon.

Mr. Speaker, I want to say that honourable Members have supported the motion basing on the fact that the reasons why we need a railways authority are very obvious. I congratulate my colleague hon. Byamukama for asking a question on the performance of the railways. Very many reasons have been given, which actually are supporting the very reason why we should have a railways authority.

I want to thank you, hon. Speaker, for allowing this Motion to see the Floor of the House. I want to thank hon. Ndarubagiye for strengthening the way how this authority should be established or where we should copy from. I want to thank hon. Kwekwe for emphasising what is facing our roads. Equally, I thank hon. Harelimana for emphasising that this infrastructure needs to be spread out throughout East Africa. Dr. Bilal emphasised that it is not only the EAC Railway Authority that we need, but we also need the policy to deal with railways authority, and I agree with him. Of course, I want to add that with the challenges that the Chairperson, Council of Ministers has mentioned, I can only say that when the Council of Ministers visit the World Bank, they should ask them to compensate us for the loses we have suffered in the so many years when they gave wrong advice.

I am happy that the issue of the gauge has been defined and agreed upon, and I am looking forward to having that implemented expeditiously so that the railways we see in Europe can be similar to the railways we are about to see in East Africa.

On the issue of raising funds, I want to say that in all budget speeches of the Partner States, there has always been a commitment by the Ministers of Finance, and indeed the Presidents, that they are going to refurbish the railways. In establishing the railways authority, there should be a commitment that the Partner States must contribute into the fund. *(Applause)* I also note that even when they sat in Dar-es-Salaam for the workshop that hon. Dr. Bilal was referring to they also talked about putting aside resources for a detailed design of the standard gauge prioritised for the EAC railways network. Actually, my concern would be that if they put aside this money in their own budgets, in their own kits, when a disaster strikes in the Partner States, they will definitely be tempted to draw on it. So, this money should be directly sent to the coffers of the railways authority.

With those remarks, I beg to move.

(Question put and agreed to)

Resolution adopted.

ADJOURNMENT

The Speaker: Hon. Members, we have come to the end of business today. I now adjourn the House until tomorrow at 2.30 p.m.

(The House rose and adjourned to Wednesday, 21 April 2010 at 2.30 p.m.)