



EAST AFRICAN COMMUNITY

EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)

Official Report of the Proceedings of the East African Legislative Assembly

6TH MEETING – SECOND SESSION – SECOND SESSION

Thursday, 21 May 2009

*The East African Legislative Assembly met at 2.30 p.m. in the Chamber of Deputies,
in the Burundi National Assembly, in Bujumbura.*

PRAYER

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

The Assembly was called to order.

PAPERS

The follow paper was laid on the Table:-

By the Minister for East African Community Affairs (Rwanda) and Chairperson,
Council of Ministers (Ms Monique Mukaruliza):

The Financial Statement and the Estimates of Expenditure for the Financial
Year 2009/2010

MOTION

**FOR THE CONSIDERATION OF THE BUDGET OF THE EAST AFRICAN COMMUNITY
FOR THE FINANCIAL YEAR 2009/2010**

**The Minister for East African Community (Rwanda) And Chairperson Council
of Ministers (Ms Monique Mukaruliza):** Mr. Speaker, I beg to move_

THAT This Assembly do resolve itself into:

- a) A Committee of Ways and Means to consider and approve the Financial Statement for the Financial Year 2009/2010; and,
- b) A Committee of Supply to consider and approve the Estimates of Expenditure for the Financial Year 2009/2010.

The Minister for East African Community Cooperation, Tanzania (Dr Diodorus Kamala): Seconded.

(Question Proposed)

Ms Mukaruliza: Mr Speaker, I beg to move that this esteemed Legislative Assembly resolve into a House Committee to debate and approve the proposals by the Council of Ministers for the Budget of the East African Community for the Financial Year 2009/2010.

The theme of this year's budget is: "Strategic Priorities to Deepen EAC Integration". It is the desire of the EAC Council of Ministers to ensure that in the next Financial Year, 2009/2010 we progress our integration agenda through consolidation of the Customs Union as we enter its threshold in January 2010, the establishment of the Common Market; and laying concrete foundations for moving towards the Monetary Union.

The Global Financial Crisis and Effects on EAC Region

Mr Speaker, the revenue and expenditure budget of the EAC for the Financial Year 2009/2010 is being tabled against the backdrop of a serious global financial and economic crisis that will adversely impact our economies as well as those of our major development partners. The International Monetary Fund (IMF) has projected a 1.3 percent decline in global economic activity for the calendar year 2009. In the United States of America the economic contraction is estimated at 2.8 percent with a projection of zero growth in 2010. The economy of the United Kingdom is estimated by the IMF to shrink by 4.1 percent in 2009. The same grave economic performance story applies to all the OECD economies.

It is notable that the developed countries have unleashed various fiscal measures to stimulate their economies in an effort to dampen the worst economic recession they have faced since the US Great Depression of the 1930s. In the case of the developing countries of which the EAC economies are part, we are already being hard hit by a confluence of the global financial and economic upheavals, with few fiscal capacities to shore up our fragile economies. Recent data from the IMF paints a rather weak picture of our economies during 2009. Most EAC partner states had estimated GDP growths of above 8 percent for the fiscal year 2009/2010. The IMF puts this growth rate at the average of 5.5 percent for Kenya and Uganda with Tanzania at between 4-5 percent. Rwanda is estimated to grow at 5.6 percent and Burundi at 4.8 percent. Moreover, with the sharp increase in food prices, which may not abate this year, especially for Kenya and Tanzania, following the drought that has afflicted these two countries, inflationary pressures have hit all our EAC countries.

In Kenya, inflation climbed to 26.1 percent in April this year largely driven by high food prices. In Rwanda, it stood at 17.08 percent in March 2009 (largely driven by rise in costs of housing, water and energy); in Burundi it was 19.8 percent in March; in Tanzania it was 13 percent in March and in Uganda it was 13.4 percent in April.

Mr Speaker, the impact of the global financial and economic crisis is also being felt in our region on the exchequer revenues front. Tanzania has reported a domestic revenue deficit of Shs.255 billion by March 2009 and it is expected to rise to Shs.488 billion at the end of the fiscal year ending 30th June 2009. This deficit represents a revenue decline of 25 percent. In the case of Kenya, Uganda, Rwanda and Burundi there

appears to be confidence that there will be revenue stability up to June this year even though Kenya reflects a revenue deficit of Shs.14 billion for the period July 2008-March 2009. Partly due to the contraction of all the EAC economies, domestic revenue in 2009/2010 will decline.

Rwanda, for example, has already estimated a revenue loss of US \$10.9 million in its fiscal year 2009/2010 flowing from its accession to the EAC Customs Union and applying the EAC Common External Tariff. Burundi is expected to lose revenue equal to 0.4 percent of GDP as a result of its introduction of VAT and the EAC Common External Tariff although the impact of these measures is expected to be positive in the medium term.

The implications of these forecasted difficult economic conditions during the next EAC budget year are all too clear. Indeed, their signs have been felt during the financial year that ends next month. Generally, we have seen a low performance in timely remittances of budget contributions by most partner states. I wish also to inform you that the Council of Ministers has decided that the budget contributions for Rwanda and Burundi for the Financial Year 2007/2008 commence on 1st July because that is when the two partner states began to effectively enjoy their rights in the Community. As a result of this decision, the 2007/2008 budget reflects a deficit of US \$4,856,101. The implication of this deficit is that for Financial Year 2008/09, the EAC had to wipe out the General Reserve and, as a result, the EAC financial woes, as I speak, continue.

The percentage ratio of remittances to total budget by the partner states stands at 73 percent. The situation in the next financial year may not be better. Indeed, since most of the partner states rely on significant budget support from development partners. It remains to be seen what this support will amount to in the light of the economic recession that afflicts most of the developed nations that support the EAC countries.

Mr Speaker, I am bringing these dire facts before this House to underscore the point that the EAC organs and institutions will have to brace for difficult financial times ahead whilst recognising that it is only through intensifying regional integration that the EAC partner states will be able to ride out the storm. The bridge we cross here may thus not represent the real financial situation on the ground in the next financial year.

Budget Performance for FY 2008/2009

Mr Speaker, allow me now to outline the Budget performance for the current financial year, focusing on the priorities. This is the first Budget presentation since the Council engaged definitively with the Assembly in May 2008 on the issues of the Budget process. Honourable Members will recall that the thrust of the outcome of those consultations was that the EAC Budget's projections and performance should be realistic; results-oriented and attuned to the strategic objectives as outlined in the EAC development strategies and related policy directives.

There was a demand for the EAC to adopt a budget system based on the Medium Term Expenditure Framework. This system has been adopted for the Budget for 2009/2010 onwards. Let me quickly add that with the MTEF, the results-based

performance management system has been put in place supported by an elaborate monitoring and evaluation system. The EAC now has greater clarity on linkages between strategic objectives, outputs and results. Most EAC professional staff have undergone training in the MTEF and results-based performance management system as well as the monitoring and evaluation system.

Mr Speaker, in reviewing the performance of the Budget and programme of the EAC during the Financial Year 2008/09, it is gratifying to note that the issues raised by the Assembly in May last year have been taken into account. There has been greater adherence to the strategic programmes and projects as basis for allocation of resources, the aim being to realize deeper integration goals.

As I will now proceed to outline, this analysis of the Budget and programme for FY 2008/2009 has taken into account the broad strategic objectives under the EAC Development Strategy (2006-2010) and the priorities that were set by the Council for the period as enumerated in the last Budget presentation to the Assembly. These priorities were to one; develop and harmonise laws and judicial systems, protocols, policies, regulations, procedures and standards; two, promote defence, peace and security; three, strengthen the financial, legislative, oversight, administrative and ICT processes and systems, capacity building and human resource support of the EAC; four, promote sustainable social, economic and political integration, climate change and environmental management; five, develop and implement the EAC Branding Strategy; six, enhance bilateral, multilateral and intra EAC negotiations to regional and international organizations; seven, initiate legislation, administration of cases, encourage arbitration and institutional building; and eight, provide statutory advice and services to the organs and institutions of the Community.

As honourable members will recall, this esteemed Assembly approved a Budget for the Financial Year 2008/2009 with focus on the following main priorities: Common Market negotiations; EPA negotiations; study on the Monetary Union; intensification of the programmes on the infrastructure development, implementation of Customs Union; development of the Industrial and Investment Strategy; investment and private sector promotion; integration of the Republics of Burundi and Rwanda; building the capacity of the organs of the Community; and enactment and implementation of the Lake Victoria Transport Act.

To enable these programmes and activities to be implemented, the Assembly approved a total expenditure of US \$40,499,095. I am pleased to report that the Council of Ministers has ensured that these resources were put to prudent and effective use. The details of the Budget performance for the Financial Year 2008/2009 up to 31 March 2009 are contained in Annex I to my Budget Speech which honourable members will be able to scrutinize.

In this Budget Speech, allow me to present a report of the implementation and achievements made in the strategic plans funded under the 2008/2009 Budget. Annex II contains a detailed status of implementation.

Mr Speaker, I am pleased to report on these activities under the following broad headlines for ease of reference of the Assembly:

- i. Consolidating the Customs Union;

- ii. Finalizing Negotiations of the East African Common Market Protocol; and launching of the Protocol;
- iii. Promoting EAC trade and investments, including EPA Negotiations;
- iv. Concretizing regional projects and programmes in various sectors: prioritising infrastructure development
- v. Laying the foundations for the Monetary Union;
- vi. Intensifying activities under the Political Federation agenda and co-operation in political affairs; and
- vii. Streamlining and strengthening the organs' co-ordination, financial and administrative systems and operations for an efficient and effective EAC.

Consolidating the Customs Union

Mr Speaker, the EAC Customs Union, in its fifth year of implementation, has attained a high level of maturity. In January 2010, the Customs Union will have reached its threshold with goods imported from Kenya by other EAC partner states attracting zero customs duty. This fiscal development shall apply to Rwanda and Burundi since they will be acceding to the EAC Customs Union effective 1st July this year.

Of great significance during Financial Year 2008/2009 was the implementation of the Trade and Transport Facilitation Project under which studies, manuals as well as regional Customs ICT inter-connectivity were developed. I am grateful to the African Development Fund for financing this project.

Mr Speaker, a study to evaluate the implementation and impact of the EAC Customs Union has been finalized during the year and a report is ready for tabling at the Sectoral Council on Trade, Industry, Finance and Investments slated for June this year.

The study covers, *inter alia*, impact of the Customs Union on:

- i. Trade performance
- ii. Revenue performance
- iii. Investments flows
- iv. Elimination of non-tariff barriers; and
- v. Assessment of the institutional framework for implementation of the Customs Union.

Proposals were formulated to amend relevant sections of the Customs Union Protocol to cater for the participation of members from Rwanda and Burundi in the Committee on Trade Remedies. These proposals were among those that the heads of state approved at the recent Summit of EAC Heads of State in Arusha on 29 April 2009.

Finalizing Negotiations of the EAC Common Market Protocol and Launching of the Common Market

The greatest pre-occupation of the EAC in the current financial year were the negotiations of the Common Market Protocol. I am pleased to report that the negotiations proceeded swiftly through the nine rounds of the negotiations that were

held since the first round that was held in Kigali in April 2008. The spirit of East African oneness, of consensus and give and take prevailed throughout the negotiation process, which was widely inclusive. In this regard, I wish to register the Council's appreciation to the East African Legislative Assembly for the sensitization and outreach programme over the Common Market, which the Assembly conducted in the partner states in December 2008.

The Council also appreciates the work of the High Level Task Force whose work formed the basis of the successful negotiations. During the final round of the negotiations held in Kampala in April 2009, the large body of the proposed Common Market Protocol was agreed. The only pending issues now relate to land, use of identity cards; and the right of establishment and permanent residency. During the Summit meeting in Arusha on 29 April 2009, the heads of state gave guidelines on handling these pending issues and further directed that the draft Protocol be finalized and made ready for signing in November 2009.

Promoting EAC Trade and Investments, including EPA Negotiations

Mr Speaker, in the area of trade, finance and investments, progress and achievements were realized in EAC investments and export promotion. The EAC engaged in rigorous activities to address non-tariff barriers. This was undertaken under the ongoing consultations in capacity building and development of mechanisms on non-tariff barriers. Achievements were made in the development of a roadmap towards effective export promotion in the East African Community. The EAC Regional Forum on non-tariff barriers was held in December 2008; and the EAC Competition Act 2006 was operationalised in February 2009.

The Council would like to recognize the contribution of the East African Business Council in conducting a study that established the definitive way forward in tackling NTBs.

Negotiating as a block; Mr Speaker, the Community sustained activity in the area of trade negotiations. The enactment of the EAC Trade Negotiations Act came as a major breakthrough in the longstanding search for the EAC partner states' commitment to negotiate as a block in the multilateral trade fora. The Assembly's initiative in pushing through the enactment of this law is commendable. The Secretariat is in the process of operationalising the Act.

At the broader continental level, the EAC participated actively in the Tripartite EAC-COMESA-SADC Arrangement, culminating in the hosting of the first Tripartite Summit in Kampala in October 2008. The Tripartite Summit resolved to establish a free trade area and later a Customs Union. Significant progress has been made to implement the Tripartite Summit proposal. In addition, through the support of DFID, a comprehensive study is being undertaken supported by senior officials from the three RECs to recommend the key prerequisites for the establishment of the free trade area. In similar vein, in April this year, through the tripartite framework a high-level North-South Corridor Donors Conference was held in Lusaka, Zambia to mobilize resources for upgrading and modernisation of infrastructure in our broader region. US \$1.2 billion was raised at the Conference.

On EPAs negotiations, with regard to the negotiations for a comprehensive EPA with the EU, honourable members will recall that in November 2007, the EAC initialled

the EAC-EU Framework Economic Partnership Agreement (FEPA). The negotiations have proceeded well on the basis of an agreed road map towards the expected conclusion of the negotiations in July 2009. To date, most of the areas have been agreed on. The remaining critical areas for negotiations include some aspects of market access, trade in services, technical barriers to trade, rules of origin, sanitary and phyto-sanitary measures, trade related aspects, agriculture and economic and development co-operation.

At the meeting of the Sectoral Council of EAC Ministers of Trade that met in Kampala in April 2009, a decision was taken that a ministerial meeting between EAC partner states and the European Union should be held before the end of the current financial year in Brussels to finalise these remaining issues.

Marketing and promoting East Africa as single market and investment area: Mr Speaker, during the current financial year, the EAC placed a premium on the promotion of investments and trade. Major investments and trade promotion events included the East African *Jua Kali* (small to medium scale industries) Exhibition that was held in Kigali in December 2008; Investment Conference organized by the City of London Corporation specifically focused on investments in East Africa; the 4th EAC Petroleum Conference held in Mombasa in March; and the EAC investment promotion in Canada in May 2009.

The EAC is now working towards several major investments, promotional activities in 2009 among them the 2nd East African Investment Conference slated for Nairobi during the fourth week of June; and the first EAC/EABC Energy Conference in Dar-es-Salaam, 8-10 June this year.

The programme of marketing and promotion of East Africa as a single tourist destination was continued during the current financial year. Significant progress was made in promoting the EAC as a single tourist destination. The focus is on the improvement of standards and expansion of facilities in the region's hospitality industry. A robust joint marketing of East Africa's tourist potential in the leading travel and tourist source markets in Europe, the Berlin International Tourism Fair (ITB) and the London World Travel Market (WTM) was sustained. I am pleased to report that Rwanda and Kenya won awards for best stands in Africa at the ITB 2009. Rwanda was awarded best stand first position in Africa for the third consecutive year while Kenya won best stand, third position in the same category.

In recognition of EAC's great tourist potential and the industry's significant multiplier effects, the Summit has directed the National Tourist Boards to extend the joint marketing of East Africa to Asia, Far East, Australia and America. The Sectoral Council on Tourism and Wildlife Management met in February 2009 and assigned responsibility to finalise the draft a protocol geared at the establishment of an East African Tourism and Wildlife Management Coordination Agency to a Team of Experts. The Council has also directed the Secretariat to undertake the study to harmonise tourism policies and laws and to develop regional tourism branding strategy in the next financial year.

The Council has now mandated the Chiefs of Immigration to look into modalities for fast tracking a single tourist visa to facilitate free movement of tourists in the region in the effort to make the region more competitive in the tourism sector. The feasibility

study for single tourist visa preparedness by 2010 in the five EAC partner states will be conducted in June 2009.

Expanding regional markets reach: With its economy centrally linked to the wider eastern and central African market, encompassing the Great Lakes region, including the vast Democratic Republic of Congo and South Sudan, the East African region has potential to grow and expand into a significant centre of regional integration and development in Africa. Based on this realisation, the EAC steered a steady course to broaden its world outreach and outlook, beyond the traditional European and Asian markets.

This posture is exemplified by the conclusion of the Trade and Investment Framework Agreement (TIFA) between the EAC and the USA in August 2008. And building on this model, the EAC is exploring strengthened relations with other strategic partners in the world markets. In January 2009, the Chairperson of the Summit led the EAC delegation to the India-Africa Business Partnership Summit in New Delhi. One of the outcomes of that participation was the reinforcement of the urgency to conclude an EAC-India TIFA.

Concretizing regional projects and programmes: prioritizing infrastructure development

Mr Speaker, as the Council of Ministers pledged during the presentation of the last Budget, priority was placed on regional infrastructure development during the current financial year with a focus on getting the regional infrastructure projects off the ground.

Roads:

In this regard, among the highlights of achievements was the implementation of the East African Road Network Project. The construction of the Arusha-Namanga section (105 Km in Tanzania) of the Arusha-Namanga-Athi River Road project commenced in July 2008 and is expected to be completed by July 2011 while that of the Athi River-Namanga (135 Km in Kenya) commenced in November 2007 with completion expected in 2010. The EAC heads of state officially launched the construction works of the road on 28 April 2009 at a colourful ceremony held at Lengijave village in Arusha, Tanzania. The high profile launch of the road works was also attended by the President of the African Development Bank, Dr Donald Kaberuka, the Ambassador of Japan in Tanzania His Excellency Hiroshi Nakagawa, representing the Government of Japan, and the hon. Speaker of the East African Legislative Assembly, among others.

Expedited preparations are underway for commencement of construction works at the earliest possible time of the Arusha-Moshi-Voi and Malindi-Mombasa-Tanga-Bagamoyo road projects.

On the overall implementation of the East African Road Network Project, a study is underway to assess its implementation so far, and the required re-prioritization of the project links to take on board Rwanda and Burundi priority roads; the emerging economic potential in Southern Sudan, Ethiopia and DRC; the current traffic growth profiles, and the priorities set out by the Tripartite Summit in Kampala in October

2008. The African Development Bank is financing the study, which is expected to be completed by mid next year.

At the same time, implementation of the regional components of the East African Trade and Transportation Facilitation Project, which includes the one-stop border posts, has commenced at Malaba and Busia and, with it, work is ongoing for the harmonisation of traffic regulations under the East African Road Transport Agreement.

The Arusha-Namanga-Athi River Road project has an inbuilt sub-project for the construction of a one-stop border post at Namanga.

Railways System:

Mr Speaker, with respect to developments in the railways sub-sector, I wish to observe that the situation is not as rosy as in the roads sub-sector. Two years ago, the Tanzanian Government awarded a concession to RITES of India to manage the central railway system. As you know, this railway line serves Rwanda and Burundi through Ishaka and Kigoma respectively. However, the concession is yet to show significant improvements. Apart from the permanent way being in a poor shape and thus affecting locomotive speed, there is a serious shortage of rolling stock and wagons. In tandem with planned improvements on the central railway line, an agreement was signed by Tanzania, Rwanda and Burundi on 23 January 2009 to extend the railway line from Isaka to Kigali and Bujumbura using a standard gauge. Following completion of the studies, the ADB is now in the process of sourcing loanable funds for the construction of this new railway extension.

With respect to the concession of the Kenya-Uganda Railway, serious challenges have emerged. As a result, the concession to Rift Valley Railways may be on the verge of termination. It is a matter of grave concern that this highly strategic railway system, a lifeline for the economies of Rwanda, Uganda, Burundi and Eastern DRC should find itself in the present state of limbo. I trust that the Kenyan and Ugandan Governments will be finding a lasting solution to this challenge.

Mr Speaker, in spite of these challenges, it is gratifying to note that a review of the study of the EAC Railways Development Master Plan has been completed. The stage is now set for the development of the feasibility studies and mobilisation of resources. The EAC Ministers for Transport have proposed that the Isaka-Kigali-Bujumbura railway extension be included in the Master Plan. Preparations are now ongoing for holding an East African Railways Investors' Conference in the last quarter of 2009.

Civil Aviation:

Mr Speaker, I am pleased to inform this esteemed House that the Protocol for the establishment of the EAC Civil Aviation Safety and Security Agency (CASSOA) has now been duly ratified by the Partner States of Kenya, Uganda and the United Republic of Tanzania. It will now be possible to fully operationalise CASSOA. During the current financial year, CASSOA was strengthened through staff recruitment and procurement of equipment and facilities. Attention was paid to the development and harmonisation of civil aviation safety and security regulations in the EAC. Specific activities under the sub-sector were the development of guidance manuals for implementation of the revised civil aviation regulations in the region and

finalisation of the study on the establishment of the EAC Unified Upper Flight Information Region (UFIR).

I am pleased to note that CASSOA has been able to develop regulations covering all the relevant safety and security provisions in the Annexes to the Chicago Convention except for the accident and incident investigation, which is planned to be done in the next financial year. A plan on integrating Rwanda and Burundi in this harmonisation process is also being implemented.

Communications:

Mr Speaker, in the area of communications, a draft report on the harmonisation of communications regulatory strategy in the region is ready for consideration and the EAC is now in the process of implementing an e-government strategy embracing cyber laws, e-health, e-immigration and e-education. At the same time, the African Development Bank-funded study on the EAC Broadband Infrastructure Network under the framework of i-connect is under implementation.

The EAC continued to pursue the East African Marine System (TEAMS) and the East African Submarine Cable System (EASSy), both projects being private sector-led. The submarine cable networks are being constructed along the Indian Ocean coastline. Although these projects are separate, they share one objective, namely providing broadband international connectivity to African countries on the western shores of the Indian Ocean. Kenya and Tanzania are providing physical landing points for both networks while virtual landing points will be provided for the three EAC landlocked countries of Burundi, Rwanda, and Uganda. I am pleased to note that for both projects, survey and system design works, have been completed and construction works at landing points is progressing. Fibre cables are presently being manufactured. Cable-laying will start shortly. The TEAMS Project is expected to be in service by end of 2009, while the EASSy network is expected to be ready for commercial service in 2010.

These are important developments for our region as they will provide cheaper and more efficient links with international outsourcing markets; promote e-commerce, virtual learning and links with the global community.

Renewing emphasis on the productive and social sectors: Mr Speaker, developments under the productive and social sectors covered a wide range of activities. These included focused efforts in agriculture and food security with emphasis on livestock development and prevention and control of animal trans-boundary diseases. The EAC Regional Avian Influenza Project was launched in December 2008. A regional steering committee has been established to promote investments in the dry areas and improve the quality of lives of pastoralists.

Laying the foundation for agricultural development and food security:

Mr Speaker, I am pleased to report that the EAC is now operationalising its agriculture and food security programmes. A first draft of a detailed action plan to address food security issues in the region was completed in October 2008. The process is ongoing towards adopting a final Action Plan on food security. The action plan will cover the key areas of provision of an enabling policy environment, enhancing access to food, sustainable agriculture and rural development. The action

plan will also cover areas of trade and access to markets, emergency prevention and preparedness, promoting investment in the agricultural sector, inputs and extension services, resource requirement and implementation time frame.

Realising Adequate, Reliable Energy Supply:

Mr Speaker, the East African Power Master Plan was reviewed during the current financial year in order to accommodate the accession of Rwanda and Burundi. The revision has included studies for key transmission lines that will result in complete interconnection of the region, including: Mbarara-Birembo line, linking Uganda and Rwanda; Rwegura-Kigoma, linking Tanzania and Burundi; Arusha-Nairobi line; and a second transmission line linking Kenya and Uganda. The next study to be undertaken will cover the Bulyanhulu-Biharamulo sector within Tanzania in order to connect Tanzania electricity grid to Rwanda and Burundi.

In the area of gas and oil pipelines, the terms of reference for the feasibility study on the extension of the oil pipeline from Kampala to Kigali and Bujumbura were finalised during the current financial Year. The oil pipeline extension from Eldoret to Kampala is ongoing and will be completed by the fourth quarter of 2009.

Similarly, the terms of reference for the feasibility study for the Dar-Tanga-Mombasa natural gas pipeline have been completed and approved by the EAC Sectoral Council on Energy. The African Development Bank is at an advanced stage of considering the financing of this study.

The scope of the East African Power Master Plan has been expanded to incorporate initiatives under the Eastern African Power Pool and the Nile Basin Initiative. The Namanga cross border (Kenya-Tanzania) Electrification Project was launched on 28 April 2009. The fourth East African Petroleum Conference on Petroleum Potential and Investment Opportunities was held in Mombasa from 11-13 March this year. The conference attracted over 500 participants from all over the world in the fields of oil and gas exploration. As our region becomes more and more oil and gas endowed, it is critical that we attract greater investor interest in this sector.

Intensifying Co-operation in the Social Sectors:

Mr Speaker, during the past year, the EAC placed greater emphasis on the activities of co-operation in the social sectors. Activities under these sectors include:

- The convening of the meetings of the EAC Forum for Ministers responsible for social development in providing a platform for East African Ministers of Social Development. The forum was established to share experience and harmonize policies and approaches in management of cross-cutting social concerns, such as poverty eradication and overall management of Millennium Development Goals (MDGs). Through these meetings, the forum elaborated preparations of national and regional approaches to address issues in social development and harmonising social policies in the region ; and
- The EAC also operationalised the EAC Regional Strategic Plan for HIV & AIDS (2008-2012); the EAC Regional Gender and Community Development Framework, including overall promotion of the participation of civil society in the integration process.

Mr Speaker, with regard to education, science and technology, culture and sports, consultations continued on the establishment of EAC centres of excellence and harmonisation of regional policies and programmes in the educational curricula. Demonstrating the importance attached to the harmonisation of our educational curricula, funding was set aside with support of our development partners to carry out a regional study on harmonisation of the EAC educational curricula. May I also inform this august House that the United Republic of Tanzania has now ratified the Protocol for the Establishment of the East African Science and Technology Commission? Reminders have been sent to the Republics of Uganda and Kenya to expedite the ratification of the Protocol.

Mr Speaker, I wish also to report that the Sectoral Council on Education, Culture and Sports at its meeting in April this year considered a proposal to establish a culture and sports commission. A decision on the establishment of the commission awaits further consultations by the partner states.

On the EAC Anthem, I wish to report that the last Council of Ministers meeting that met in April this year directed the EAC Secretariat to allocate funds to enable the exercise of completion of the anthem. An Anthem Development Committee will now work towards the consolidation of three musical scores into one in readiness for submission to the Summit in November 2009.

Mr Speaker, let me also very briefly inform the House that the Inter-University Council for East Africa has continued to grow and now has 66 member universities, both private and public. The council continues to do good work in quality monitoring and assurance, and in undertaking scientific research in various areas of regional interest.

Activities were also continued in the area of environment and natural resources. The council has been pursuing the delayed ratification of the Protocol on Environment and Natural Resources. An emerging issue in this sector is the challenge of global climate change. In this regard, an EAC Climate Change Conference was held in Arusha in February 2009. The conference proposed the scope of work, methodology and framework for the development of an EAC Climate Change Master Plan. In this regard, the council appreciates EALA's proposal for the EAC to develop an environmental policy. This proposal will be taken aboard within the overall framework of climate change policy framework and EALA will be involved in the policy formulation process.

Laying the foundations for the Monetary Union

Mr Speaker, I am pleased to report that the process towards the establishment of the Monetary Union and single currency for the EAC region is on course. During their 12th meeting held in Kigali on 07 May 2009, the governors of the EAC partner states' central banks considered progress reports in this regard. The governors received an inception report from the European Central Bank, which are the lead consultants on the study for the establishment of the EAC Monetary Union. The governors also received a presentation from the IMF on a study of the EAC regional financial sector, which will feed into the Monetary Union study.

Intensifying activities under co-operation in political affairs

Mr Speaker, co-operation in political affairs was intensified in the period under review with the development of the EAC frameworks on good governance, prevention and combating of corruption, promotion and protection of human rights and operationalisation of the EAC forum of national electoral commissions. Specific activities in this regard involved holding of various consultations and convening of meetings and conferences to develop protocols and legal and institutional frameworks on regional co-operation in these important areas.

Good Governance:

Mr Speaker, in line with the principles of good governance, including adherence to the rule of law, democracy, transparency, accountability and protection of human rights, activities towards promoting good governance in the EAC integration, a number of programmatic and policy measures were initiated. These included the development of an EAC regional framework on good governance, and EAC policy on preventing and combating corruption in the EAC region. Draft protocols on these issues have been prepared and are now programmed for validation by stakeholders before adoption by the policy organs of the Community.

A consultative meeting of Chief Justices from the EAC partner states was held in Kigali from 12–13 March 2009. The aim of the meeting was to enable our top jurists to exchange views on various matters relating to the rule of law and the administration of justice in our region. The Chief Justices recommended the establishment of a Forum for Chief Justices to promote EAC jurisprudence, uphold the rule of law and constitutionalism in the region. It was proposed that the Forum of Chief Justices meets once annually.

Human Rights:

Mr Speaker, other collaborative efforts in the sector include co-operation among National Human Rights Commissions, which are implementing the East African Community Plan of Action on Protection and Promotion of Human Rights. Meetings and collaborative activities by national electoral commissions have been incorporated into the EAC institutional framework and an EAC Forum of National Electoral Commissions was established. This is envisaged to engender regional best practices in running free, fair and credible elections. The initiatives in this sector are intended to harmonise policies, strategies, practices with a view to establishing best practices in the region and serve to lay the foundation for political integration and the eventual establishment of the EAC political federation.

Consultations on the Political Federation

The national consultations on the political federation, having earlier been completed in Kenya, Uganda and Tanzania were extended to Rwanda and Burundi and concluded in December 2008. The reports were considered by the Summit at its 10th Ordinary Meeting, which was held in Arusha on 29 April 2009. The Summit noted the support for political federation among the populations in Rwanda and Burundi. The Summit directed the Council to consolidate the reports and submit to it concrete recommendations at its sitting in November 2009 on the way forward on the establishment of a Political Federation.

Foreign Policy Coordination

Mr Speaker, the Community underscores the development of partnership arrangements with regional and international organizations in fulfilment of statutory obligations and other international instruments as one of the strategic objectives of our integration. The joint pursuit of EAC partner states' foreign policy objectives therefore remains one of the top priorities of the Community. To this end, the process of upgrading the existing Memorandum on Foreign Policy Coordination into a Protocol is at an advanced stage. The Protocol will provide a better and well defined framework within which the Community will pursue the strengthening of its relations with other organisations to enhance the Community's competitiveness and increase EAC's leverage in this era of globalisation, including strengthening the capacity and deeper involvement of our partner states' diplomatic missions.

Co-operation in Defence Matters

Co-operation in defence remains the centre piece of EAC co-operation and during the period under review this co-operation continued to be taken to higher levels. This is in recognition of the primacy of peace, security and stability in the pursuit of regional integration and development. Under the Memorandum of Understanding on Defence Cooperation that was signed in 1998, the Armed Forces of the EAC partner states undertook joint activities of confidence building and common defence preparedness. This MoU is now set to be upgraded into a protocol that will holistically address cross-cutting security challenges that affect the EAC region.

Inter-State Security

Mr Speaker, during this financial year a number of measures were taken to enhance existing co-operation in inter-state security. Among these are the establishment of a Sectoral Council on Inter-State Security to enhance the pace of decision making within the sector and the establishment of a Directorate of Peace and Security, which is at an advanced stage, to spearhead the implementation of the EAC Regional Strategy on Peace and Security.

In addition to the ongoing collective efforts towards addressing cattle rustling, proliferation of small arms and light weapons, narcotic and human trafficking, theft of motor vehicles and other cross border crimes, linkages with the AU and other regional economic communities have also been enhanced as part of a larger process of implementing the AU continental peace and security architecture. In this regard, completion of a regional conflict early warning system is at an advanced stage while a regional framework for conflict prevention is being developed.

Legal and Judicial Affairs

On legal and judicial affairs, the focus was on the ongoing review of the Treaty. Other activities involved the preparation of Bills, enactment of legislation and conclusion of protocols, including the development of a protocol to operationalise the extended jurisdiction of the East African Court of Justice. Work was continued on the regional judicial training and approximation of municipal laws in the East African Community context.

With regard to the harmonisation of commercial and business laws in the EAC, the investment climate facility for Africa is supporting the EAC Secretariat with a legal consultancy for this purpose.

Streamlining and strengthening financial and administrative systems for effective regional organization

Capacity building:

Mr Speaker, under human resources and administration, activities are centred on strengthening the human resource, financial and physical capacity to support the expanded programme and mandate of the Community. Strategic workshops and retreats were held in the period under review focused on the improvement of synergies and efficiencies within and between the EAC organs and institutions. Work was continued in streamlining administrative and operational systems and procedures in the EAC. Standard human resource policies and procedures manuals, including the procurement manual, were developed.

The Secretariat embarked on an improved financial and institutional management systems aimed at enhancing accountability and improvement of the governance process geared towards achieving value for money and better service delivery. In this regard, the process of developing a risk assessment policy, a corporate governance policy, a procurement manual, an accounting manual, an internal audit manual and project monitoring strategy framework is at an advanced stage. Once the policies and the manuals are in place, the professional competency at the Secretariat should be enhanced and the inadequacies addressed.

The automation systems in the EAC were upgraded to improve the efficiencies in record keeping; including administrative systems automation as well as, most significantly, the installation of the AU supported VSAT Video Conferencing System that is now being installed at the EAC Secretariat. This system will link the Secretariat with AU representation offices in 17 countries as well as with the offices of the regional economic communities.

In order to improve the management of the EAC financial and accounting systems, further work has been done in the area of upgrading the SUN software from eight to 16 users simultaneously and also in securing a front-end module to automate the various approval forms, for example travel forms.

The EAC Secretariat is in the process of finalising a policy on how to assist people with disabilities in the organisation; as well as on staff housing and transport.

With regard to the operationalisation of the road map to integrate the Republic of Rwanda and the Republic of Burundi, following the decisions of the extra-ordinary Summit that met in Kampala in October 2008, the position of Deputy Secretary-General (Projects and Programmes) has been restructured to cater for the entry of the new DSGs from Rwanda and Burundi. The new deputies Secretary-General (DSGs) have been appointed and were sworn in during the 10th Summit of Heads of State held in Arusha on 29 April 2009.

Construction of EAC Headquarters

Mr Speaker, with regard to the construction of the EAC Headquarters building, I wish to inform the esteemed Assembly that all tasks and activities relating to the planning and designing stage of the building are complete. A detailed road map outlining specific tasks and activities from ground breaking in September 2009 up to the completion of the construction of the headquarters expected in September 2011 has been adopted.

Enhancing Co-operation with the Development Partners

Mr Speaker, as you are aware, the EAC has over the years developed close relations with development partners and today enjoys very good relations with a large number of international aid and development agencies; who are making a significant contribution to the EAC integration process.

During this financial year, the EAC has benefited from various grants and contributions in the form of resources under the Partnership Fund, which brings together friends of EAC who contribute annually towards key EAC programmes. These contributions amounted to US \$6.0 million this financial year, that is, between July 2008 and April 2009. The contributions have gone a long way in supporting the Common Market Negotiations, EPA Negotiations, support to key studies and capacity building in the EAC. In addition, EAC has signed agreements with SIDA of US \$5.7 million for five years to support the HIV/AIDS programme; and British Pounds 5.1 million for the next three years as contribution to the EAC Partnership Fund.

The European Commission has continued to support EAC through various programmes including the Regional Integration Support Programme (RISP) and the Conflict Prevention Management and Resolution Programme (CPMR). A regional programme to cover EAC, IOC, COMESA and IGAD of 645 million Euros under the 10th EDF, 2000-2013 has been signed and programme descriptions have been finalised.

I wish to extend my gratitude to all the development partners who have supported the EAC. A special word of thanks goes to the Government of the Federal Republic of Germany for the grant of Euro 14 million, which will go towards the construction of the EAC Headquarters.

I also wish to express gratitude to the African Development Bank for the support to the tune of US \$93 million towards the construction of the Kenyan side of the Arusha-Namanga-Athi River Road and also to the Japan Bank for International Development (JBIC) for funding to the tune of US \$63 million for the construction of the Tanzania side of the road.

Mr Speaker, as honourable members would know, during the last year, the EAC has been engaged in designing an EAC Development Fund, which will address funding needs for regional projects and also address regional revenue imbalances resulting from deeper integration. A draft protocol for the fund has already been developed and is presently being discussed at the partner states' level.

Re-launching EAC branding and enhancing visibility of EAC

Mr Speaker, activities under corporate communications and public affairs continued to focus on general publicity and promotion of the EAC. These activities highlighted the negotiations of the Protocol for the Establishment of the EAC Common Market;

promotion of East African investments; and preparations for the observance of the EAC tenth anniversary.

Sustained activities were maintained in the process of revamping the EAC website with specific activities that involved regular updating of the website. A latest version of an interactive web home page was installed and links introduced for various EAC sectors/interest areas as part of the EAC re-branding project and the formulation of a new EAC marketing and publicity strategy.

Preparations were launched in the period under review for the observance of the tenth anniversary of the November 1999 signing of the EAC Treaty. The main objective of the EAC tenth anniversary observance is to publicise and popularise the EAC. Various activities will be undertaken, including symposia and setting EAC Vision 2020; sporting and cultural activities as well as trade, investments and tourism exhibitions; and a special EAC media summit. These activities will be held at various venues in Arusha and in the partner states from July under the proposed theme, “EAC, 10 Years of Progress: One People, One Destiny”.

The EAC tenth anniversary observance will provide an opportunity to reflect on the path we have traversed to identify what we have achieved and the challenges that have confronted us in realising the goals of our integration movement. The Secretary-General has constituted a steering committee comprising senior staff from all organs and institutions to prepare a programme befitting the anniversary observance. At an appropriate time, this august House will be briefed on this programme and on how the honourable members will be involved in the planned activities.

Developing synergies and strengthening role of EAC organs and institutions

In the period under review, the EAC focused attention on the need to improve the collaborative culture in the EAC. In this context, His Excellency Paul Kagame, President of the Republic of Rwanda and Chairperson of the Summit hosted a high level strategic workshop that was held in Kigali in February 2009. The workshop discussed ways and means to empower the EAC organs and institutions and establish mechanisms to enhance synergies among them in realising effective and rapid results oriented regional organisation. The Summit that met in Arusha on 29 April 2009 considered the report of the strategic workshop put before it by the Council of Ministers. The Summit decided that the Council reviews the report in the context of the Treaty and budgetary implications and make recommendations to the next Summit.

Developments in the EAC Organs and Institutions

East African Legislative Assembly:

Mr Speaker, I now wish to outline the developments that have taken place in the EAC organs other than the Secretariat, which I have already covered; and in the EAC institutions.

With regard to the East African Legislative Assembly, suffice to say, with appreciation, that in the period under review, the Assembly realised many achievements in respect to legislation and in the exercise of its oversight function. The Assembly discharged its mandate through robust deliberations of Bills that were tabled before it, including private Members’ Bills, motions and resolutions touching

on key aspects of EAC activities, projects and programmes as well as extensive outreach activities and management of the Assembly's external affairs.

In the period under review, the Assembly held four meetings, in September/October 2008 in Kigali, in November/December in Kampala; in February 2009 in Arusha; and in March 2009 in Nairobi.

In matters of legislation, the Assembly enacted Bills on the EAC Appropriation Bill 2008; the Inter-University Council for East Africa Bill, 2008; the EAC Emblems (Amendment) Bill, 2008; the EAC Budget Bill, 2008; the EAC Customs Management Act (Amendment) Bill, 2008; and the Acts of the East African Community Act (Amendment) Bill, 2009.

The Committees of the Assembly were at the same time engaged in deliberations on the following Bills intended soon to be tabled: the Lake Victoria Basin Commission Bill, 2007; the Civil Aviation Safety and Security Oversight Bill, 2007; the EAC Elections Bill, 2008; and the EAC Tourism and Wildlife Management Bill, 2008.

In addition, the Assembly debated and adopted motions and resolutions on the development of an East African Community integrated policy and laws on energy security; the adoption of a common position on ICTR completion of cases and attendant issues; peaceful resolution of the conflict in the DR Congo; ratification of the UN General Assembly on the convention of the Rights of Persons with Disabilities; development of a joint policy to protect the environment and natural resources; streamlining of the EPA negotiations; a congratulatory motion to President Barack Obama on his election as the President of the United States of America; and on urging the partner states of Uganda and Kenya to amicably resolve the Migingo Island dispute.

In its oversight function, the Assembly tabled 18 parliamentary questions to the Council of Ministers on wide ranging issues regarding the implementation of the provisions of the Treaty and the integration process. Similarly, the committees of the Assembly deliberated wide ranging issues on the broad areas of co-operation.

Mr Speaker, following the recommendations of this august House regarding provision of a residence for the hon. Speaker, the Council that met in Kampala in October 2008 decided that a residence for the Speaker be catered for in the forthcoming financial year's budget. This has been done.

Finally, allow me to mention that during this financial year, the EAC Secretariat had intended to include EALA in the RISP funding proposal and the clerk had been expressly requested to submit a budget request. However, the clerk wrote back to the effect that EALA did not need a budget line under RISP.

East African Court of Justice

Mr Speaker, the East African Court of Justice continued to hear cases brought before it, including a trend setting case for an advisory opinion that was requested by the Council of Ministers in April 2009 on the question of variable geometry. Following its reconstitution into two divisions, the First Instance Division and the Appellate Division, the Court has developed draft new rules of procedure. The Court also carried out sensitisation programmes of its role among stakeholders, focusing on the court's arbitration jurisdiction and institutional capacity.

These activities have included computerisation of the court's operations and data storage and retrieval facilities. At the end of April this year, all judges (except two) of the Court visited the European Court of Justice in Luxemburg where they attended court sessions and exchanged views with the judges of the European Court. Our judges also attended the East African Judges and Magistrates Conference in Nairobi during the first week of May 2009. The court has rented new premises and will shortly move to enable it become more effective in its operations.

Promoting Rational Utilization of the Resources and Sustainable Development of Lake Victoria

Mr Speaker, with regard to the Lake Victoria Development Programme, the Lake Victoria Basin Commission (LVBC) launched the implementation of its operational strategy (2007-2010) around its three key pillars, namely unlocking the vast potential in the Lake Victoria Basin by maximizing the utilization of natural resources; reduction of poverty and improvement in the quality of life; and environmental sustainability.

The most recent and key project is the Lake Victoria Environmental Programme Phase II. The preparation process and negotiations for funding were completed and final approval by the board of the World Bank was granted in February 2009. The project, initially involving Kenya, Uganda and Tanzania and, by extension, from December 2009, to embrace Rwanda and Burundi, involves the total budget contributed by the World Banks' Global Environment Facility (GEF) and the Swedish International Development Agency (SIDA) for the five countries of US \$252 million. This is for an eight-year period.

The commitment for the first four years is US \$114.8 million. Funding for Rwanda and Burundi component will entirely be in the form of grants. On 05 May 2009, the EAC Secretary-General signed a grant agreement with the World Bank, which provides US \$7 million to LVBC to enable it to manage and co-ordinate LVEMP II. Let me also add that the Lake Victoria Basin Commission has a donor-coordination mechanism through the Lake Victoria Partnership Fund, which brings together development partners supporting common sectors. Sweden is the main contributing partner and during the Financial Year 2008/09 has contributed US \$1,235,500.

The second notable programme, and which provides an example for replication for other trans-boundary projects in the region is the Mt Elgon Regional Ecosystem Conservation Programme (MERECp). This programme has been under implementation for two years on the Mt Elgon side in Kenya and Uganda. The programme has now been redesigned to focus more on the sustainable livelihoods of the mountain communities so as to enhance their interests in conservation of this trans-boundary resource. Climate change adaptation, which is a global concern, is now included in the programme.

The Lake Victoria Basin Commission is also in the process of operationalising the Lake Victoria Transport Act (2007) once the regulations are approved by the LVBC sectoral council. Hydro-graphic surveys of the access to ports of Mwanza, Kisumu and Port Bell are now complete with funding from LVEMP. The hydro-graphic surveys are continuing to cover the rest of the Lake. This activity will include the installation of aids to navigation and putting in place search and rescue systems with the support of LVEMP II.

Honourable members will be pleased to note that with the collaboration of UN Habitat and the African Development Bank, the LVBC pursued a programme for the supply of water and sanitation infrastructure and facilities to key towns around the Lake basin. The new phase of this programme involves preparation of investment plans for water and sanitation for at least three towns from each of the five partner states. The project will cost Euros 994,000.

Further, with the support of SIDA, the LVBC, in collaboration with African Medical Research Foundation are jointly implementing a US \$6 million HIV and AIDS project for the populations within the Lake Basin.

Identified Challenges and the Way Forward

Mr Speaker, my presentation of the performance of the EAC programme during the current financial year would be incomplete if I did not highlight some of the challenges that have confronted the EAC during the period. These challenges relate mainly to financial resources necessary to sustain the Community. During the year, and this is noted in the earlier part of my speech, the EAC has faced financial shortfalls due to generalised delayed remittances of contributions by the partner states. Had it not been for funding from development partners, many EAC projects and programmes would not have been implemented. This fact raises the concern about the increasing reliance on external funding for critical projects and programmes.

During the period under review, the EAC had to lean heavily on funding from development partners for implementing some of its priority programmes. Such financial over reliance on donors could affect the sustainability of the regional integration process. In fact, I should also add here that on average, only 70 percent of the pledged assistance is disbursed to us. And whilst there has been a general improvement in absorption capacity of donor funds, 82 percent in the case of the Partnership Fund during this financial year up to April 2009, delayed disbursements, especially in the case of RISP funds, affects our absorptive capacity. During calendar year 2008, the funding year for RISP resources, EAC was only able to absorb 74 percent of the funds because there is always a delay of 5-6 months in disbursements.

It is important to take cognizance of this situation as you consider the budget estimates for 2009/10. Thus, whereas such support should be appreciated, it is critical that partner states realise that implementing priority projects and programmes should fundamentally be funded by the partner states themselves to enhance ownership.

With regard to the recurrent expenditure, which the EAC partner states are fully responsible for, the Secretariat had to resort to borrowing from the Gratuity Fund and the Reserve Fund to bridge expenses related to salaries and meetings of the East African Legislative Assembly. The Council has urged partner states to allocate adequate budget resources to underwrite the costs of the integration process. In order to assure the EAC of adequate resources to meet a growing mandate, progress has been made in proposing alternative financing mechanisms for the EAC budget.

A proposal was tabled before the Council of Ministers in September 2008 and partner states have been urged to submit their views, which are still being awaited. Allow me, Mr Speaker, to thank the Assembly for its support in highlighting this problem of remittances from the partner states.

Estimates for the Financial Year 2009/2010

Mr Speaker, I would now like now to turn to the presentation of the budget estimates for the Financial Year 2009/2010.

Assumptions:

The EAC Budget for the Financial Year 2009/2010 is being proposed with the following assumptions:

- i. Continued and consolidated political support for the EAC integration process, including availability of adequate financial resources and timely remittances of partner states' contributions (at a time when there is declining revenues in the partner states and decline in donor support due to the global financial and economic crisis);
- ii. Continued activities in the macro-economic convergence of the partner states, including controlled inflation and stable and predictable exchange rates;
- iii. Continued support by the development partners for the earmarked financial and technical assistance support to projects and programmes; and
- iv. Further streamlining of the EAC organizational structure and strengthening of human resource capacity to support the expanded programme of the EAC.

Estimates and Strategic Objectives

The estimates being presented for the Financial Year 2009/2010, have taken into account the strategic objectives under the EAC Development Strategy (2006-2010) and the priorities that have been set by the Council for the period. In this regard, the Secretariat has applied the MTEF analysis. Policy and programme priorities being considered take into account the projections over the next three financial years, during 2009 to 2012.

The EAC policy and programme priorities for the Financial Year 2009/2010 are as follows:

- i. Finalizing the Common Market negotiations and launching of the operations of the Common Market;
- ii. Getting the Customs Union to reach its threshold by January 2010;
- iii. Laying the foundations for the EAC Monetary Union;
- iv. Intensifying promotion of regional infrastructure, industrialisation and manufacturing; trade and investments;
- v. Promoting regional agricultural and rural development, including Lake Victoria Development Programme, sustainable environmental management and rational utilisation of natural resources;
- vi. Intensifying co-operation in the social sectors;
- vii. Intensifying co-operation in political affairs; and

- viii. Institutional development, including capacity building for EAC organs and institutions, re-branding of the EAC and popular participation of civil society and the business community in the regional integration process.

Expenditure allocations

Mr Speaker, the Council is seeking approval by the Assembly of total expenditure of US \$54,257,291 to finance the implementation of the projects and programmes of the EAC for the Financial Year 2009/2010 under the prioritised areas.

Deepening Integration

The focus will be on the process of deepening regional integration. The elements of this deepening process are the movement towards the establishment of a unified Customs Authority; conclusion of negotiations and the implementation of Common Market Protocol; the conclusion of the EPA negotiations; completion of the study on the Monetary Union; following up on reaching the threshold for the Customs Union; EAC re-branding and deeper sensitisation of East African people towards political integration.

Focus on Regional Infrastructure Development

I have already outlined the emphasis which the Council places on regional infrastructure development and the progress made so far in this regard. During the next financial year, this priority will continue to be placed on the sector with the intensification of the programmes on infrastructure development (roads, railways, ports, ICT and civil aviation); and implementation of the EAC power master plan. The aim is to address effectively the challenges of competitiveness posed by the current inadequate state of infrastructure in the region.

Promotion of East Africa as a Single Market and Investment Area

Whilst appreciating the achievements being made in the promotion of trade and investments in our region, we also need to be seized of the challenges we face. The Council will focus on activities that support projects and programmes in strengthening and promoting the EAC market, including conclusion and implementation of EAC/EU-EPA; promotion of EAC as a single tourist destination; implementation of industrial and investment strategy and private sector promotion; completion of the study on the EAC Monetary Union and its implementation; harmonisation of key commercial laws in the EAC partner states, including completion of the regional policy and law on anti-piracy and counterfeiting; and promotion of the initiatives under the COMESA-EAC-SADC tripartite arrangement.

Agricultural, Rural Development and Food Security Strategies and Programmes

Mr Speaker, the activities under agriculture and food security will involve the effective launch of the EAC agricultural and rural development strategies and programmes with emphasis on addressing food security in the region. These activities will also take into account promotion of sustainable utilisation and management of natural resources; and addressing issues of global climate change, and progress under the livestock and dry land farming development.

Co-operation in the Social Sectors

I have already referred to the expansion of the regional programme as one of the significant milestones attained by the EAC during the Financial Year 2008/2009, with the establishment of the new institutions and commissions. It is noteworthy that this expansion of the EAC programme has affected mostly the activities in the social sectors, namely the commissions or councils established for culture and sports; education, science and technology, and health. These new commissions or councils will be operationalised during the Financial Year 2009/2010.

Co-operation in Political Affairs

Mr Speaker, the ultimate goal of regional integration is human development. Thus, apart from the practical orientation in pursuing economic growth of our region, we need to develop a conducive environment in which the people of our region would enjoy greater prosperity in greater freedom, liberty and security. This calls for the need to pay closer attention to the aspects of political co-operation in as much as we should do on the economic and social co-operation aspects that we are pursuing.

As I have outlined in my foregoing review of the performance for Financial Year 2008/2009, the EAC is engaging in robust activity under co-operation in political affairs, encompassing co-operation in foreign policy co-ordination, and defence and regional peace and security matters. Indeed, there is renewed focus on co-operation in the issues of good governance, rule of law, democracy, transparency, accountability and protection of human rights.

Conflicts within our partner states or between one partner state and another can only lead to setbacks in the regional integration process. We shall continue to enhance the capacity of our region in fostering friendly relations, sustainable management of our common resources as well as in conflict prevention and peaceful resolution of conflicts. The potential conflict arising out of the Migingo issue, for example, is being addressed within this framework. The cooperation in political affairs will be intensified, including improvement of peace and security in the region; and strengthening relations with AU, regional economic communities and international organizations.

Institutional Development and Capacity Building of Organs and Institutions

Mr Speaker, the issue of institutional development of the Community will be critical in the period ahead. The Council of Ministers will, in this direction, focus on support to activities in this important area, including capacity building for the organs and institutions of the Community; review of the EAC organisational structure for effective implementation of EAC's new mandates; establishment of newly created Commissions; construction of the EAC Headquarters; and strengthening of relations with the development partners.

The Council will address a number of challenges faced by the East African Legislative Assembly, including the legislative programme due to the system adopted by the partner states to translate policies into protocols before the Legislature steps in. The Council of Ministers will be engaged with the Assembly in finding solutions to these issues, including the issue of the number of sitting days within the framework of the Kigali Spirit on inter-organ collaborations. The Secretariat is already geared towards addressing some of these issues and additional resources are being sourced

from both the Partnership Fund as well as RISP to enable EALA to undertake its broad and lofty activities more effectively.

With regard to the East African Court of Justice, following its expanded structure, the Court will inevitably require interventions to enable it exercise its work efficiently. In this respect, capacity building measures will be needed, including the opening of sub-registries at the High Court centres in all the partner states in order to ease the burden of citizens and other petitioners who wish to have recourse to the Court.

There is also the need to transform the Court into a permanent institution that will handle commercial and trade disputes that are bound to arise with the consolidation of the Customs Union and the establishment of the Common Market, to revisit the terms and conditions of service for the judges and to establish a permanent seat of the Court pursuant to the requirements of the Treaty.

Review of the Treaty

The hallmarks of the EAC integration process are significantly defined by the methodical and systematic co-operation of the different organs and institutions of the Community. With the cumulative experience and achievements of the Community during the past ten years, and as we seek to consolidate the integration process, there is a logical imperative to review the provisions of the Treaty with a view to amending it to fit the lessons of experience. The era we are moving into requires streamlining and revamping the decision making process in the EAC by addressing the issues of sovereignty of the partner states and the necessary level of authority that should be granted or ceded to the EAC to make the regional organisation confident enough, competent enough and decisive enough to implement regional projects and programmes.

In addressing the issue of institutional development of the Community, I would like to emphasize here that the delays in the partner states' ratification of protocols has become an enormous challenge. This will be an area of foremost interest and concern of the Council of Ministers in the period ahead of deepening regional integration. According to the Treaty, these protocols are concluded for purposes of spelling out the objectives and scope of, and institutional mechanisms for, co-operation and integration. To the extent that these protocols are integral parts of the Treaty, they have to be brought into force through ratification by all the partner states. Delayed ratification, therefore, delays the implementation of protocols.

The Council of Ministers considers that it must address this problem by fixing deadlines on ratification whenever such protocols or other annexes to the Treaty are negotiated and concluded. Furthermore, all the organs of the Community need to closely consult on the efficacy of protocols and possibly revisit the relevant provisions of the Treaty. As stated earlier, the Council will be working on re-defining the scope of these Protocols so that they outline general principles and thereby facilitate their smoother translation into legislation.

Summary of the Budget FY 2009/2010

Mr Speaker, after this presentation of the priorities for the next financial year, allows me now to table the budget estimates for the Financial Year 2009/2010 totalling US

\$54,257,291. This budget exceeds the previous approved budget by 34 percent (US \$40,499,096).

The summary of the budget is as follows:

- Personnel Emoluments US \$16,719,628 (30.8 percent).
- Recurrent Expenditure US \$10,114,063 (18.6 percent); and
- Development Expenditure US \$27,423,600 (50.6 percent).

The budget is allocated to the organs/institution as follows: East African Community Secretariat, US \$25,655,155; Defence Liaison Unit, US \$1,939,113; Customs and Trade, US \$2,982,096; East African Legislative Assembly, US \$8,573,761; East African Court of Justice, US \$2,868,613; and Lake Victoria Basin Commission, US \$12,238,553.

Following discussions with the General Purpose Committee, a decision has been taken to allocate from the Secretariat Budget US \$438,000 to fund one activities for each of the seven committees of EALA. This budget line will be reviewed further in the next financial year. The Secretariat will be seeking the support of development partners to cover the shortfall in the budget required to execute the planned activities of the Secretariat in the Financial Year 2009/2010.

The budget is to be financed by contributions from partner states, US \$27,966,699; development partners' contribution, US \$26,223,665; and miscellaneous income, US \$66,927.

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

(*Question proposed.*)

The Speaker: Honourable Members, so as to allow you to internalise the Budget Speech and the annexure, I will defer debate on the Budget until next week. I would also like to make a few announcements before I adjourn.

We have a meeting tomorrow with *Kituo cha Katiba*. I think you have received a memo from the Clerk to that effect. The meeting starts at 10.00 a.m. and I request the Members to be here by 9.30 a.m. so that we can start our meeting early.

Secondly, the Burundi tour is scheduled for Saturday. It is a day-long tour. It was supposed to have been two days, but after looking at the Budget and the annexure, we decided to make it one day so that you can look at the Budget on Sunday. So, the tour starts from here at 8.00 a.m. The buses will leave your hotels at 7.30 a.m.

Finally, I would like the following Members to come to my office after the session: honourables Kate Kamba, Bernard Mulengani, Safina Kwekwe, Frederick Ngenzebuhoro, Odette Nyiramilimo, Otieno-Karan and Dan Ogalo.

ADJOURNMENT

The Speaker: I now adjourn the House until Tuesday at 2.30 p.m.

(The Assembly rose at 4.40 p.m. and adjourned until Tuesday, 26 May 2009 at 2.30 p.m.)