



EAST AFRICAN COMMUNITY

EAST AFRICAN LEGISLATIVE ASSEMBLY

Official Report of the Proceedings of the East African Legislative Assembly

4TH SITTING – SECOND ASSEMBLY: SECOND MEETING – FIRST SESSION

Wednesday, 20 June 2007

The East African Legislative Assembly met at 10.00 a.m. in Parliament House, Kampala.

PRAYER

[The Speaker, Mr Haithar Abdi Abdirahim, in the Chair]

The Assembly was called to Order

COMMUNICATION FROM THE CHAIR

The Speaker: Honourable Members, I rise on three issues. First, I would like, on your behalf and on my own behalf, to again thank the Rt. hon. Speaker of the Parliament of Uganda for accepting to host us in Kampala. I am sure you will agree with me that since our arrival in Kampala - since 13 June 2007 - we have been accorded a very warm reception all the way from the Office of the Speaker to that of the Clerk. To this end, I wish to place on record our profound gratitude to the Rt. hon. Speaker, his Office, Members of Parliament and the Office of the Clerk for the hospitality we have received so far.

The second issue is on a sad note. It is with regret that I inform you of the death of Mr Sammy Chesire, the *Hansard* Reporter of the East African Legislative Assembly, which occurred on Monday 18 June 2007 in Eldoret, Kenya. The late Chesire was on his way to Kampala to join the rest of the staff of the East African Legislative Assembly for this meeting but developed Pneumonia along the way. He was hospitalised on Friday, 15 June 2007 but died two days later. On your behalf, I convey our heartfelt condolences to the family, colleagues and friends of the late Chesire. The burial is to take place on Saturday, 23 June 2007 at Eldoret. My office is making arrangements on how we shall assist in the burial arrangements. I am also planning to send representatives to

the burial. Details will be communicated to you by the Clerk later in the week.

Finally, I request you, Members, that whenever I call upon you to rise and make your contribution, please ensure that you state your full names and your constituency. This is to enable the *Hansard* section and the press to quote you correctly. I thank you.

PROCEDURAL MOTION

Mr Abdallah Hassan Mwinyi (Tanzania): Mr Speaker, I would like to move a motion that this Assembly, pursuant to the provisions of Rule 11(7) of the rules of this House, do resolve to hold sittings in the Republic of Uganda from Wednesday, 20 June 2007 to Friday, 22 June 2007.

“WHEREAS clause (1) of Article 36 of the Treaty states that the headquarters of the Community shall be in Arusha in the United Republic of Tanzania;

AND WHEREAS clause (1) of Article 55 of the Treaty states that the meetings of the Assembly shall be held at such times and places as the Assembly may appoint;

AND WHEREAS rule 2 of the Rules of Procedure state that the seat of the Assembly shall be in Arusha in the United Republic of Tanzania;

AND WHEREAS sub-rule (7) of rule 11 of the Rules of Procedure states that the Assembly may, on a resolution adopted by the majority of its Members, decide

to hold one or more sittings elsewhere within the Partner States other than its seat;

NOW, THEREFORE, this Assembly do resolve as follows that pursuant to provisions of Rule 11(7) cited above, the Assembly shall hold sittings in the Parliament of Uganda from today Wednesday, 20 June 2007 to 22 June 2007.”

Mr Wandera Ogalo (Uganda): Seconded.

The Speaker: I put the question that the Assembly, pursuant to the provisions of Rule 11(7) of the rules of this House, do resolve to hold sittings in the Republic of Uganda from Wednesday, 20 June to Friday, 22 June 2007.

(Question put and agreed to.)

Mr Gervase Akhaabi (Kenya): Thank you, Mr Speaker. I rise under rule 14(1) of the rules of this House to seek leave to move that this House do now adjourn for the purpose of debating a definite matter of urgent public importance.

This Assembly is established as one of the organs of the East African Community under the Treaty. The functions of the Assembly are stated under Article 49. It is my very humble view that this Assembly plays a very important role in shaping the future of the Community. However, regrettably, it is my view that one arm of the Community did indeed subject the Assembly to extreme ridicule in the preparations for the Summit. When the Summit actually met, the Members of the Assembly were relegated to the

periphery of the business of the Community on this particular occasion. I wish for this matter to be discussed as a matter of urgent importance so that this Assembly is accorded due respect and is treated with the decorum that it deserves.

The Speaker: Honourable member, we have taken note of your concern and we will create time to talk about it at a later date. The matter has been taken care of by the House Business Committee, which works on the business of the House. We have taken care of it.

PAPERS

The following papers were laid on the Table: -

by the Chairperson, Council of Ministers (Mr Eriya Kategaya) (Ex-Officio, Uganda)

The Annual Audited Report of the Audit Commission on the Audited Accounts of the East African Community for the year ended 30 June 2006

The Revised and Supplementary Estimates for the Financial Year 2006/2007

The Financial Statement and Estimates of the Expenditure for the East African Community for the Financial Year 2007/2008

The Speaker: Honourable members, before we continue I would like to recognise the presence of the Rt. hon. Speaker of the Ugandan Parliament, Edward Ssekandi – (*Applause*). I would also like to recognise hon. Prof. Ogenga Latigo, the Leader of the Official

Opposition, and Members of the Ugandan Parliament - (*Applause*).

MOTION

FOR THE CONSIDERATION OF THE
EAST AFRICAN COMMUNITY BUDGET
2007/2008

The Chairperson, Council of Ministers (Mr Eriya Kategaya) (Ex-Officio, Uganda): Mr Speaker, I move a motion that this Assembly do resolve itself into:

- a) A Committee of Ways and Means to consider and approve the Financial Statement;
- b) A Committee of Supply to consider and approve the revised estimates of expenditure for the year 2006/2007 and estimates for expenditure for the Financial Year 2007/2008.

I beg to move.

Mr. John Koech (Ex-Officio, Kenya):
Seconded

The Speaker: The motion is seconded. Honourable minister, you can now present the Budget Speech.

The Chairperson, Council of Ministers (Mr Eriya Kategaya) (Ex-Officio, Uganda): Mr Speaker, the budget estimates for the Financial Year 2007/2008 are being presented against the background of major developments in the Community with far-reaching programmatic and budgetary implications. The third East African Development Strategy (2006-2010), which was launched last November, sets out an ambitious programme and targets

of deliverables within the five-year period.

The launching early this year of the full operations of the Lake Victoria Basin Commission, as well as the establishment of new commissions, notably the East African Science and Technology Commission, the East African Health Research Commission, the East African Kiswahili Council and the East African Community Civil Aviation Safety and Oversight Agency have phenomenally expanded the regional programme. Coupled with this expansion of the regional programme is the enlargement of the Community itself with the admission of Rwanda and Burundi last November. These developments, including the ongoing exercise of deepening and, indeed, accelerating the East African integration process towards political federation reflect growing dynamism in the EAC and the serious determination of the EAC Partner States to construct a strong regional block.

Mr Speaker, in anticipation of the growing mandate of the Community, the Council of Ministers has taken a critical look at the resources and supply side constraints and instituted necessary measures. The ongoing implementation of the new organisation structure and terms and conditions of service of the Community; the establishment of the EAC Partnership Fund and the ongoing preparations for the establishment of the EAC Development Fund as well as the revamping of the EAC publicity and marketing function aim at providing the critical human resource and funding capacity to deliver the ambitious vision of the third EAC Development Strategy

with the full participation of the East African people.

Review of the activities of the Community, 2006/2007:

Mr Speaker, the focus of the activities of the EAC during the outgoing financial year was on the implementation of the Customs Union; the formulation of the third EAC Development Strategy; preparatory activities for the Common Market Protocol; preparations for the accession of Rwanda and Burundi to the EAC; implementation of the new organisation structure and terms and conditions of service of the Community and, on the whole, concretisation of regional projects and programmes in a broad range of sectors. The EAC was also pre-occupied with the issues arising from the cases before the East African Court of Justice, in particular those that touched on the matter of the constitution of the Second East African Legislative Assembly.

The weighty policy issues notwithstanding, the programme of the EAC proceeded apace. The regional organisation benefited from the close attention and guidance by the heads of state in finally resolving these and other pressing policy issues. The appointment of ministers of the Partner States solely responsible for the East African Community Affairs, and a Secretary-General with strengthened mandate and commitment to propel the EAC to new heights of concrete achievements and global competitiveness contributed further to energising the Community.

Trade, Finance, and Investment:

There was significant leveraging of the regional programme in the promotion of trade and investments, as well as development of regional infrastructure. The Customs Union, launched in 2005, took on a life of its own. Its positive impact on increased intra-EAC trade and growth of revenue was felt and shared in all the Partner States. All the EAC countries reported increased revenues since the operations of the EAC Customs Union were launched. These developments gave confidence and comfort where at the beginning there were expressions of fear and diffidence over the introduction of the Customs Union. Contrary to initial fears, neither trade diversion nor erosion of revenue has been experienced by any of the Partner States.

Consequently, the mood was upbeat in the EAC and the stage was set to proceed to the establishment of a common market. A consultants' study, commissioned towards the end of last year on the establishment of the Common Market, has been presented in first draft form. The draft is being subjected to discussions and input by a broad spectrum of EAC stakeholders - government, private sector and civil society - before the final draft is tabled by July 2007 as a negotiating document for the EAC Common Market. Indeed, we now have every indication that the Common Market will be realised even earlier than the set target date of 2010.

Further in the progress of regional co-operation in the areas of finance, trade and investments, major achievements were made with the enactment of the EAC Competition Act, 2006 and the

EAC Standards, Quality Assurance, Metrology and Testing Act 2006. Work on the development and harmonisation of EAC Standards progressed well with about 600 EAC Standards so far harmonised. The tripartite Agreement on Avoidance of Double Taxation and the Prevention of Fiscal Evasion was adopted and now awaits signature by the Partner States, while work continues on the study on Monetary Integration in the East African Community.

Mr Speaker, in response to the WTO requirements and EU EPAs, initiatives were taken to harmonise trade arrangements between EAC, COMESA and SADC. The EAC participated in a series of consultative meetings of the chief executives of the three sister organisations. The chief executives of the three secretariats have so far held four consultative meetings. The last one, hosted by EAC in Zanzibar on 28 May 2007, came up with a co-operation programme and plan of action in the areas of customs, trade and infrastructure. In addition, the Partner States and the EAC Secretariat participated in the WTO Trade Policy meeting in Geneva last October at which the EU pronounced that the EAC was "the most successful illustration of regional integration on the African continent".

On the whole, relations with the development partners were elevated to their highest level, and the EAC Partner States sustained the efforts to negotiate as a bloc in the international fora. Harmonisation of fiscal and monetary policies, with the objective of achieving a convergence of both the macroeconomic and fiscal regimes of the Partner States in order to promote the

region as a single market and investment area, progressed well over the period.

Transport, Communications and Metrology:

Mr Speaker, in the infrastructure sub-sector, steady progress was maintained on the East African Road Network Project, in particular the Mombasa–Katuna Road (Northern Corridor) and the Dar-es-Salaam - Mutukula Road (Central Corridor), which were taken to the implementation stages. Works on these roads were contracted out and are now targeted for completion in the next two years. Meanwhile, the tender notices for the construction of the Arusha–Namanga–Athi River Road Project closed on 31st January 2007. Following the award of contracts, construction is now planned to commence in July 2007. The African Development Bank (ADB) and the Japanese Bank for International Cooperation (JBIC) are funding the construction of the road, while Kenya and Tanzania are providing the counterpart resources.

The African Development Bank is also extending to the Community a grant of approximately US \$5.5 million to support feasibility and design studies for the Arusha–Holili–Taveta–Voi Road. Investment preparations for the Tanga–Horohoro–Malindi Road (under a similar arrangement to the Arusha–Namanga–Athi River Road study) as well as capacity building for the civil engineering contractors' associations in the region.

On the railways sub-sector, the East African Railways Master Plan Study for which the Partner States have set aside US \$350,000 commenced in January

2007. Similarly, the projects of railways concessioning were well sustained. The handover of Kenya Railways Corporation and the Uganda Railways Corporation to Rift Valley Railways Company took place as scheduled on 1st November 2006. The concession agreement between RITES of India and the Government of Tanzania was initiated in September 2006. Meanwhile, the governments of Tanzania and Zambia are studying the recommendations of the Chinese Study Team Report to chart the way forward for the concessioning of TAZARA.

In the civil aviation sub-sector, the East African Community established a regional agency to oversee the implementation of the International Civil Aviation Organisation's (ICAO) standards and recommended practices towards the enhancement of aviation safety and security. The Protocol for the Establishment of the EAC Civil Aviation Safety and Security Oversight Agency (CASSOA) was signed at the Extra-Ordinary Council of Ministers Meeting in Arusha on 18 April 2007. The Extra Ordinary Council also appointed the first executive director of CASSOA, among other staff.

With the establishment of CASSOA, EAC will not only be retracing the civil aviation vision of the erstwhile Community that collapsed in 1977, but it will also be the first sub-region in Africa to jointly establish a regional civil aviation safety and security oversight framework as recommended by ICAO. Meanwhile, the technical and feasibility study on the establishment of the Unified Upper Flight Information Region (UFIR) commenced in November 2006 with the support of the United States Trade

Development Agency (USTDA) amounting to US \$566,000. The study is expected to be finalised in July 2007, and the recalibration of the airspace soon thereafter.

Mr Speaker, in the Information and Communication Technology (ICT) sector, the regional framework for e-government was approved by the Partner States, and the modalities for its implementation are being worked out. On the East African Submarine Fibre Optic Cable System (EASSy) telecommunications project, I daresay it has not proved so easy after all; the problem, perhaps, of misnaming projects. However, the issues slowing down the implementation of this important regional project are being addressed with a view to coming up with a regional position on the project. Partner States are encouraged to work towards an early realisation of broadband infrastructure networks in the region in view of the advantages and economic impact such a development would bring.

Agriculture and Food Security:

As honourable members are aware, the EAC places greatest emphasis on agriculture and food security. To this end, among the earliest programmes that the EAC has embraced since its advent has been agriculture and food security. I am pleased to observe that the Partner States have finally adopted and signed the instruments for the development of agriculture and the attainment of food security for the community. The instruments are:

- Agriculture and Rural Development Policy;

- Agriculture and Rural Development Strategy;
- Harmonised Sanitary and Phytosanitary Standards, Measures and Procedures (SPS);
- Volume I: Phytosanitary Standards;
- Volume II: Sanitary Standards for Mammals, Birds and Bees;
- Volume III: Sanitary Standards for Fish and Fishery Products;
- Requirements for Farm Inputs;
- Application Forms for Registration of Conventional Pest Control Products;
- Procedure for Evaluating the Efficacy of Pest Control Products for Plants; and
- Labelling Requirements for Pest Control Products.

Let me emphasise, honourable members, that the Agriculture and Rural Development Programme is one of the identified major planks of the Third EAC Development Strategy. A high priority will be placed on the implementation of the programme in the period ahead.

Energy:

The serious effects of drought on the regional economies galvanised attention on urgent measures to redress the energy deficit in the region. Both short and long term measures were pursued with respect to the East African Power Master Plan. The work plan for the implementation of the Power Master Plan envisages a timeframe of up to seven years to a fully-fledged regional power system with the creation of a power pool as a central feature.

I am pleased to note that the World Bank has consented to be the lead agency for

the co-operating partners and will work with the secretariat in the mobilisation of the necessary resources. The implementation of the Power Master Plan will cover both power generation and transmission projects at an estimated cost of US \$1.2 billion and US \$600 million respectively for generation and transmission projects over the implementation period.

The third East African Petroleum Conference was held in Arusha in March 2007, and demonstrated yet again the growing interest by regional and international investors and operators in the potential and investment opportunities that exist in East Africa in the petroleum sub-sector. In this regard, it is gratifying to note the positive developments in the discoveries of traces of oil in the Albertine Graben in Uganda during the year 2006 by Hardman Resources and Heritage Oil and Gas; the location of gas deposits in the Mkuranga well south of Dar-es-Salaam by Maurel and Prom; the development of the Mnazi Bay gas field by Artumas Group to use the gas to produce electricity for Mtwara and Lindi regions, not to mention the earlier discoveries of gas in Songo Songo, which is on-stream; the first drilling of an exploration well in deep waters offshore Kenya by Woodside Energy Limited; and the ongoing development of the geothermal potential in the Kenya section of the Great Rift Valley.

It is my well considered view that these activities should give confidence and bolster further exploration both on and off shore within the East African Community. The EAC also continues to pursue a comprehensive Regional Strategy on Scaling Access to Modern

Energy Services under UN auspices. The main objective of the programme is to ensure that at least 50 percent of EAC's population will access modern energy services by 2015, thereby contributing to the achievement of the UN Millennium Development Goals (MDGs).

Tourism and Wildlife Management:

There was a major breakthrough in the tourist sector with the launching of the joint marketing of East Africa as a single tourist destination. The EAC participated in the World Travel Market (WTM) in London in November 2006 and also in the International Tourism Fair in Berlin in March 2007, at which the partner states held joint promotions under one common exhibition area for the first time at the international fair. It is planned that the East African tourist boards will extend such joint promotions and marketing to the Asian, Far Eastern and American markets in the period ahead.

In the continuing development of regional co-operation in this key sector of the economies of our region, progress was made in the implementation of the Criteria for Standardisation and Classification of Hotels and other accommodation facilities. The criteria for standardisation and classification have been agreed and adopted. The pilot classification exercises are underway in Arusha in Tanzania, and in Uganda where the exercise is targeting the establishments identified for the Commonwealth Heads of State and Government Meeting (CHOGM), which will be hosted by the Republic of Uganda in Kampala later this year.

Lake Victoria Basin Commission:

Lake Victoria remains the single most precious resource shared by the countries of our region and a living symbol of its unity and hope. Indeed, over 30 percent of the populations of East Africa depend on the lake and its basin for their livelihood. It is with a sense of pride and fulfilment for our region, therefore, to note that among the major activities launched by the Community in the period under review were the operations of the Lake Victoria Basin Commission. The Commission was officially launched on 11 July 2007 by H.E. President Kibaki in the presence of the Vice President of Tanzania and the First Deputy Prime Minister of Uganda. The Commission is now set to roll out the development programmes of the lake, including safety of navigation, environmental protection, conservation and overall sustainable development of the lake and its basin.

It is gratifying to note that substantial activity of the newly established commission is already underway, which includes: hydro-graphic survey of the lake as well as meteorological surveillance using the fully equipped scientific research vehicle, MV Jumuiya; the Lake Victoria Basin Information Resource centre, currently housed at the EAC Library in Arusha; and the operationalisation of the Memorandum of Understanding (MoU) between the Nile Basin Initiative and the East African Community on Cooperation in the Sustainable Development of Lake Victoria Basin, which was signed in July 2006. Preparations are also advanced for the launching of the second phase of the Lake Victoria Environmental

Management Project (LVEMP-2) by October 2007.

Activities continue in the management of the Mt Elgon Regional Ecosystem Conservation Programme (MERECp), which embraces parts of Uganda and Kenya. The programme aims at enhancing the conservation status and benefits of Mt Elgon for environment quality, livelihood and to restore the integrity of the ecosystem as a water tower for the region.

Programme implementation started in April 2006, and to date, substantial progress has been made in the projects that are being carried out in Namatala Central Forest Reserve (Uganda), Kaberua Forest Reserve in Kenya; the Mt Elgon National Park (Kenyan side) and in livelihood projects in Sironko, Mbale and Kapchorwa districts.

The Lake Victoria Region Water and Sanitation Initiative Project is being implemented in partnership with UN HABITAT in several urban growth centres within the Lake Victoria Basin, namely, Bukoba and Muleba in Tanzania; Mutukula and Kyotera in Uganda; and Homa Bay and Kisii in Kenya. The project implementation has commenced with emergency physical interventions. All contracts for the main civil works have been awarded under these projects while additional funding is being sought to extend the projects to 15 other growth centres that have been identified.

Social Sectors:

As I have already stated, significant progress was made in the social sector with the establishment of the various

commissions, namely, the East African Science and Technology Commission, the East African Kiswahili Commission and the East African Health Research Commission, whose programmes will be rolled out during the FY 2007/2008.

Also under the social sectors, the negotiations of the Protocol on the Free Movement of Persons, Labour, Services, Right of Establishment and Residence are being undertaken jointly with the negotiations of the East African Common Market whose establishment has been prioritised in the third development strategy.

Regional Peace and Security:

The Peace and Security sector has continued to be vibrant. Consultations continue on the development of the strategy for regional peace and security. The strategy recognises the inter-linkage between defence and security issues such as anti/counter terrorism, disaster management and preparedness, small arms and light weapons, conflict early warning and response, peace support operations, conflict prevention, management and resolution and cattle rustling. To this extent, a joint forum comprising of the two sectors has been established at the policy level to manage crosscutting issues.

As part of capacity building for peace and security on the African continent, the need has arisen for the establishment of liaison offices at the AU for the Regional Economic Communities (RECs). The European Union is providing a grant of Euro 7.7 million to support the establishment of the liaison offices for the eight RECs currently recognised by the African Union. EAC

is in the process of recruiting the liaison officer who will be based at the seat of the AU in Addis Ababa. Meanwhile, preparations are underway for the establishment of the Directorate of Peace and Security at the EAC Secretariat in accordance with both the UN and AU Charters for Regional Economic Communities' effective role in regional and continental peace and security.

Another significant development in this area was the establishment of the Nyerere Peace Research Centre at the EAC Secretariat that will undertake research and exchange programmes on conflict management and resolution. The Nyerere Peace Research Centre, so named in honour of the memory of the late *Mwalimu* Julius Kambarage Nyerere, founding father of the Tanzanian nation and advocate of East African integration, will contribute to the enhancement of collaboration in peace, security and conflict resolution in Eastern Africa. The centre will, in the initial stage, be supported through collaboration of the EAC Secretariat with the Arcadia University of the USA.

Deepening Regional Integration:

The national consultative process on the East African Federation, which was launched in October 2006, has proceeded well, yielding robust debate and discourse on deepening regional integration in East Africa. A mid-term review of the consultative process held in April 2007 made several recommendations, among them the need for more time to complete the exercise, the need to intensify sensitisation of the people on the East African Community and the implications of moving into a political federation. In particular, it

addresses the issues of equitable sharing of the costs and benefits under the Federation. Arising from this, the Council of Ministers at the 13th Extraordinary Meeting held on 18 April 2007 decided to extend the period of the national consultations to 30 June 2007.

Publicity and Marketing EAC:

In the period under review, major developments of regional interest received wide publicity. EAC continued its sensitisation seminars in the Partner States. EAC also laid out plans for closer relations and involvement of local authorities and grassroots organisations in promoting the regional integration process. Contacts and relations between EAC and the development partners were intensified. A meeting between EAC and the co-operating partners under the EAC Partnership Fund held in Arusha in October 2006 agreed on a broad range of EAC projects and programmes to be supported under the EAC Partnership Fund, including the EAC Re-Branding Project, which is intended to revamp the EAC marketing and publicity effort.

It is important to note that the EAC re-branding project is being pursued as a priority project following the directive of the Council of Ministers and the endorsement by the Summit. The project involves the restructuring and re-equipping of the publicity and marketing function of the EAC and the development of a new EAC brand as a dynamic, achieving regional organisation and as a vehicle for East African unity and development.

I am pleased, therefore, to inform the House that the process of restructuring and upgrading the secretariat's

marketing and publicity function through the EAC Re-Branding Project has received the strong support of our development partners under the partnership fund. The EAC Re-Branding Project, incorporating the establishment of the Directorate of Corporate Communications and Public Affairs will be given high priority and will be strenuously pursued within the Third EAC Development Strategy (2006-2010).

Finance and Administration:

In the finance and administration areas, major activities were undertaken in implementing the new organisation structure and terms and conditions of service of the Community. As honourable members are aware, the Council has been seized over a long period with the need to provide effective levels of human, physical and financial resources in tandem with the growing mandate of the EAC. I am pleased to report that the approved new EAC organisation structure is being implemented, and among the decisive measures in this regard is the single operation recruitment of 38 priority professional staff in March 2007.

On the related area of interest, honourable members will be pleased to note that the activities in the preparations for the construction of the EAC Headquarters in Arusha continued in the period under review. The procurement of the general building contractor was finalised and the construction of the headquarters is now expected to commence in September 2007 and take 21 months to complete.

Organs and Institutions of the Community:

I would now like to turn to the activities of the various organs and institutions of the Community: The East African Legislative Assembly, the East African Court of Justice, the Inter-University Council for East Africa, the Lake Victoria Fisheries Organisation and the East African Development Bank, and in so doing, to underscore the fact that all of them did discharge themselves exceedingly well in the period under review.

The East African Legislative Assembly maintained a steady legislative programme as well as a robust oversight and outreach role. Indeed, the first East African Legislative Assembly contributed significantly to the development of the Community, and has left a rich legacy during its five-year term that expired on 29 November 2006.

As regards the East African Court of Justice, a breakthrough was made with the hearing of the first reference to it, filed in December 2005, and delivering its judgment on 4 October 2006. The Court also heard another reference soon thereafter, on the Constitution of the second EALA, which led to a prolonged stalemate that has, however, been finally resolved.

As regards the institutions of the Community, I am also pleased to observe that the Lake Victoria Fisheries Organisation (LVFO) continued to coordinate measures for sustainable utilisation of the fisheries resources of Lake Victoria, in particular the reorganisation of the fishing communities in the management and

collaborative activities on the fisheries of the Lake.

For its part, the Inter-University Council for East Africa, whose current membership stands at 46 affiliated universities drawn from both public and private universities in the region, stands out as a beacon of hope for this region. Through its dynamic programme, particularly in the focused research it is promoting or conducting, the IUCEA is indeed transforming itself into an effective regional advocate and catalyst for the strategic development and management of higher education in East Africa.

The East African Development Bank, on the other hand, pursued programmes designed to enhance the bank's capacity to play a more substantive and sustainable role as a regional development finance institution. The bank's financial performance improved with net profits rising by over 100 percent in each of the last four years through issues of bonds, administration of lines of credit and cross-currency swaps. The bank is now engaged in discussions with the African Development Bank for an eighth line of credit of US \$120 million, and is finalising negotiations with the China Development Bank for a US \$30 million line of credit.

Pursuant to the Seventh Summit directive, the EADB has submitted to the EAC concrete proposals on how it can transform itself into a lead agency for promoting regional integration projects.

Supplementary Budget for the Financial Year 2006/07:

New unforeseen developments intervened in the course of Financial Year 2006/07 necessitating expenditure over and above the approved budget. The total supplementary budget required for the FY 2006/07 is US \$2,013,794, the amount which the Council is proposing to apportion to the Reserve Account as follows:

1. US \$400,000 being cost overrun in the implementation of the East African Railways Master Plan, mainly on complex and expensive tendering procedures and advertising for International Competitive Bidding (ICB) in local and international publications;
2. US \$161,000 being cost overrun in the implementation of the EAC Anthem Project following the decision of the Summit on 5 April 2006 in setting aside earlier presented Anthem proposals and directing that fresh search for Anthem proposals be undertaken;
3. US \$240,000 being cost overrun in the implementation of the National Consultative Process on the Political Federation, mainly in the printing of additional copies of the Wako Report, serialisation of the report in the regional media as well as production of other related publicity materials;
4. US \$53,045 being cost of implementation of the criteria on standardization and classification of hotels and other accommodation facilities and the development of a curriculum for training of assessors and carrying out the pilot exercises for classification and standardisation.

Future Outlook:

The Budget for the Financial Year 2007/2008 has been developed on the basis of the Medium Term Expenditure Framework (MTEF) requirements. The programmes that are being proposed for implementation in the FY 2007/2008 have been prioritised within the framework of the anticipated activities for the proposed EAC Development Strategy 2006/2010. Areas of major expenditure pressures will continue to be the consolidation of the Customs Union; the establishment of the common market; infrastructure development; Lake Victoria development programmes; human resource and capacity development; headquarters construction and the EAC Re-Branding Project.

Other areas of expenditure pressures will be the establishment of an Appellate Court, the admission of Rwanda and Burundi and local expenditures for the headquarters construction as well as outreach programmes.

Activities envisaged in the consolidation of the Customs Union include initiation of the policy and guidelines to Partner States on implementation of the Customs Union, training of customs officers and clearing agents on the Customs Union, publicity and sensitisation of stakeholders, development of harmonised regulations and documentation, inter-connectivity of the Customs IT systems to enhance exchange of information, development of training curricula, prevention, investigation and suppression of customs offences.

Activities are also anticipated under the Trade Directorate, notably the co-

ordination of international trade, the development of a mechanism for promotion of intra-trade, and co-ordination of application of uniform EAC regulations for regional trade, the elimination of non-tariff barriers, monitoring implementation of anti-dumping and countervailing measures in management of export promotion schemes and promotion of special economic zones.

Mr Speaker, the financial year 2007/2008 effectively launches the definitive phase of deepening regional integration, its major thrusts being the process towards the establishment of the common market, intensification of regional infrastructure development and overall expansion of the regional programmes.

The implementation of these programmes involving the finalisation of the Common Market study, launching of the construction phase of the East African Road Networks Project (Arusha-Namanga-Athi River road), and the operationalisation of the new commissions under the social sectors, namely, the East African Science and Technology Commission, the East African Health Research Commission, the East African Kiswahili Commission, preparation of the Gender and Community Development Strategic Plan, and the establishment of the Civil Society Forum will exert unprecedented expenditure pressures on the EAC.

In addition, the EAC Headquarters project will be progressed to the construction phase. The seminal programmes under the EAC re-branding and fast tracking of the process towards the East African Federation also bear

tremendous cost implications, involving massive undertakings in promotion, sensitisation and mobilisation of the East African people on the regional integration process.

As the mandate of the community grows and expands, so will the demand on the services of the organs and institutions of the community, necessitating increasing budgetary provisions. More specifically, the East African Legislative Assembly has a heavy legislative programme ahead to consider the following Bills, which will be introduced by the Council of Ministers during the Financial Year 2007/2008:

- The Lake Victoria Transport Bill, 2007;
- The Lake Victoria Basin Commission Bill, 2007;
- The Summit (Delegation of Powers and Functions) Bill, 2007;
- The East African Community Customs Management Act (Amendment) Bill, 2007;
- The East African Community Appropriation Bill, 2007;
- The East African Community Supplementary Appropriation Bill, 2007;
- The East African Science and Technology Commission Bill, 2007;
- The East African Civil Aviation Safety and Oversight Agency Bill, 2007;
- The East African Kiswahili Commission Bill, 2007;
- The East African Health Research Commission Bill, 2007.

The Assembly will also, through its committees, undertake activities on

regional affairs and conflict resolution, agriculture, tourism and natural resources, legal, rules and privileges, communication, trade and investment.

Further various outreach programmes will be undertaken like attending conferences organised by the Inter-Parliamentary Union (IPU) and the Commonwealth Parliamentary Association (CPA).

Mr Speaker, following its reconstitution to incorporate the Court of First Instance and an Appellate Division, which will be effective from 1 July 2007, the East African Court of Justice will lay a heavy cost burden on the Community in both operations and development by expenditures which have been factored into the budget estimates. The implementation of the enhanced terms and conditions of service for Members of the Legislative Assembly and Judges of the Court of Justice, which will be effective from 1 July 2007, will contribute further to raising the bars on the current budget effort.

With this survey of the future outlook of the EAC budget performance, I would like to take this opportunity to underline the fundamental policy of the EAC targeting jobs and employment creation, the primary objective of the Community being to raise the living standards of the people of East Africa.

Job creation is indeed a critical issue in East Africa, and the future political stability in the region hinges on how the region addresses the unemployment crisis affecting, particularly, the youth. To this extent, the major planks of the third EAC development strategy - private sector development, industrialisation, infrastructure

development, rural and agricultural development - will be promoted with a focus on job creation and poverty reduction. Ongoing and new enterprises will be promoted across the board in addressing the need for job creation in both the formal and informal sectors during the five-year period of the strategy.

This emphatic job creation policy will be pursued along with the priority projects in the development of infrastructure links in roads, railways, ports and harbours, and energy supply. To this extent, emphasis would be laid on capacity upgrading for the ports of Mombasa and Dar-es-Salaam, as well as the ports of Kigoma and Bujumbura. The implementation of the major infrastructure projects, namely, the East African Road Network Project, the East African Railways Master Plan, the East African Power Master Plan, the Lake Victoria Development Programme, as well as the programme for regional tourism and wildlife development would be promoted systematically to create employment and stimulate higher productivity and investment.

In this regard, the EAC Ministerial Forum for Ministers responsible for Labour and Employment has been formed, together with the Employment and Labour Department that has also been established at the EAC Secretariat, charged specifically to spearhead the region-wide Employment Creation and Poverty Reduction Programme, which will be linked to the complementary programmes within the Partner States.

The EAC *Jua Kali/Nguvu Kazi* (Informal Small to Medium Scale Industries) Programme, which has been

in place since 1999 will be scaled up with emphasis on micro-finance savings and credit schemes to revitalise the informal sector in contributing to the region's industrialisation, wealth generation and employment creation.

Assumptions in the Budget Estimates FY 2007/2008:

The EAC Budget for the FY 2007/2008 rests on two apparent but not quite so contradictory pillars, namely:

- (a) The anticipation of increased costs in both human and financial resources to meet the growing mandate of the Community; and
- (b) The commitment to affect savings and keep the costs of running the Community at the levels that the Partner States are able to afford or accommodate.

The budget estimates that the Council of Ministers is presenting today are, therefore, guided by the need to realise efficiency and effectiveness of the regional programme.

With the presentation of this budget, the Council of Ministers has anticipated and instituted measures of cost savings as follows: a zero growth budget has been imposed in respect of the pre-existing operations with savings of approximately \$1,000,000; development partners' contribution has been applied to a number of consultancies realising further savings of US \$300,000; travel incidences have been controlled and rationalised leading to savings of US \$74,517 compared to FY 2006/07; development partners' contributions have been applied to nine priority professional staff positions leading to a saving of US \$684,694; new systems

have been instituted in other operational areas leading to savings of US \$33,427 in respect to stationery and printing alone; and other substantial savings have been realised through rationalisation measures in respect of expenditure on rent, telephones, documents deliveries, fuel, furniture and other equipment.

The budget estimates are being presented with, among others, the following assumptions taken into account: sustained political will and popular participation in the regional integration process; maintenance of stability and enhancement of convergence of the macro-economic environment in the Partner States, including controlled inflation and stable and predictable exchange rates; availability of adequate financial resources and timely remittances of Partner States' contributions; continued financial and technical assistance and support from EAC's development partners; application of a highly skilled and motivated human resource; and commitment to timely, expeditious implementation of regional projects and programmes.

Summary of the Budget of FY 2007/2008:

Mr Speaker, given this policy review and presentation of the budget as already considered by the council, the Council of Ministers recommends to the East African Legislative Assembly to debate and approve the Budget of the East African Community for the FY 2007/08 of US \$28,313,559. This figure represents a 76.6 percent increase in the Partner States contributions. However, taking into consideration the contribution from the development

partners, the budget for the FY 2007/08 reflects an overall increase of 26 percent.

The budget is allocating to the East African Community Secretariat, US \$14,501,132; the Defence Liaison Unit, US \$696,276; the Directorate of Customs and Trade, US \$1,532,733; the East African Legislative Assembly, US \$6,419,563; the East African Court of Justice, US \$2,305,336; and the Lake Victoria Basin Commission, US \$2,858,519.

This budget is to be financed by miscellaneous income of US \$39,563; revenue float of US \$662,180; development partners' contribution of US \$6,129,160 and equal contributions from the Partner States of US \$4,296,531 each including the Republic of Burundi and the Republic of Rwanda.

Mr Speaker, I beg to move.

The Speaker: Honourable members, I would like to make one announcement. We shall have a group photograph after this adjournment. I would also like to say that for you to read and digest the minister's speech so that you can effectively debate it, I adjourn the House to tomorrow at 10.00 a.m.

(The Assembly rose at 11.10 am and adjourned until Thursday, 21 June 2007 at 10.00 a.m.)