EAST AFRICAN COMMUNITY

IN THE EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)

The Official Report of the Proceedings of the East African Legislative Assembly

THIRD ASSEMBLY: SECOND MEETING - SECOND SESSION

Wednesday, 30th October 2013

(The East African Legislative Assembly met at 2.30 p.m. in the Burundi National Assembly, Bujumbura, Burundi.)

PRAYER

(The Speaker, Ms Margaret Nantongo Zziwa, in the Chair)

(The Assembly was called to order)

COMMUNICATION FROM THE CHAIR

The Speaker: Hon. Members, I wish to welcome you to today's sitting. I have three important items to communicate. First, the EAC Secretariat put out an EAC Brand Survey- Internal, 2013. This survey is intended to pick your mind, to pick your opinion, to pick your input on how to improve the effectiveness of the EAC. The survey started about three months ago and it is due to be concluded.

I wish to request you, hon. Members to take off time- the clerk is going to circulate a hard copy al through there have been soft copies sent to their e-mails so that between today and Friday, you take off time to fill this very important document of the survey. It will be a very important addition because EALA has responded least. We are being quoted at 13 percent only. So, I want to call upon you that when you get the EAC Brand Survey - Internal, 2013, you kind take it seriously. Take off a few minutes- many of the questions are optional – fill it so that we are able to be counted.

Secondly, from the Secretary General's office; the annual report for 2011/12- a draft report has been prepared and is going to be circulated amongst you, Members so that you are able to interface with it. See where there are additions to be made or subtractions or corrections so that at an appropriate time we are able to have a final report which is reflective of the true image of the EAC. So, it is also going to be circulated to you. Take off time and look at it, particularly the Chairperson of the Committee on General Purpose, Dr Nduwimana, and look at it critically so that we can look at the accuracy of the reporting.

Thirdly, I would like to stress and emphasize that the sensitization workshop of EALA Members on the East African Monetary Union will take place in Bujumbura in Hotel Meridian – okay, you will get the information about the hotel but I wanted to put so much emphasis on its happening. It is very important because we are going to be given an opportunity to make an input on the EAC Monetary Union, which we know very well that the protocol is going to be signed on 30th November, 2013. So, I invite you to be present so that we are able to execute this very important legislative function as EALA.

Lastly, I would like to thank the members of the netball and football teams. I took cognizance of the increased number in the football team, congratulations and I want to congratulate the team captain. I would also want to call upon other Members have not shown enthusiasm to come forward. The numbers count; the numbers matter and we have to make sure that we defend the flag. So, thank you very much and I wish to see many more Members tomorrow. Thank you very much.

LAYING OF PAPERS

The Chairperson of the Committee on Communications, Trade and Investment (Ms Angela Kizigha): Thank you, Madam Speaker. I beg to lay on the table the report of the Committee on

Communications, Trade and Investment on the consultative workshop on the East African Monetary Union. I beg to lay.

The Speaker: Thank you very much, Chairperson of the Committee on Communications, Trade and Investment.

REPORT OF THE COMMITTEE ON COMMUNICATIONS, TRADE AND INVESTMENT ON THE CONSULTATIVE WORKSHOP ON THE EAST AFRICAN MONETARY UNION

MOTION

The Chairperson of the Committee on Communications, Trade and Investment (Ms Angela Kizigha): Thank you, Madam Speaker. The motion is that the report of the Committee on Communications, Trade and Investment on the consultative workshop on the East African Monetary Union be adopted.

The Speaker: Seconded by hon. Nakawuki, hon. Yves, hon. Shy-Rose, hon. Ndahiro, hon. Kidega, hon. Nancy Abisai, hon. Abdul Karim and hon. Bazivamo; proceed.

Ms Kizigha: Before I proceed, Madam Speaker, to present the report, I would also thank the Republic of Burundi for the warm welcome they have given us for the last two weeks that we have been here. On behalf of the CTI Committee, we do really appreciate and say thank you very much for the warm hospitality.

Madam Speaker and hon. Members allow me also take this opportunity to associate myself and on behalf of the Committee of CTI to send our condolences to the Government of Kenya and the people of Kenya upon the loss of lives during the terrorist attack that befell them at the Westgate Mall last month. Back to the report Madam Speaker, let me start with the background.

Background

Under Article 49 of the Treaty for the Establishment of the East African Community, East African Legislative Assembly is mandated to exercise both legislative and oversight functions on all matters within the scope of the EAC through meetings, studies, workshops; tours, on spot assessment activities, to mention but a few.

Article 82 of the Treaty provides that EAC Partner States undertake to cooperate in monetary and fiscal matters in accordance with the approved macro-economic policies, harmonisation programmes and convergence framework of the Community in order to establish monetary stability within the Community aimed at facilitating economic integration efforts and the attainment of sustainable economic development of the Community.

In view of the above, the EAC Partner States have been engaged in the negotiations of the East African Monetary Union (EAMU) Protocol since 2011, and the negotiations are currently in advanced stages targeting the protocol to be signed by the Summit of EAC Heads of States by the end 2013. It is against this background therefore that a consultative workshop was organized to acquaint Members with the state of play of the negotiations, opportunities and challenges involved.

Objectives of the workshop

The overall objective of the interactive workshop was to sensitize and build the capacity of the Members of the Committee on Communications, Trade and Investment on various issues pertaining EAMU. The specific objectives included:-

i) To update Members on the current status of EAMU Negotiations and how they impact the EAC Integration;

ii) To inform Members on Opportunities and Challenges associated with EAMU;

iii) Come up with recommendations on the way forward for EAMU Negotiations.

ATTENDENCE AND METHODOLOGY

The workshop was attended by CTI Committee Members,, Members of Parliament from EAC National Assemblies, representatives from the East African Community Secretariat, Government Ministries agencies, Private Sector, Academia, Civil Society and the Media. The meeting was organized in form of Paper presentations, interactions and plenary discussions between participants and Experts.

FINDINGS

From the presentations and discussions at the workshop, the committee took stock of the following findings:-

An Overview of the Proposed East African Community Monetary Union

Definition of a Monetary Union

A Monetary Union is where two or more countries with a single currency or different currencies having a fixed mutual exchange rate monitored and controlled by one central bank. A Monetary Union entails attainment of macro-economic convergence, establishment of a legal and institutional framework, and attainment of integrated financial market and use of a single currency.

History of EAMU

The entry point of the EAC integration process is the Customs Union, with subsequent stages of Common Market, Monetary Union and ultimately a Political Federation as provided for in Article 5 of the Treaty establishing the East African Community. The integration milestones in Article 5(2) of the Treaty constitute the foundation upon which the projects and programmes of the Community are developed.

Following the directive of the 6th Extraordinary Summit to expedite the establishment of an EAC Monetary Union by 2012, the process for the establishment of the EAC Monetary Union started. The 11^{th} Ordinary Summit held on 20^{th} November 2009 directed that upon the coming into operation of the Common Market, the preparations for the establishment of the Monetary Union should be moved into higher gear.

In this regard, a comprehensive study on the level of preparedness on the establishment of the EAC Monetary Union was undertaken by the European Central Bank (ECB) at the instance of Monetary Affairs Committee (MAC).

The study was validated through a consultative process by all stakeholders and was adopted by the Council. Subsequently Council established a High Level Task Force (HLTF) composed of key players in the financial sector to negotiate the EAMU Protocol. A Sectoral Council on Monetary Union was established by the Council to drive the process and technical negotiations for the Monetary Union commenced in January 2011 and ended in June 2013.

The 14th Ordinary Summit held on 30th November 2012 directed that the High Level Task Force concludes the negotiations of EAMU protocol and report progress during the 11th Extra-ordinary Summit with the view of signing the protocol during the 15th Ordinary meeting of the Summit.

The 11th Extra-ordinary Summit held on 28th April, 2013 directed that the roadmap to the conclusion of the EAMU protocol will include: the third meeting of Sectoral Council on EAMU to finalize the technical negotiations; the Extra-ordinary Council of Ministers to clear the EAMU Protocol and refer it to the Sectoral Council on Legal and Judicial Affairs for legal inputs.

Consequently, Sectoral Council on East African Monetary Union and 27th Extraordinary Meeting of Council were held in June 2013 in which technical negotiations were concluded. EAMU negotiations process was informed by the ongoing developments, lessons and experiences in the Euro zone and the West African Monetary Union among others.

The Legal Basis

The following articles provide a legal basis for EAMU; - Article 5(2) of the Treaty provides for the establishment of monetary union; and Article 82 of the Treaty- provides for a scope of cooperation in monetary and financial cooperation. Chapter 14 of the Treaty provides for broad monetary and financial cooperation to achieve objectives in Article 5 of the Treaty. While Article 151 of the Treaty provides that Partner States are enabled to conclude Protocols in areas of cooperation and it’s on this basis that, EAMU Protocol was proposed.

Objectives of the EAMU

The broad objective of EAMU is to promote and maintain a zone of sound monetary policy and prudent fiscal policies and financial stability to facilitate the achievement of sustainable growth and development of the community. Specific objectives include:-

1. To strengthen the internal markets by removing exchange rate fluctuations and the costs inherent in exchange transactions, as well as the costs of hedging against currency fluctuation risks;
2. To ensure comparability of costs and prices within the EAC, which would help consumers to stimulate intra-EAC trade and facilitate business;
3. To reinforce EAC’s monetary stability by ending any possibility of speculation between the EAC countries’ currencies, and ensuring that the EAC currency is largely invulnerable to international speculation and enabling it to become a major payment currency.

Scope of EAMU

1. Introduction of single currency;
2. implementation of single monetary and exchange rate policy and harmonised fiscal policies;

2 Integrated financial markets;

3 Common principles in regulation and prudential supervision;

4 Harmonised statistics frameworks;

5 Common framework for ensuring financial stability;

6 Policies to ensure sustainable economic convergence;

7 Surveillance, compliance and enforcement mechanism;

8 Harmonised accounting principles and standards;

9 Attainment of prerequisite for admission and entry into EAMU.

Aspects of the EAMU Protocol

1. Article 2 of the draft EAMU Protocol provides for the establishment of a Monetary Union which will be established in a progressive manner following the roadmap;
2. Roadmap provides for implementation of the EAMU Protocol over a period of 10 years when single currency will be realized and this roadmap has timelines which is now a schedule in the Protocol;
3. The macroeconomic framework involves the following:-
   i) Monetary policy framework which highlights that the primary objective shall be price stability;
   ii) Monetary and Exchange rate policies will be formulated by the East African Central (EACB) Bank and be implemented by the National Central Banks (NCBs);
   iii) Exchange rate policy shall have a convergence phase and conversion of exchange rates will be irrevocably fixed by the Council;
4. Determination of conversion rates and Partner States currencies will be converted to EAC currency on a date to be determined by the Council and will be within 6 months from date of starting a single currency.

5. Coordination and harmonisation of fiscal policies shall include coordination of Budget processes, joint project planning and financing, public procurement, public debt management;
6. Coordination of monetary and fiscal policies;
7. Restriction on central bank lending to public entities;
8. No provision for bail outs;
9. Framework for resilience and managing economic shocks;
10. Foreign reserves management whereby part of it will be transferred to the East African Central Bank;
11. Legal instruments to be redenominated and bank notes and coins only will only be legal tender;
12. Financial stability will be done through development and harmonisation of the financial sector which includes banking, capital and Money Markets, Insurance, Pensions and Microfinance;
13. Harmonised payment and settlement system, statistical frameworks, compilation and dissemination.
14. The conduct of foreign exchange operations is an important function of the conduct of monetary policy and will be assigned to the East Africa System of Central Bank to ensure that foreign exchange operations remain consistent with the aims of monetary policy.
15. Specific supervisory tasks related to the financial stability of all banks in the EAC will be surrendered at the supranational level, though national supervisors that will continue to play an important role in day-to-day supervision and in preparing and implementing East African Central Bank decisions.
16. East African Central Bank will monitor compliance by the National Central Banks with the prohibition of monetary financing and privileged access to financial institutions for the public sector. At the country level monetary policy will be transferred to the East African Central Bank after EAMU formation and fiscal policies will have key roles to play in achieving the appropriate policy mix.
17. The fiscal rules will ensure that priority expenditures such as those for social safety nets and infrastructure investment be preserved to avoid exacerbating the economic and social effects of shocks.

18. The EAC countries will ensure that national procedures in the budgetary processes enable them to meet their obligations and the EAC member states will report their planned and actual deficits and debt levels promptly and regularly to the Council.

Prerequisites for transition to EAMU

1. Implementation of customs union and common market;
2. Coordination and harmonization of monetary and exchange rate policies;
3. Introduction of bands and gradually fixing exchange rates;
4. integration of financial systems;
5. Harmonization and integration of payment and settlement systems;
6. Harmonization and coordination of statistics and macroeconomic policy;
7. Phasing out of outstanding central bank lending to public entities;
8. Establish a mechanism for surveillance, compliance and enforcement;
9. Meet the macroeconomic convergence criteria. Below are major aspects in adhering and maintaining the macroeconomic convergence criteria;

(i) Performance criteria, this includes:-

- Headline Inflation ceiling of 8%;
- Fiscal deficit (excluding grants) ceiling of 3% of Gross Domestic Product (GDP);
- Public debt to GDP of 50% ceiling in Net Present Value;
- Reserve cover of 4.5 months of imports;

(ii) Indicative criteria:-

- Core inflation ceiling of 5%;
- Fiscal deficit (excluding grants) ceiling of 6% of GDP;
- Tax to GDP ratio of 25%;
- Partner States will develop a medium, term convergence program, where they will be required to fulfill the prerequisites and consistently satisfy the macroeconomic

convergence criteria for at least 3 consecutive years with economic fundamentals indicating sustainability.

10. Summit shall pronounce the commencement of Monetary Union if there is a minimum of three Partner States ready while others will be continuously working towards meeting the conditions as provided for under the principle of Variable Geometry in Article 7(e) of the Treaty establishing the East African Community.

Proposed institutional framework under EAMU

For purposes of effective implementation of EAMU, the following institutions will be established:-

1. East African Monetary Institute (EAMI) – this will be a transition institution and will be a precursor to other institutions;
2. The East African Central Bank (EACB);
3. Institution responsible for financial services;
4. Institution responsible for Statistics;
5. Institution responsible for surveillance, compliance and enforcement.

Decision making and governance in the Monetary Union

1. Decision making will be by all the Partner States however most of the decisions shall be delegated to the East African Central Bank;
2. East African Central Bank shall be independent with no influence from Partner States;
3. There shall be a Governing Council of the East African Central Bank comprising of representative of all the Partner States.
4. In EAMU, the members of the Governing Council representing the Partner States that will have not surrendered their monetary and exchange rate policy shall not have decision making powers.

EAMU Transition

After ratification of the EAMU protocol, a transition phase of 10 years will follow before the realization of the single currency and the implementation roadmap with timelines is now a schedule in the Protocol. Several activities that support the transition to EAMU are ongoing through different Sectoral Committees as mentioned below. These Committees have tremendously advanced on a number of aspects and they include the following:-

1. The Committee on fiscal Affairs; This committee among other things covers Public Financial Management and Reporting, Fiscal convergence, Fiscal deficit and debt management, Tax harmonisation, Public Private Partnerships and other financing mechanisms.

2. Capital Markets, Insurance and Pensions Committee; This Committee follows up on the creation of a single financial market.

3. The Committee on Statistics; This is responsible for production of robust statistics and the harmonisation programs with focus on harmonisation of Government Finance Statistics, Consumer Price Index, Balance of payments, Monetary and Financial Statistics and national accounts.

4. The Monetary Affairs Committee; This covers Monetary and exchange rate policies, Financial Markets, Banking and Supervision, Payment and Settlement Systems, Currency, Accounting and Financial Standards among others.

Benefits of a Monetary Union

1. A monetary union will lead to reduction in transaction costs, consolidation of the Single Market, price convergence and stability. This is important because it will increase efficiency in production as a result of increased specialization and economies of scale, thus increasing the EAC's level of total GDP.

2. Monetary Union will lead to a stable EAC currency which will increase certainty to business and this ultimately will attract foreign multinationals to invest in the EAC.

3. A monetary union will also lead to more stable and predictable monetary policy which will be managed independently by the future East African Central Bank, and ultimately lower and less volatile inflation, exchange and interest rates.

4. A monetary union will generally have clear long-term benefits in form of lower transaction costs, increased trade and greater macroeconomic and monetary stability.

5. A monetary union will give the EAC increased bargaining power in the emerging free trade negotiations.

Challenges of a Monetary Union

Some of the challenges of a Monetary Union include;-

1. The strongest economic argument against monetary union is the obvious diversity of the economies involved. Problems will emerge when economies with different fundamental economic structures, levels of efficiency, productivity and inflation are integrated under a single currency.

2. The economic convergence will lead to loss of sovereign monetary policies. Economic policy would become very rigid within EAMU as governments lose the option of devaluation, and monetary policy would be set by a supranational East African System of Central Banks (EASCBs).

3. In the event of a detrimental asymmetric shock that puts the economy in recession, the government would be very limited in its policy response options in EAMU.

4. EAMU will reduce flexibility as direct control over exchange rate and monetary policy lies in the hands of East African Central Bank and not the Central Banks of Partner States.

5. Financial constraints in establishing and funding key institutions may be a challenge due to donor dependence.

6. Partner States may struggle complying with the macroeconomic convergence criteria due to different economic structures with unequal capabilities.

EMERGING ISSUES

1. The Sectoral Council on Monetary Union approved and referred the Draft Protocol on EAMU to the Sectoral Council on Legal and Judicial Affairs for its legal input; However there are concerns that some key elements have since been removed by the Sectoral Council on Legal and Judicial Affairs;

2. The Committee was informed that the name of the single currency shall be determined by the summit at a later stage;

3. All countries have agreed on the entire protocol including the proposed roadmap of 10 years for transition. This time frame was proposed due to all preparatory works involved including full implementation of the Customs Union, common market, macroeconomic convergence criteria and other prerequisites;

4. It was proposed that the funding of East African Central Bank is based on the equal contribution model by all Partner States as they will have equal rights and obligations;

5. There are concerns about Exit from EAC Monetary Union by a Partner State. The meeting was informed that once a Partner State entered the EAC Monetary Union, it cannot withdraw from the EAC Monetary Union. The only possibility is to fully withdraw from the EAC as per Article 145 of the EAC Treaty.

6. EAMU will be robust since it is drawing lessons from the challenges of the existing currency unions such as euro zone and others on the African continent;

7. Currently, each EAC country conducts its monetary policy independently and Monetary Policy frameworks and policy goals differ among the EAC countries. However, Central Banks have made tremendous progress in harmonizing the conduct of monetary policy and other areas/operations that fall under the realm of central banking and efforts to harmonize and eventually converge remain on track.

8. Despite the harmonization, the EAC partner states will continue to exercise considerable sovereignty in several economic areas. In particular, spending and taxing powers will continue to be vested in the hands of national authorities.

9. Fiscal deficits financing remain the biggest challenge to the realisation of EAMU. This is because most of the EAC partner states have rapid expanding fiscal deficits and debts and the methods of deficits financing, i.e. pressure for monetary accommodation. Therefore, the potential threat of budget deficits and their financing to monetary stability requires prohibitive laws.

RECOMMENDATIONS

1. Partner States should fully implement the EAC Customs and Common Market Protocols as they are critical for the success of the East African Monetary Union;

2. The EAC Council of Ministers should harmonise the two versions of EAMU Protocol approved by the Sectoral Council on Monetary Union and the one of the Sectoral Council on Legal and Judicial Affairs of to void discrepancies between them.

3. EALA should facilitate the passing of bills and other implementing regulations for EAMU to avoid stagnation as it was the case in common market protocol.

4. Partner States should develop medium term convergence programs early enough to work towards complying with convergence criteria and maintain fiscal discipline;

5. EALA should take part in the advocacy on EAMU among the EAC populace;

6. There should be active involvement by all organs, the private sector and civil society to play their respective roles and ensure that East Africa Monetary Union benefits reach all stakeholders;
7. Surveillance and enforcement mechanisms should be put in place to ensure that all member states abide by the rules in the EAMU;
8. The harmonization of capital markets laws & integration of capital markets infrastructure should be fast tracked;
9. A robust Regional Capital Markets Institutional and Supervisory Framework should be developed;
10. A Financial Sector and Economic Stabilization Mechanism should be established.

CONCLUSION

EAMU is a great opportunity to accelerate the process of integration in East African Community because the benefits are credible despite the challenges. However, Partner States should exercise financial discipline for a successful Monetary Union. EAC Council of Ministers and EALA should also initiate and expedite the necessary and required legislations under EAMU including expediting all aspects under East African Community Customs Union and Common Market to ensure effective implementation of EAMU.

ACKNOWLEDGEMENTS

1. The committee wishes to express its utmost appreciation to the Rt. Hon. Speaker of EALA for the commitment and support offered to successfully hold this workshop.
2. Special thanks go to the office of the Clerk of EALA for the tireless efforts portrayed in all logistical arrangements to make this workshop a reality.
3. The committee is also indebted to the Governor of Bank of Uganda and the Minister of Finance, Planning and Economic Development Uganda for officiating the opening and closing ceremonies of this workshop respectively despite their busy schedules.
4. We thank the Resource Persons for the paper presentations and all participants for having spared their precious time to participate in this workshop.

The Speaker: Thank you very much, hon. Angela Kizigha, Chairperson of the Committee on Communications, Trade and Investment for that elaborate report. Hon. Members, the motion on the floor is that the report of the Committee on Communications, Trade and Investment on the consultative workshop on the East African Monetary Union be adopted. Debate is open.

Dr. James Ndahiro (Rwanda): Thank you, Rt hon. Speaker and the Chairperson of the CTI Committee. Hon. Members, as the chair was going through the report, I noticed some typos which I would like to correct as a member of that committee before I proceed.

Madam Speaker, Members had read through the document and seen where it mentions the Sectoral Committee on the Monetary Union, I think it is was a typo; it is meant to be the Fiscal and Monetary Affairs Sectoral Council. I just wanted to note that for the guidance of Members reading the document.

The Speaker: Hon. Ndahiro, could you repeat where that typo is?

Dr. Ndahiro: If you go to the recommendations, in those two parts. You will see a mention of monetary union committee.

Madam Speaker, I was part of the committee that attended the workshop in Kampala. We had about two differing views on the Monetary Union; one was an optimistic view and the other was a pessimistic one. And that is acceptable which I think is a valid situation in any democracy. But what emerged was lack of consensus on the procedure.

Madam Speaker, the Sectoral Council on Fiscal and Monetary Affairs are the experts in this area because that council brings together the Governors of the Central Banks and Ministers of Finance and Economic Planning from our Partner States. Those are supposed to be the experts in the area. I am not suggesting that members of the Judicial and Legal Affairs could not be or are not experts. They could be or they are but at that particular moment when somebody is occupying that office, they are expected to take leadership of that sector.

The Finance Ministers and the Governors of the Central Banks came together and negotiated a document on the Monetary Union. They started with the prerequisites of a Monetary Union; they went through all the policy areas that are instrumental for a sustainable Monetary Union. They negotiated more than 70 Articles of the protocol as the experts.

Then because procedurally they are supposed to have the legal input, or to have a document to be looked at by legal experts to see whether the form; the language is consistent with the document of the Community. So, that protocol was signed off by the Fiscal and Monetary Affairs Members and they sent it for legal input.

Now, when it was sent for legal input, the Secretariat wrote to Partner States and the Partner States chose to send members of the Coordinating Committee – technicians in Ministries of

Justice who sat in Arusha as the experts who were supposed to look at the document and make sure that it has the legally required language.

Mr. Kaahwa: Thank you, Madam Speaker and I would also like to thank hon. Dr Ndahiro for giving way for the relevant information I am going to avail. Madam Speaker, the work on the protocol by the Sectoral Council on Legal and Judicial Affairs has not yet been finalized. What has transpired is that technical officials have made some recommendations on the draft protocol and its contents which recommendations as yet to be considered and agreed upon by the Sectoral Council on Legal and Judicial Affairs which has not yet met.

So, it is appropriate and desirable in this august House that as we debate the contents of the draft protocol as agreed by the Council and handled so far by the technical officials and yet to be handled by the Attorneys General, we don't address the matter as if it has been finalized. I thank you, Madam Speaker.

Dr. Ndahiro: Thank you, Rt hon. Speaker. Thank you, hon. CTC. I am reporting what transpired in the consultative workshop, Rt hon. Speaker and I have not suggested that the work is over. I am reporting on what the experts did and actually during that particular meeting, some members came up with a terminology that the protocol was "massacred" in Arusha – something like that.

From a protocol with more than 70 Articles, they reduced it to 17 Articles. They first removed the prerequisites for the Monetary Union; they removed all policy related Articles which would make the protocol difficult to implement.

We have a chance, as the CTC suggests, that the committee responsible is yet to meet and finalize on the document. Our humble request is that they should not meet alone as legal experts. They should instead meet with the experts in the area who are the Governors of our Central Banks and Ministers of Finance who are the policy leaders in the area so that they can harmonise their positions and come out with one document that is useful for the purpose.

Rt hon. Speaker, there are issues related to our ability as a region to protect ourselves from external shocks. We have learnt lessons from the European Union and you have seen what has happened in Greece. Some people were of the view that at this point in time, the Community doesn't require a monetary union. We can wait; we can delay this and look at the other regions but as integration continues, our people want to see us delivering in terms of enabling them to enjoy the benefits of integration, that is, cross border trade is made very difficult because of our different currencies.

One trader crosses one of the borders with goods and they have to get change from one currency to the other. Sometimes one changes three currencies simultaneously making it very difficult to run a competitive business.

The beauty with the protocol as it stands is that it has allowed Partner States, probably not to jump to a single currency immediately, but to have a basket of currencies whereby they could sit and agree on exchange rates so that if a trader crosses a border, they can sell in that particular currency, bank that particular currency in their particular bank at home and then the issues converting the currency remains the task of the Central Governments. That would help to promote trade and allow more capital to cross borders.

Madam Speaker, the other beauty in this protocol is that we know that changing economic systems requires time. There are complex issues to deal with and, therefore, we are not expected to finalize or finish these stages at the same time. But what happens if some of the Partner States are able to finish faster and are able to harmonize and attain all the prerequisites in time? The protocol allows them then to continue, move and integrate those economies so along as not less than three members are able to do it at the same time. So long as they are able, the can continue and others join them stage by stage.

I think this will not delay implementation of the Monetary Union as we can see the delays in the implementation of the Common Market Protocol. Madam Speaker, with these few remarks, I support the motion.

(Applause)

The Speaker: Thank you, hon. Ndahiro for the – I don't know whether that was optimistic or pessimistic – but I can see that you had your facts on your fingertips. I will take hon. Frederic Ngenzebuhoro.

Mr. Frederic Ngenzebuhoro (Burundi): Thank you, Madam Speaker. I rise to fully support this report. I would like to thank you for availing the members of the Committee on Communications, Trade and Investments the opportunity to attend this workshop in Kampala. It was a good opportunity to internalize the challenges of the establishment of the Monetary Union is facing because we must be very frank, challenges are there and they are very important.

It was an opportunity for us especially those who are not experts in financial matters to understand how difficult it will be to see to it that that Monetary Union is a reality. Even if it is said that it will be in ten years' time. You can imagine ten years from now is not that near.

It was also an opportunity for us to realize how long it will take to enjoy the advantages of that Monetary Union. Even if my friend, Dr Ndahiro said that we shall get many advantages, it will be very difficult to reach them very easily. But nevertheless, let us continue with hope and wish this Monetary Union the best.

Madam Speaker, I would like to take this opportunity to thank hon. Kizigha, the Chairperson of the Committee on Communications, Investment and Trade for the weld done and well-presented report.

Madam Speaker, I agree that the Monetary Union is very important. It is the third pillar of the integration of the Community especially as it is stipulated in Article 5 (2) if I am not wrong. But this Monetary Union has, as it is in the report, requires several prerequisites to be in place. And frankly speaking, most of them are very difficult to realize. For example, when we are asked to eliminate fiscal deficit by the time of being, it will not be easy for many countries, not in this region only, but also let us hope that one day it will take place.

It is true that the Monetary Union presents a lot of advantages and for me the most interesting advantage is to have a single currency. You know that in our legal framework all the accounts of the East African Community must be in US dollars, which means that we are always subject to the situation of the foreign currencies. The day we shall reach that single currency in our region will be a victory for the Community and I wish to live and enjoy that day because it will be a very important day when we shall really be independent. He is saying that we shall take champagne or water or whatever, it will depend.

Madam Speaker, I don't want to take a very long time on this matter. I fully support the report and hope that one day we can enjoy the advantages brought in by the Monetary Union. Thank you again and I support the report.

(Applause)

The Speaker: I will take hon. Abdu Karim.

Mr. Abdul Karim Harelimana (Rwanda): Thank you, Madam Speaker for giving me this opportunity to contribute to this important report, which was given to us by hon. Angela Kizigha.

Madam Speaker, it is known in our Treaty that the Monetary Union is one of the pillars of the integration. I think we are moving in the right direction since we started with some challenges which through the hon. Chair of the Council of Ministers we are slowly defeating them.

Madam Speaker, the report is very exhaustive and the people who gave them this information, I think are very knowledgeable in their sector. However, I have a few questions and maybe some suggestions; one, what will be the name of our currency? Have they started thinking about it because we are about to start using it?

Rwanda and Burundi are using what we call Rwanda Francs and Burundi Francs, which I think are French names. I don't know very well.

In Uganda, Kenya and Tanzania they are using shillings, which I also think is some kind of English. Soon maybe South Sudan will join us – they use something called dollars- so I think we need one name for our currency.

Madam Speaker, the challenge which I fear that we shall face is what in the report they are talking about the Monetary Union and how we shall go about it. That there are no big challenges but are learning from the other monetary union zones where they gave an example of the Euro. We know the problems which they have been going through and they are still going through but they also give African problems.

I think we have two monetary unions in Africa; one in Central Africa where you have Congo Brazzaville, Central African Republic, Cameroon and Gabon. These have Francepha and we have another one in French West Africa where you have Cote D'Ivore, Mali and Senegal where they also have a Francepha. The challenge here is that these Francs in Central and West Africa are very much relying and depending on the old French Franc. That is where they got their guarantee as security of their money.

Whenever there is an economic problem in France, it affects them whether they want it or not. Whether they know the source of the problem or not, it affects them. And when it is good in France, they are well off and when France wants to pull them down anytime, it does so. So, this is my fear. Where are we going with our new currency?

Shall we depend on the US dollar? It has got its own problems. You remember when they got the so called universal economic crunch, what happened to the word because we depend on that money which you don't know when it is made and why it is made and why is largely circulated. Whoever makes his accounts thinks about the dollar. I have 1,500 Burundi Francs which is equivalent to a certain amount of dollars. So, where shall we be?

Then, another challenge is about the – what does other money depend on? We now have the Chinese Yuan – it is not very strong and it is not in every country but it is becoming strong because of their economy. Do they also depend on the dollar or any other currency outside or do they depend on kind? Like in some Arab countries, their money depends on gold or petrol instead of depending on the dollar. Where are we going in that direction?

Madam Speaker, as I support the report, I think one day we need honestly to move with one currency. There is no doubt about that. Imagine even our budgets as the East African Community, etcetera, they are in US dollar. When you come here Abella Kamuzoora serves you in US dollar abut when you g to the market, you need Burundi Francs.

I remember when I came here for my first meeting in Bujumbura, we used to change 1 dollar for 1,200 Burundi Francs, today I think it is 1,600 until when shall we do that? So, we need our own money here, which, I pray, will be very strong. Madam Speaker, I beg to support the motion.

The Speaker: Thank you very much, hon. Abdul Karim. The more you debated the more I realized that we need the Friday conference so that we are all able to think together and also develop a common position for EALA. I will take hon. Kidega.

Mr. Daniel Kidega (Uganda): Thank you, Madam Speaker. You have just picked exactly from my mouth what I was about to say about Friday's workshop. Madam Speaker, just to add on what you have just said, I am sure if this report was to come after the workshop of Friday/Saturday, the debate on the floor would be very different and the participation level would be very different. Nevertheless, this gives us a precursor and excitement for us to attend the workshop and be more attentive on the issues therein.

Madam Speaker, I would like to appreciate very passionately the work done by the leadership of the committee and the Clerk for bringing this report. I would like to specifically also appreciate the facilitation that was given to us because I am a member of this committee and we were very comfortable in the work we were doing. We shouldn't take these things for granted; we are grateful for that.

The nature of the resource persons that came and talked to us were high profile East Africans. The Governor, Bank of Uganda came and irrigated the meeting with a lot of ideas; the Director of Research came and talked to us; prominent officers from Ministry of Finance, Uganda-economists. Our own very good member of the Secretariat, Mr Maate came and took us through. So, it was really a very rich workshop and I would really want to thank the organizers, the chairperson and all that were involved to make us understand this technical subject.

Now, three quick issues; one, I am really at peace with the principle that has been enshrined into this draft protocol specifically on the operational principles of the Community; Article 7 (e) the principle of variable geometry. I wish all these other protocols which we have been dealing with in this Community enshrined this principle; operational principle of the Community in Article 7 in those protocols such that the progress of implementation is easy. So, I would like to salute the principle that provides that: *"When three are ready, have complied with the conditions stipulated, the Summit shall sit and declare movement or progress."* I think this is a very good principle and this House should really applause it and encourage our technical persons and our various actors that in future protocols coming, we should enshrine this principle.

The other thing which I noticed, Madam Speaker, I think there is need for our technical people also to understand that within this body of politicians called the Parliament, there are actually technical people. They either came from them to join here or they came from their specific fields of interest and became politicians. In essence, technical people should stop the mentality that those are politicians. We are actually in the body of politics here with a lot of technical people. There are lawyers, economists and so many other fields of technicality that can really always participate when this kind of work is going on.

Madam Speaker, why am I mentioning this? Next month, in about a few weeks' time, that is when this protocol will be signed by the Summit. We are just bringing the report now and then over the weekend we are having a workshop. Shall we change much? Or we are just getting to understand what is in the draft protocol? Isn't there a better entry point at which us, as an Assembly can engage in this protocol issue and just give our views, as stakeholders - *(Applause)* - that can eventually be taken into consideration?

There is a body of knowledge in this Assembly that can help the various works of our technical people. So, my plea is that the Council of Ministers and whoever can, please, define for us more entry points into this protocol issues such that we can give our views other than just waiting to consume at the end point.

The second issue is on the question of statistics. You have noticed hon. Members that all these things will be centered on management of our statistics. Right now as we speak, you know very well how statistics are managed in our Partner States, leave alone now at the Secretariat. One of the biggest problems that the Euro Zone got into through the EU pigs, which actually caused problems to the zone, was the question of dishonesty. Resenting false statistics; statistics that do not exactly match what is on the ground.

So, I think it is very important that we first harmonize our statistics home management at the regional level- leave alone the gathering of statistics at national level but most importantly at the regional level. Do we have capacity to garner or gather economic statistics from Partner States? Is there utmost good faith in the kind of statistics being presented to represent the state of economy of the various Partner States? If this is not paid attention to, we may have very many smart things but the practical reality will catch up with us.

So, I am pleading with Members that tomorrow as we interrogate this draft protocol more, let us pay attention to statistical issues.

The other one is that the economic reality of this region; I saw in the report the criteria given- you are supposed to have had three years of 5 percent inflation level and several other criteria given there. I am not so sure that it is very easy for us to attain this kind of statistical requirements. As we speak now, I am not so sure whether there are some Member States which are running on double digit inflation kind of status. And for them to run and bring down control to 5 percent and run it for three years and demonstrate that they can sustain that as a condition, well, I am not being pessimistic, but the thing is a tall order for many of our Partner States.

So, some of those economic requirements - maybe our technical people could have looked at us – maybe they need to be a little more flexible but it could be very difficult for some Partner States to join the three, leave alone getting the three who can make those requirements.

Lastly, the time line; Madam Speaker, I belong to those who believe in fast tracking. I believe in fast tracking the Community. *(Applause)* What is so technical about ten years? Ten years, will I be from now? *(Laughter)* I am not being selfish but I find a whole decade of time for us to wait for the commencement and all these other things - I am very sure hon. Leonce will not be happy with me to support that kind of timeline. So, I would like us to interrogate those timelines. Can they be brought a little less than that decade of time? Otherwise, I am very supportive of the report. Thank you so much, Madam Speaker.

(*Applause)*

The Speaker: I will take hon. Dora and hon. Bazivamo in that order.

Ms Dora Byamukama (Uganda): Thank you very much, Madam Speaker. I would also like to thank the chair of the committee, hon. Angela Kizigha for this report. I would like to start from where hon. Dan Kidega left and also thank you and the Commission for organizing a workshop this weekend. I think ity is very timely and I believe that we shall add value.

In the meantime, we would like to share with you what we learnt. Hon. Kidega mentioned the issue of pigs but didn't elaborate what these pigs are. But I would like to say that these pigs refer to countries like Portugal, Italy, Greece and Spain. In the recent history, these countries have suffered especially as regards to issues to do with their economic policies. So, somehow they feel that it is related to the EU and the aspect of having a common currency in the form of a Euro.

But I would like to say, Madam Speaker and hon. Members that these provide very valuable lessons for us. They are also critical and therefore, much as there may be some fears and challenges, I believe that we shall be in a better position to ensure that our monetary union is more successful.

Allow me start on the issue which was raised by my colleague, hon. Ndahiro when he talked about some counties which support – are actually very positive about the monetary union and other which are a little bit reluctant and hesitant. I am of a different opinion in away, in that when we signed onto the Treaty for the establishment of the East African Community, in a way, we made ourselves duty bound to adhere to the Treaty and its provisions. When you look at Chapter 14, it is all devoted to monetary and financial cooperation. Therefore, the issue of a monetary union as far as I am concerned, and I am happy we are on track, is not an issue of if; it is an issue of when.

I would like to move on and talk about one particular issue which was raised by hon. Kidega which is on page 9. This was of particular concern to all of us. When you look at page 9, it states that: *"After the ratification of the East African Monetary Union Protocol, a transition phase of ten years will follow before the realization of the single currency and the implementation timelines is now as scheduled in the protocol."* Now, hoping that this East African Monetary Union is signed this year, it means that we shall be able to have a single currency in 2023, which is indeed many years away from today.

The question I would like to ask and I think we should pause again and Council of Ministers should consider again and I am glad the Chair of the Council of Ministers, hon. Shem Bageine is here, is why should we take this long when we have learnt the lessons and we can study the lessons? Why should we take this long when at one time we had an East African shilling which worked very well? Whys should we take very long if we are already transacting using the dollar anyway and we seem to be doing very well in the East African Community? So, basically these are critical questions which I believe we need answers to.

Madam Speaker, I would like to move on to my third point and this is the issue of the benefits. We point out the EALA needs to be equipped with information in order for us to create awareness. If you asked me to day what the benefits are, and I would like to actually make it clear to hon. Ndahiro that some lawyers are actually very good at economics. Like hon. Dan Kidega said, we are all adding value and I believe by the time we finish these five years and more, we shall be better people and equipped to talk about these issues.

So, I would like to say that if you ask me candidly why we should have this monetary union and why sooner than later, I would give you three points; one, is the issue of stability of the currency. It is very important that we have a stable currency. We were given examples whereby before the time of elections and during elections, you have a lot of inflation because most Governments in the East African Community print more currency. Obviously this is an issue of indiscipline. After the elections, they usually have a slump and a high inflation which makes the economy suffer. This is a particular concern to all of us especially to the people we represent who need a stable economy for them to be able to have improved livelihoods.

The other issue is discipline. This is very important because it even comes to the issue of borrowing. I would like maybe us to at one time get a debt portfolio of all the East African Partner States because now this knowledge is on the net. We need to know sooner than later – it should be tabled in this House - the debt portfolio of each Partner State so that we are aware and we can plan accordingly. As we are all aware, some of our countries have indebted not only this generation but the next generation.

The second point I would like to raise when it comes to the issue of benefits is the issue of the interest rates. This issue is a very important one to all of us because obviously when you go to borrow money, you find that it has different interest rates in different countries. Some of us who are privileged to work in the EAC, we have been doing what we call forum shopping. You go to country or the bank which will give you the most favorable interest rates. But for others who are not so privileged, it means that they have to suffer with high interest rates and, therefore, when they get their loans they cannot have the kind of impact or get them out of the kind of status quo that they would have wanted to move out of because of high interest rates. So, if anything apart from stability, this is another important point why we should support a monetary union.

Thirdly, is the issue of convertibility; hon. Abdul Karim talked about the different rates every time we go to a different country. I usually say that I used to have a box in my room whereby I have Kenyan shillings, I have Tanzanian shillings, you know, every time you move you are losing out on money. This really underpins the whole issue of free movement of goods, services and capital within the Community. That is why we say that this particular monetary union aspect will further support and also anchor the aspect of the Customs Union and the Common Market.

Finally, Madam Speaker I would like to talk about the issue of fear. When you look at Article 7 of the Treaty- that makers of this Treaty were very wise- on Operational Principles of the

Community: *"The principles that shall govern the practical achievement of the objectives of the Community shall include:* ***(f)*** *the equitable distribution of benefits accruing or to be derived from the operations of the Community and measures to address economic imbalances that may arise from such operations."*

When you go further and look at Article 88, you will discover that there is also a Provision for Safeguard Measures which says that: *"The Council may approve measures designed to remedy any adverse effects a Partner State may experience by reason of the implementation of the provisions of this Chapter…"* and the Chapter is on Monetary and Financial Cooperation *"... provided that such a Partner State shall furnish to the Council proof that it has taken all reasonable steps to overcome the difficulties, and that such measures are applied on a non-discriminatory basis."* In this regard, Madam Speaker and hon. Members, there was an emphatic idea that no Partner States should be eligible to a bail out.

We found this idea rather disturbing but on the other hand the reason behind it was that if a person expects to be bailed out, maybe they would not be as disciplined as they should be. But on the other hand we were arguing that there may be genuine cases where you actually need a bail out. So, these are some of the areas which we need to interrogate further. Much as bail outs are not good, on the other hand I think part from the safeguard measures, we may need to look at what a country has done or what may have happened to need a bail out and maybe revisit that principle much as it may sound as if it may not support the argument for discipline.

Madam Speaker, with those few comments, I would like to urge the Council of Ministers and hopefully all the Partner States that we should move together because much as we have an interpretation that once we agree on a stage, then we can move at different speeds, I think it would be in our best interest that we move together because when, for example, you are going to the United Kingdom, even if you have euros, you have to use pounds and if you are going to the EU, even if you have a Schengen Visa, you still have to have a visa to the United Kingdom. This obviously has its own challenges.

So any country that may not really want to move at the same pace will definitely hold us back in many ways because the freedom to move goods and services will in one way or the other still be inhibited. With those few comments, I want to thank you and the chair again and I support the report. (Applause)

The Speaker: Thank you very much. I had indicated hon. Bazivamo and then hon. SEbalu and hon. Mathuki.

Mr. Christophe Bazivamo (Rwanda): Thank you, Madam Speaker. I rise to support the report. It is also very important to thank the committee especially the chair for the very good presentation and the work done, which has given us a lot of information about the monetary union process.

Rt hon. Speaker, I have had the opportunity to discuss this matter of the monetary union with experts in this area like the Minister of Finance, the Governor of our Central Bank and people involved the microeconomic area and we have observed that the view is that the negotiated protocol.

To reach this monetary union pillar if it is well understood and implemented at such. In the view it is important to consider each detail to take in to consideration all policies involved in that process, let us say, fiscal policy, among others so that there is a kind of common understanding and common vision of how to progress in this area. They are confident of that.

But they fear that if this document is distorted by other people who are not experts in the area who had just to advise them on what to do but not do themselves the job of fine tuning the protocol or amending of the proposed draft, this will be a very good thing if it could be signed after bringing out the detailed elements which are very important for its success. The fear is much founded and I think it has to be respected.

It is said that if a country enters the monetary union, it will not be possible for it to withdraw from it unless you withdraw from the whole Community. This means that it is very important to clearly understand and have a clear picture of all the requirements before it is signed. Because once it is done, everyone is obliged to implement each part of this document, which is a good thing. But as said, one can fear to enter into something that is not easy to withdraw from and this requires good analysis and advice before signing of the protocol.

But if the people in the area of finance are confident, they are the ones to be entrusted with it because all the five Partner States are concerned, they have agreed upon this draft document – the Ministers of Finance, Governors of the Central Banks and experts in fiscal policies are confident then you have to trust them. But if they fear something you also have to respect their opinion.

So, if it is signed, the other thing is that we shall request before the full implementation that the former pillars, let us say, Customs Union and the Common Market Protocol are fully implemented. And I think if it is signed, then it will be a tool to help us to progress or to fast track these other pillars which will make positive gains for the Community. Therefore, I will call upon you people to consider this request from the experts and not to transform the document they have and later on work together towards the full implementation of a Customs Union; full implementation of a Common Markets Protocol.

But of course the full implementation of a monetary union in tens year, in my view, is very long. If it can be fast tracked, it will also be helpful. Therefore, Rt hon. Speaker, I support this reporter, which is very instructive and I request for documentation of what has been agreed upon by the experts not to be changed. Thank you very much.

Mr. Mike Sebalu (Uganda): Thank you very much, Rt hon. Speaker. I rise in support of this report that has been very ably presented by the chairperson, hon. Angela Kizigha and also to congratulate the members who attended this very important workshop for the knowledge base with which they are operating on this very technical subject. I really think it was a useful encounter with the exerts to bring them up to speed and up to date with the process of negotiating and coming up with a monetary union.

Madam Speaker, as we debate this report, there are certain aspects that we really need to appreciate in terms of our way forward. We are a Community that is on a journey whose milestones are clearly defined in the Treaty in the names of the pillars to integration with the entry point being the Customs Union, Common Market, Monetary Union and subsequently Political Federation. So, in my view, any participant in this process; any stakeholder in this process once they believe in the Treaty and they subscribe to the provisions enshrined therein, are then under obligation to follow through and offer commitment to the different stages. It is not either or; it is definitely to follow through if we are to get to the destination that we set ourselves to reach.

In that respect, Madam Speaker we, therefore, need to appreciate that one stage logically leads to another. And what we need to do in that regard is to marshal our levels of commitment, both political will and technical capacity, to actualize the processes that we need to undertake in order to get the desired results.

Madam Speaker and hon. Members, the bet foundation that can be laid for a successful monetary union is the full implementation of the Customs Union and Common Market because then those provide the ground upon which you can build a very successful and sustainable monetary union.

We are still grappling with the freedoms that have been enshrined in the Customs Union and the Monetary Union, we have the rights that have been spelt out and we are not doing so well in that regard. So, as we look forward to the Monetary Union, we really need to remind ourselves of the commitments we have already made in the previous pillars of integration.

When you get the stories around the region with regard to free movement, the non-tariff barriers that keep coming and keep going, you really get serious challenges. Are we in the same Common Market where I am supposed to move with a Yellow Fever card every time? This thing has kept disturbing me and many others is different Partner States. I think we really, as political leaders, need to put emphasis on making good the demands that we have on ourselves in regards to implementation of the Common Market so that the people now know that when they move, there are other facilitations that they need. Because when I move, the market is open, I can move from one part of the region to another with goods and services and with capital. Therefore, I may need another facilitating factor to make me enjoy the benefits of the Common market. And that is what is when the Monetary Union and the common currency come in handy.

Madam Speaker and hon. Members, if you can negotiate, sign and implement a monetary union, then the political federation becomes easy to achieve. It becomes a mere formality because I have heard people debate on the political federation with certain extreme views more so based on the principle of sovereignty.

But I just want to bring another dimension to this debate with regard to the Monetary Union actually in my view; the biggest test to sovereignty is the Monetary Union. And once one is able to secede ground in terms of sovereignty of managing your fiscal and monetary policies, if you subordinate issues of interest rates to another level of a supernatural level, if you can't do deficit financing by printing money as and when you feel like, like the case is in many of our Partner States, if the issue of the foreign exchange rates is no longer specifically in your purview, but it is managed at a higher level, then what sovereignty are you talking about? There is no sovereignty thereafter.

The issue of political federation just becomes a pronouncement but the real sovereignty in the true sense of our economies, because once you have surrendered the economies and the management of certain aspects of those economies, then you don't have any tools to maneuver around with and the sovereignty is seriously challenged. So, this stage is very critical to both the political leadership and the technocrats that we have in our Partner States.

Some of these ideas that are coming could be still following the sovereignty issue. They could still be influenced by issues of sovereignty. Because some of the technical people we have in our countries don't want to see the ground. They still want to manage these economies for the next ten or so years. So, we need to interrogate the rationale behind some of these extended delays that are manifested within this document.

Like hon. Kidega put it rightly, what is the magical thing about the ten years? Why isn't it eight or five years? I think these answers have to come both from the view point of the technical aspects but also needs to be collaborated with the political will because the two need to come together if we are to move in a manner that would be beneficial.

So, Madam Speaker, as a Parliament we have a responsibility in this regard to be part of the political leadership that should give direction in our humble way to influence some of these timelines because at the end of the day, our people have a common market. They have that space but they need instruments to use to do the transactions within this Community. And the common currency is something that can liberate them to be able to go about their business without losses and without inconveniences and all these other aspects.

Finally, Madam Speaker, I just want to say that the most important thing that we need to look at in this regard is that it calls for discipline for us to be able to achieve this in all the Partner States. The question of discipline becomes paramount especially fiscal discipline because we are engaged in a lot of indiscipline in the way we manage both fiscal and monetary affairs. When we get integrated, we need to come up with a superior level of management so that at the end of the day integrated economy is beneficial to all the people and the instruments that are developed therein are user friendly and have the effect of promoting trade; of facilitating the benefits of the integration.

Madam Speaker, I beg to support that report and encourage the Chair, Council of Ministers to always create space for Parliament to engage some of these undertakings from a political perspective that like we appreciate that the technocrats need to have their space but if we are to get the desired results, we need to create a winning combination between the technocrats and the political leadership for purposes of synergies. I beg to support.

The Speaker: Thank you, hon. Sebalu. I want to start closing this debate. I think I will take hon. Mathuki, hon. Rwigema, hon. Mwinyi and hon. Shy-Rose. I would like to maybe ask the Clerk, as we prepare for the Friday seminar, to either circulate or avail the Members a copy of the speech made by H.E. Jakaaya Kikwete in Arusha. I think it was very candid on the issues of the Monetary Union.

Mr. Peter Mathuki (Kenya): Thank you, Madam Speaker for giving me this opportunity to contribute to this noble debate on the monetary union. First of all allow me to thank the Chair of the Committee on CTI, Madam Angela Kizigha for her eloquence while delivering the report.

Madam Speaker, I am a member of the committee and I will confess that I participated in the workshop that was held in Kampala, Uganda. It was quite useful and I think right from the outset, it is very important to agree with you that all members need to participate in the firth coming workshop as a way of learning- as a way of capacity building- because it will be very important in helping us to take back this information to the citizens of East Africa. It will, therefore, be important to understand some of these very important issues.

Madam Speaker, if we are serious, as a Community, with moving the integration process to the next level, we must be ready to embrace monetary union plus the other pillars of the integration process. We must get patient as a Community. Some of us, even at the level of Partner States, have been taking others for a ride and not so serious on the issues of integration. We are not saying this for the sake of it because citizens of East Africa are watching. Therefore, history will judge us very harshly as an organ of the Community if we don’t come out clearly and say some of these things.

We simply go, Madam Speaker to sign protocols for the sake of signing, we take those documents to the shelves and forget about them. We start using these as political tools to say all manner of things and, therefore, not doing anything. That is why I am saying that as leaders, we must be serious; we must walk the talk and you know very well that when we are talking of the pillars of integration, we are talking of signing the Monetary Union Protocol in November, aware that, of course, the Customs Union and the Common Markets Protocol signed almost two to three years back has a number of issues still pending therein.

Madam Speaker, as an organ we must come out standing so that we are not put on the list of jokers. Those people who never mean what they say - we must come out clearly and speak our position as an Assembly that we mean business when we come to issues of integration.

Madam Speaker, when you look at the economic order- I was looking at the figures and saw that the GDP of the EAC – all the five Partner States is US $ 80 billion. That is the income of one company in the US. And we are very proud as Partner States to say that we are countries which want to retain our independence and so forth. Independence for what if now our economies are just equal to one company in another country.

We must take integration to the next level, embrace these pillars of integration so that we can grow the GDP and of course with all the advantages that come along with the growth of GDP - we are talking of employment; we are talking of businesses; we are talking of social cohesion where there is economic stability and therefore, we should not belabor much because those are very obvious benefits.

So, as we move from this sitting, I think we must take this as a challenge upon all of us to say that we appreciate that the pillars of integration we are talking about – the Customs Union and the Common Market Protocol have not yet been fully implemented and, therefore, it will be impossible to have a working monetary union when we don't have a working Customs Union and we don't have a working Common Market Protocol.

We don't need to be economists to understand this very basic principle and if we don't do that, we shall be failing our duty as leaders, Madam Speaker. I agree with my colleagues who have disputed the ten years, ten years for what; for reading what? Therefore, it is very important that we look at things in the right perspective.

Unless we go to sign this protocol in November as leaders – we should urge our leaders in the Partner States to sign the protocol in utmost good faith because it is very important. If we do things for the sake of it, again we shall be judged very harshly. And we have seen it; citizens a are saying some of your Partner States in East Africa are not serious, you are taking others for a ride. Why do we want to be associated with that kind of scenario, Madam Speaker? So, I think it is very important that we do what we must do as an organ of the Community; as an Assembly and as leaders we play our rightful role of going back to our respective places to build capacity and build confidence in the citizens of East Africa so that whatever we do will be appreciated.

Madam Speaker, I finally say and agree with you, of course, that some of us who benefitted from the workshop of the monetary union in Kampala will be very happy to participate again in the forthcoming one. But all of us don't participate for the sake of it but labor to critically understand the issues so that we can take them back to the citizens so that again we can understand and realize since this is a people's driven integration process. Madam Speaker, with those few words, I support the motion. Thank you.

(Applause)

The Speaker: I will take hon. Rwigema. I want us to start winding up this debate. I wish each of us could be relatively brief I could take as many as possible.

Mr. Pierre Celestin Rwigema (Rwanda): Thank you, Rt hon. Speaker for giving me the floor. I will try to be brief. I would like to thank the Chair of CTI for the quality and general content of this report. I wish I would have been the chair of this committee because it is an interesting subject. I am sure that this report will help most of us in contributing during Friday's workshop.

Madam Speaker, coming back to the monetary union; I am very supportive of this though it is normal that some people may have certain fears. But historically, it has been like that wherever monetary unions have been started.

There is what we have to understand that we have to abide by the laid down principles, conditions and prerequisites and we have the commitment from our political leaders, we can really afford it. Usually monetary unions are divided on different matters because you have the lawyers, technocrats, economist and politicians - who is leading?

For me the leader is the politician. But he cannot decide on his own if he is not advise by the economist. For the lawyers, according to me, they come to harmonise the text and the technocrats have to do what they have been asked to do.

In November, the Protocol on the Monetary Union will be signed, which means that we shall really start the Monetary Union even if we are said to wait for ten years. In 2023 some of us, for example, I will be in my 70s and I don't think I will be able to enjoy the benefits of a Monetary Union. But if I am still alive then, I think I might enjoy a little bit of it.

The fear is arising out of the length of the transition period of ten years, which means that there is a problem of convertibility. There is a problem with Partner States on how they will work on the different economic indexes, which have not yet been integrated because of the set prerequisites. We have the Common Market and Customs Union which are already working very well.

There are issues which have been raised by my colleague very well- issues to do with losing sovereignty. But what is sovereignty? Once we get our vision of the East African Community, the common currency will be our best ID that we can have. What can be the best ID for the US if it is not the dollar? We have to strengthen our common currency through our productivity.

The period of ten years' problem is that it will make people fear is the convertibility of their economies as I said, but also the risk for inflation. If we don't have discipline- my colleague hon. Dr Ndahiro was saying something about a basket of currencies. This was very workable after the Second World War in 1946. And in our system if the Governors of the Central Banks of our respective Partner States could sit together and see how they can fix the rates, this can be avoidable. But again we need to have a strong leadership to see that our people are watching us and are waiting for a better future from us.

With these few remarks, Madam Speaker I support the report ad again I thank the Chair for the good work done, Thank you.

The Speaker: I will take hon. Mwinyi.

Mr. Abdullah Mwinyi (Tanzania): Thank you very much, Madam Speaker. I would like to join my colleagues in congratulating hon. Angela Kizigha for a very important report, which was very well delivered at such before this august House.

I would like to raise some general points in relation to the integration process touching where we are and what are the issues on the monetary union. Madam Speaker, the integration process has four stages, as you are all aware, under the Treaty. There is the Customs Union, Common Market, Monetary Union and Political Federation.

Of these four, only Political Federation can actually be termed as a standalone. If the people of East Africa today, our leaders included, decided to have a political federation today, that is feasible. But the other three stages of integration have to be chronological. You cannot have a monetary union without a common market. You cannot have a common market without a customs union. That is the nature of the integration process.

Madam Speaker, as we stand here today, in the Community we don't have a single customs territory, and yet it is a very critical stage in the Customs Union process. As we stand here today, we don't have a Customs Authority. Furthermore, since we signed the Common Market Protocol in 2010, three years today, what is the progress in relation to that?

The aim of the Common Market Protocol can be found in Article 76 (1) whereby it will establish free movement of labor, goods, services, capital and right of their establishment. That is the aim. We are trying to integrate the market by releasing the factors of production. That is the fundamental aim of the Common Market Protocol. Without that, a single currency would remain in the books. We shall be talking about criterion that once met; we will have a single currency. And this is the debate we are having today. These are the things that are debated in the books that upon attainment of 1, 2, 3, we shall have a single currency. And putting a date, be it ten years, five years, be it 25 years or 15 years is not even relevant. Those are just dates or targets, which, in my view, are not very realistic.

So, what is the challenge? Personally, I would like to ask the Chair, Council of Ministers, what is prohibiting the East African Community from having a single customs territory today? What is it? *(Applause)* What is the challenge today in having a single Customs Authority? I think this is a very pertinent discussion because it links up with what we are talking about. What is it? We have never heard that before this august House. We have been hearing it in the media; there is a coalition of the willing forming a single customs territory. What is stopping the EAC today from having it? What are the challenges? They should be brought before this august House so that we can address them as the political arm of the EAC.

(Applause)

As you will appreciate, without the prerequisites- without the Customs Union being fully implemented, we cannot have a Common Market and still we cannot have a Monetary Union. It will be a discussion that will go on and on without actually dealing with the true issues. What is the problem we are having with fully implementing the Customs Union today?

(Applause)

Secondly, in relation to the time frame, I would like to look at the convergence criteria. In order for countries to have a single currency, you must meet prerequisites. I think the discussion here today should have been which country is close to attaining these convergence criteria and not when we shall form a common currency. Because unless you meet these convergence criteria, you can put whatever date or number you wish, but we are not going to get anywhere. So, the convergence criteria are as follows, according to this report on page 8: "*Core inflation ceiling of 5 percent,"* who has that? *"Fiscal deficit excluding grants; a ceiling of 6 percent of GDP;"* who has that? "*Tax to GDP ratio of 25 percent*," who has that?

So, I think the task of this august House is to look at these factors and interrogate the Partner States if they are actually working towards meeting these criteria. Once these are met and they are continuous for a period of four, five, ten years, then you can start talking about having a single currency, not before. So, that dates - ten years, five years, four years, to me frankly is meaningless. It is actually what needs to be done in order to attain.

Where are we? Where is the status update on the Common Market Protocol? Do we have free movement of goods? Do we have free movement of labor? Do East Africans have a right of establishment anywhere? *[HON. MEMBER: "No"]* Now, how can this be attained? And these are actually leading onto the single currency.

Now, my question to the Chair, Council of Ministers; first, what are the impediments towards a Single Customs Territory? What are the impediments towards a Single Customs Authority in the EAC? What are the challenges in relation to implementing the Common Market which would actually lead us to the common currency? I think those are the discussions that we must have so that light could be shed in relation to the impediments. Who is the true impediment to this integration process?

Finally, Madam Speaker, I would like to thank once again the committee for raising a very pertinent report. We are looking very much forward to hearing the response of the Chair, Council of Ministers. Thank you very much.

(Applause)

The Speaker: I will take hon. Shy-Rose and hon. Susan Nakawuki will be the last on this. But take very few minutes. I still have a long set of questions to deal with.

Ms Shy-Rose Bhanji (Tanzania): Thank you, Madam Speaker for giving me the opportunity to also air my contribution on the report submitted by the CTI Committee. From the very beginning, I wish to declare that I am a member of the CTI Committee and I fully support – *(Applause)* – the report read by our chair, hon. Angela Kizigha and I will support it to the end.

Madam Speaker, I would also like to appreciate the consultative workshop on the monetary union that took place in Kampala, Uganda. It was very insightful workshop, educative and also a learning experience on a lot of aspects about the protocol on the Monetary Union.

Madam Speaker, let me now add my voice, briefly, on the subject of the East African Monetary Union as the third pillar of the EAC integration process. There are four pillars in this integration process; one is the Customs Union, the second is the Common Market, the third is the Monetary Union and finally the East African Federation.

Madam Speaker thanks to the first two pillars of the EAC integration; the Customs Union and the Common Market that are in force albeit with hitches here and there. The next stage that we are heading to is the signing of the protocol of the East African Monetary Union, which we are told will pave way for the transition to a single currency ten years after the signing.

Madam Speaker, before we reach that stage of the East African Monetary Union, we expect the trade of goods and services to be the order of the day without restriction and also all NTBs will finally be removed. Trade is key to integration and we need this market. Similarly, the mobility of our people to places where they can get optimal opportunities without problems will also finally be achieved.

Madam Speaker, let me briefly touch on the prerequisites for the transition to the East African Monetary Union. They are 1 up to 10; these are very well pointed out. I am sure those who worked to come up with these prerequisites did their homework, research and it is now up to all the five Partner States to see how best to implement all these prerequisites that have been pointed out.

But also on prerequisite No. 9 which says: *"To meet the macroeconomic convergence criteria below are the major aspects in adhering and maintaining the macroeconomic convergence criteria…"* now they are integrated there, like hon. Dora said, "*The headline inflation ceiling is 8 percent, fiscal deficit ceiling of 3 percent; public debt to GDP of 50 percent ceiling in net present value."* So, all these are very key criteria to the transition to the East African Monetary Union.

Finally, Madam Speaker, I wanted to talk about point No. 10, which says: *"The Summit shall pronounce the commencement of the Monetary Union if there is a minimum of three Partner*

States ready while others will be continuously working towards meeting the conditions as provided for under the principle of variable geometry as spelt out in Article 7 (e) of the Treaty establishing the East African Community." Madam Speaker, on my side, I have no objection to this as along as all this is done under the framework of EAC for all Partner States. I thank you, Madam Speaker. I support the motion.

The Speaker: Thank you very much. I invite hon. Susan Nakawuki and she will be the last. Chair, Council, you should also prepare to respond to the aspects raised.

Ms Susan Nakawuki (Uganda): Thank you very much, Madam Speaker. I stand to support the motion. I would like to appreciate Chairperson of the Committee of CTI for a job well done plus the members of that committee.

Madam Speaker, I would like to first of all appreciate the different committees which have been working on the Monetary Union Protocol. I should say that the completion of this protocol is one big step forward and I know we are headed in the right direction.

Nonetheless, Madam Speaker I would also like to ask this august House, are ready for the Monetary Union? Are we up to the task? Madam Speaker, why am I asking this question? It is evident that we have still failed to promote our identity as East Africans. At this level, we are still upholding our identities under our nationalities. We are still seeing ourselves as Ugandans, Kenyans, Tanzanians, Burundians and Rwandans. Even in this very august House, it is evident when it comes to our debates, the types of motions we lay on table, among others.

All of us are talking about "we," I have heard Members here saying, "I will not support this and that because it doesn't seem to favor my country." I have heard this when it came to the issue of a single tourist visa, people saying, "If we have a single tourist visa, will the tourists come to my country?" And if us as Members of EALA are still thinking like that, are we ready for the task? Because I am really sure that this is something that requires a lot of sacrifice bearing in mind that we are at different levels of growth; we have different levels when it comes to GDP; and income per capita among others.

Madam Speaker, I know very well that in most of the EAC issues, national interests are at the forefront. This explains why all protocols that have been negotiated have taken a long time – unnecessarily long time because every country is after benefitting more. It is not yet about East Africa and yet that is the line we are supposed to toe.

Madam Speaker, this has caused serious delays, no wonder the Monetary Union Protocol has taken almost four years just to be negotiated because there is a pull-pull situation. I know this is going to take a lot of political will and it will take sustained commitment from all Partner States and all stakeholders including the people of East Africa since we are looking at a people centered EAC.

Madam Speaker, I know very well that all Partner States will need to pull their economic sovereignty as decisions will now be taken at a regional level. So, I am calling upon my colleagues that we should cease to be the Ugandans and Kenyans among others and we become East Africans.

(Applause)

Madam, Speaker, I am also requesting the Council of Ministers that this time round they don't postpone the signing of the protocol. I know different deadlines have been set and have not been met. So, I am praying and requesting that this time when November comes, which is just a few days away, that we have the Monetary Union Protocol signed as our people cannot afford to wait any longer.

Madam Speaker, when I talked to the people of Uganda recently, they seemed very excited about the Monetary Union. In fact someone called in to the TV station where I was being hosted on a show and was asking when it was starting. So, I said, "In the near future," and then he was like "The near future is far, we want it as soon as today," but now I am afraid that this time I have to go and say: "We have to wait for another ten years." I wish something could be done about this so that that deadline is brought a little bit closer so that our people can benefit because we know the benefits associated with this Monetary Union.

We know very well that it will reduce the cost and risk of doing business; we know very well that our people have many times lost moneys especially at the borders. I know like at Busia, people have gone to exchange money and have ended up getting fake currencies. They lose the money. We also have currency fluctuations; every time you go the rates have changed, which is really inconveniencing to our people in East Africa. So, Madam Speaker it is my humble prayer that we expedite the process of the Monetary Union.

Finally, Madam Speaker I would also like to add my voice and say that there is urgent need for sensitization of our people about the Monetary Union so that by the time it materializes, people are ready for it. In fact, I would like to appreciate you, Madam Speaker for the workshop that is being organized on Monetary Union because sensitization is now going to begin with is as Members of EALA. I pray that even the Members of Parliament in our Partner States get this similar workshop so that they can also relay this kind of information to the locals they represent. I beg to support the motion and the report.

The Speaker: Thank you very much, hon. Nakawuki. I take note that many of the Members who contributed were members of the CTI Committee but I want to thank the other Members who don't belong to this committee who have made very credible contribution. That is not to say that we have exhausted the very important areas, which are expected to be covered in the Monetary Union. So, Friday all of you, Members I urge you to be present and we participate so as to enlarge our knowledge base. I invite the Chair, Council to add his submission to this very important debate.

The Chairperson, Council of Ministers (Mr. Shem Bageine): Thank you, Madam Speaker. I would like to initially make an observation that in the ordinary way of doing things, members of a committee which submits a report to the House which they have appended their signatures to, in my opinion, should only come to the House to support that report and not raise issues which I expect should have been raised during the meetings they held and incorporated those issues that they have raised in this House. I think it will help us in the way that we conduct business in the Assembly.

Madam Speaker, a lot of issues have been raised touching on the Monetary Union. Some of the Members raised questions but at the same time answered the questions. The Treaty has sequenced the integration process starting with the Customs Union, then the Common Market Protocol, subsequently the Monetary Union and ultimately the Political Federation.

Madam Speaker, the Customs Union and Common Market Protocol implementations are prerequisites to the formulation and implementation of the subsequent Monetary Union. We are all aware of the problems we have been facing in the implementation of the two protocols agreed upon way back in 2005 and 2010 respectively. And indeed, we are still experiencing these problems.

When some Partner States using the provisions of the Treaty under the principle of variable geometry try to go ahead with the implementation of what has already been agreed upon, the move is misunderstood.

Madam Speaker, we agreed that we should have free movement of persons, goods, services, capital, right of establishment and residence by East Africans in the various Partner States.

The issue of work permits fees in some of the countries is actually going up instead of being removed, which is a hindrance to that expression of the four freedoms in the Treaty and the protocol.

Madam Speaker, a question has been raised on why we have not succeeded, eight years down the road, on establishment of a Single Customs Territory. Again the answer is that we are not moving at the same right. However, the Single Customs Territory negotiations have reached a stage and I am hoping that finally this will be resolved.

The parties seem to have agreed on the destination principle of assessment and collection of taxes at the point of entry of imported goods and then distribution of taxes to the destination countries. Of course there were other views which were brought up that given the technology we have, payments could be made in the destination countries and information relayed through our technological development to the port of entry. But there are complications with this.

The same question was raised on the Customs Authority. Until we have the Single Customs Territory, we cannot have a Customs Authority. I am hoping that we shall go over this.

Now, Madam Speaker, I thought the report was comprehensive and touched on the very important issues but let me say that a monetary union is an intricate issue and that is why the framers of the protocol have taken into account the various issues that Members have raised here. First the criteria for joining hands for it to be set up considering that we are operating at different economic levels. There has to be some commonality that we all aim at achieving so that we are on the same page when we enter into the Monetary Union. So, the three years set for achieving and sustaining the set criteria, in my opinion, are important and must be met.

Secondly, Madam Speaker we have different long term debts in our present economies and these debts need time to settle. They cannot be done overnight; they require time and resources in order to have them resolved.

Madam Speaker, we also have the legal requirements of setting up various institutions that are necessary to manage the Monetary Union. I am looking at setting up the Central Bank and the conditions that will accrue with the current Partner States Central Banks.

We are looking at setting up a financial institute that will deal with various aspects of financial management including stock exchange markets, capital markets and so on.

We are looking at the vital Commission on Statistics because we must have reliable statistics that we can depend on in the Monetary Union.

We are looking at the - and many Members have raised this- issue of Surveillance, Compliance and Enforcement Commission which must be put up through legal considerations in order to ensure that we maintain discipline in the manner in which the various Partner States manage their economies.

Madam Speaker, we are looking at the need to consult some other institutions and agencies that may come to our aid in terms of financing the operations of the Monetary Union.

Madam Speaker, all these take time. We don't want to rush into creation of a single currency only for it to fail the next day. *(Applause)* The ten year period that has been given is a guideline and if all worked well, and then we might have a single currency in a shorter period. But on the other hand, it could take longer than the ten years depending on how we move.

Many Members have touched on sovereignty as a problem. Lack of political will to get certain things done and that is still there amongst us. We cannot wish these things away. We must be realistic and accept that these are there.

When Members talk about the old East African currency; the parameters at that time were enabling the currency to operate were different from what we are today. At that time, the three East African countries were managed by one single authority- the colonialist- and it was very easy then to set up an East African Central Bank, which was known as the East African Currency Board. They were the issuing authority of currency; they were managing both fiscal and monetary policies which are different now because I don't know whether Members notice that for the time being as progress with the Monetary Union, the fiscal policies will remain the preserve of the Partner States for the time being. And if you separate the fiscal policies from the monetary policies, you cannot achieve a workable monetary union. So, there are many difficult areas that we have to look at before we can say we are there.

I am happy that there is a workshop on Friday for EALA Members and I am sure that Members will come up with sense in the papers they are going to present and having had an opportunity to hold their own workshop and produced this report, they will debate and get explanations on some of the issues that I have not been able to explain.

Indeed, I agree that EALA should have an input in formulation of the Monetary Union because at the end of the day as political leaders, you should own this Monetary Union and other protocols. Because when we agree on the Monetary Union, the legislative aspect of setting up the institutions I mentioned will be the responsibility of EALA. So, you should be participating and be part and parcel of this process of building up the Monetary Union.

Madam Speaker, I don't think I can do justice to all the questions that were put across. But I am happy that Members are now versed with the intricate nature of the Monetary Union, which is at the center of our political survival because if we don't get it right, everything else goes wrong.

So Madam Speaker, once again I thank the Members, the committee and those who spoke and very interesting ideas that have been oscillated and we all look forward to ultimately achieving a Monetary Union because I think we can. I thank you. *(Applause)*

The Speaker: Thank you very much, Chair, Council for throwing light on some of those issues. I now invite the Chair of the Committee on Communications, Trade and Investment to wind up the debate.

The Chairperson of the Committee on Communications, Trade and Investment (Ms Angela Kizigha): Thank you, Madam Speaker. I would also like to thank hon. Members for the overwhelming support for this report because it is very important for the betterment of our integration process especially as regards to the issue of the Monetary Union.

Madam Speaker, before I conclude, I would like to thank those Members who have contributed very positively on this report especially Dr. Ndahiro, and I would like to assure him that I have taken note of the corrections. I would also like to thank the following for the very good comments: hon. Frederic, hon. Abdu Karim, hon. Dan Kidega, hon. Dora, hon. Bazivamo, hon. Bazivamo, hon. Mathuki, hon. Rwigema, hon. Mwinyi for the very good information, elaborations and reminder which he gave us in this House today and without forgetting hon. Shy-Rose, hon. Nakawuki and the hon. Chair, Council. *(Applause)* Having said that, I beg to support the report, Madam Speaker. Thank you very much

The Speaker: Thank you very much, Chairperson of the Committee on Communications, Trade and Investment. Hon. Members, the motion on the floor is that the report of the Committee on Communications, Trade and Investment on the consultative workshop on the East African Monetary Union be adopted. I now put the question.

(Question put, and agreed to.)

The Speaker: I want also to thank you, Members for the lively debate and I want to again call upon call upon you that I expect each one of you to attend in person, this very important seminar on Friday. Thank you. We proceed.

QUESTIONS FOR ORAL ANSWER

(i) EALA/PQ/03/OA/19/2013

Mr. Abdul Karim Harelimana (Rwanda): Thank you, Madam Speaker for giving me the floor to ask the hon. Minister some questions. Madam Speaker, I beg the Minister to answer question ref: EALA/PQ/03/OA/19/2013 *(During the recently concluded EAC Summit of Heads of State Retreat on Infrastructure held on 29th November 2012 in Nairobi, Kenya, the idea of the need to revive the EAC Railway Network featured prominently and the Summit made certain directives to that effect.*

Could the Chair of Council inform this August House:

1. *What steps the Council and Partner States have taken so far in the implementation of these Summit directives?*

2. *How far the Council has gone in the implementation of the East African Railway Master Plan?*

3. *When does the Council envisage the establishment of an EAC Railway Authority, and what steps are being taken to that effect?)*

Madam Speaker, I beg to move.

The Chairperson, Council of Ministers (Mr. Shem Bageine): Thank you, Madam Speaker. Madam Speaker,

a)Steps the Council and Partner States have taken so far in the implementation of the Summit directives.

The 2nd Retreat of the EAC Heads of State held on 29th November, 2012 gave directives on the overall implementation of the targeted priority infrastructure projects and approved a list including the railways. The Heads of State directed the Council of Ministers to carry out the following activities;

a) Mainstream the agreed regional priority projects into the Partner States' infrastructure priority projects for implementation.

b) Engage key partners for mobilization of financing to undertake the implementation of the prioritized projects.

c) Develope regional policy frameworks that will allow for financial blending and strengthen partnerships with domestic and foreign investors.

d) Establish the technical, financial and transaction capacities required for assembling and implementing bankable projects at national and regional levels.

e) Develope an investment strategy with clear financing options and timeframes for the priority projects with effective monitoring and evaluation mechanisms.

f) Submit progress reports on the implementation of the infrastructure priority projects adopted by the Retreat, on a biennial basis.

Madam Speaker, Pursuant to the foregoing Summit Directives, the Council-

a) has plans to mount resource mobilisation engagements for EAC investments in infrastructure next year in Washington, Brussels, Tunis, Beijing and Tokyo after the development of a substantial number of bankable projects;

b) has directed that all Trade and Investment Agreements between the Community and other bilateral and multilateral partners must be anchored on strong cooperation in trade and infrastructure development;

c) is fast tracking the implementation of the Project on the EAC Financial Sector Development and Regionalization Programme (EAC-FSDRP) with the support of the World Bank and the African Development Bank that aims to enhance the performance and improve the infrastructure for financial and bonds markets in the EAC through which infrastructure development resources will be raised;

d) has directed fast tracking of the finalization of the Draft Bill on the establishment of the EAC Development Fund which prioritizes development of bankable projects under infrastructure as its core and is also targeted to offer regional guarantees for blended infrastructure resources;

e) is due to adopt in November, 2013 the policy proposal on the architecture of a regional PPP framework with a set of priority infrastructure projects as the launch pilots which will provide part of the missing framework for the engagement of the private sector in infrastructure financing and development in the region;

f) is addressing core financing mechanisms of the Community's budget to sustainably finance core activities including infrastructure projects and programmes. The Council has already directed that counterpart funds for financed infrastructure projects be provided for under the EAC Budget;

g) expects to consider by June 2014, a proposal on how the provision in the EAC Treaty on joint financing of regional infrastructure projects could be enabled to underpin joint financing of regional projects;

h) has already approved the terms of reference on a study on the establishment of an EAC Infrastructure Development Coordination Agency to speed up the roll out of bankable regional infrastructure projects. Resource mobilization for the study is ongoing; and

i) has already directed that future infrastructure development studies must be focused on project implementation and finalized within the agreed timeframes. The Council has directed that all regional projects be subjected to annual audits by the Audit Commission to ensure value for money and completion within set timeframes;

In July 2013, the EAC with support from the European Union and the African Development Bank organized a roundtable Conference on infrastructure financing focusing on blended financing and participation of the private sector. The Conference brought together participation from Partner States (at Ministerial levels), bilateral partners, international and regional organizations, private and regional banks, capital and pensions markets authorities.

During the Conference, each Partner States presented 10 priority projects (drawn from the Heads of State priority list) in transport, energy and urban development to potential investors which were received well and some of the negotiations on financing of these projects, under railways, energy and ports have commenced.

Madam Speaker, The implementation of the EA Railways Master Plan approved in 2009, is now gaining momentum. The challenges that had to be overcome in order to get its implementation under way revolved around the following:

(i) FEASIBILITY OF THE CHANGE OF GAUGE.

Partner States have now resolutely committed to implement the Standard gauge while maintaining and rehabilitating the narrow gauge rail, for purposes of service continuity during the development phase.

(ii) THE EXISTING CONCESSIONS.

The Partner States have now agreed with concessionaires on the new railways development which will not face challenges from the existing concessionaires operating the narrow gauge railways;

(iii)DETERMINATION OF THE FUNDING MODEL.

The Partner States have reported good progress on the matter of the involvement of the private sectors, bilateral partners, and infrastructure development bonds. Kenya has introduced a levy on imported goods towards resource mobilisation for railways development;

(iv)LACK OF REGIONAL PPP FRAMEWORK.

The development of a regional PPP framework is now under way and is expected to be in place at the end of this year. Railways projects will be the pilot drivers for the regional framework;

(v) LOW PRIVATE SECTOR PARTICIPATION.

The Council is happy to see the coming up of groups such as the Mwambani Port and Railways Corridor (MWAPORC) spearheading private sector entry into railways and ports development which was lacking

(vi)UNCERTAINITIES ON SOURCE OF ENERGY.

The recent discoveries of oil in the region and the Government's commitment towards enhancing the availability of electric power improves the motive choice (diesel or electric), for railways operations in the EAC.

Madam Speaker, The EAC Secretariat has secured funding amounting to US$1.4 million from the African Development Bank to carry out the East African Railways Sector Enhancement Project study whose main objective is to develop bankable projects for investments from the EAC Railways Master Plan especially focusing on priority railways links between the Tanzania and Kenya/Uganda railways and the development of policy related documents covering, tariffs, competition, ownership, operations, training, and maintenance to assist in the reforming of the railways sector in the region.

Madam Speaker, I wish to confirm to this House that the prospects of railways development in the EAC are brighter now than ever before.

c)On the establishment of an EAC Railway Authority, and what steps are being taken to that effect

Madam Speaker, The scope of the study on the East African Railways Sector Enhancement Project involves among others legal and regulatory harmonization studies including that on the establishment of a Regional Railways Regulatory Authority, as a precursor to the possible establishment of an EA Railways Authority which will be charged with matters of competition, tariffs harmonisation, research, technology development and adaptation, safety, and environmental issues among others.

The immediate implementation of a Railways Authority in the EAC charged with railways development would seem unfeasible for now (due to the disparate railways ownership and development structures) until the Political Federation stage of regional integration is realized or the Partner States agree to joint management and development of railways.

The Speaker: Thank you very much, Chair, Council of Ministers. I wish to invite hon. Abdul Karim for any supplementary questions.

Mr. Abdul Karim Harelimana (Rwanda): Thank you, Madam Speaker for giving me the opportunity to first of all to thank the Chair, Council for the answers he has given to my questions and they are very satisfactory. Only that I have one supplementary question. There is a saying that in Africa that it is good to just plant tress especially fruit trees and don't care whether you will eat from them or some other person will eat from them. Nevertheless, I think there is nothing better than when you plant a tree and you eat the fruit from it before others eat it.

So, do you think, hon. Minister that you and I will see the railways sliding from Mombasa, Dar es Salaam to Kigali and Mswangati. Thank you Madam Speaker.

The Speaker: Chairperson, Council, I don't envisage or I don't want to imagine that hon. Abdul Karim is praying for eternity but Chair Council you can give an answer.

The Chairperson, Council of Ministers (Mr. Shem Bageine): Thank you, Madam Speaker. The hon. Member's finding on whether we will – him and I – eat from the fruits of the developments of the railway is very interesting. However, let me state that it is the intention of the East African Community to develop these infrastructure in order to ease and lessen the cost of doing business within our Community.

What is also paramount is to save the trunk roads which are currently being used by trucks carrying merchandise. And as you are aware, the cost of a standard tarmac road is hovering around US $ 1 million per kilometer and yet these roads do not last time. Therefore, the alternative mode of transport, which is railway, is urgently required.

I am convinced that, God willing, hon. Abdu Karim and myself might real from the fruits of the tree that we are planting now. I thank you.

(Applause)

The Speaker: Thank you very much, Chair, Council of Ministers. Of course, you will appreciate that when I was still a Member, I was very passionate about this area. And one of my concerns then was that if Governments develop road networks as a public utility, not under public private partnerships, why can't they look at the railways in the same breath? I was concerned then but today I am constrained to think otherwise but I think it is very important. At one time we need to treat railway lines as we treat roads and we invest in those railway lines so that at an appropriate time or opportune moment, the PPP will come in to provide wagons. If I want to bring my wagon I bring it and if I don't want, as the water ways are provided by Governments in some way. You know that is the thinking.

If we are going to rely on PPP to build the railways, we may never see them – me and you, perhaps and hon. Abdul Karim, we shall just tell stories that during our time there was this hope. Thank you. You can comment if you so wish.

Mr. Bageine: Just a clarification. You see, we are looking at the evolvement of the railway network holistically. We are not looking at parts. And when we talk of private and public sector involvement, we are not looking at them building the actual railway line… *(Inaudible)…*

the terms which is expensive is where we are looking at involving the private partners to come and assist us. Of course they will invest and expect a return but the infrastructure; the railway line will be a responsibility of the countries in the governance. Thank you

The Speaker: Considering that there is no other supplementary question, we could move to the next one.

QUESTIONS FOR ORAL ANSWER

(ii) EALA/PQ/OA/03/20/2013

Mr. Leonce Ndarubagiye (Burundi): Thank you very much, Madam Speaker for giving me the floor and the opportunity to ask this question. May I request the Cahir, Council of Ministers to answer the question, REF: EALA/PQ/OA/03/20/ 2013 *(Recalling that the East African Legislative Assembly adopted a Resolution on Street Children on 22nd April, 2010.*

Could the Chairperson of Council inform this August House, the extent to which the Partner States have implemented the resolution on the eradication of the street child phenomenon?)

Thank you

The Chairperson, Council of Ministers (Mr. Shem Bageine): Thank you, Madam Speaker.

Madam Speaker, I wish to inform this august House that the East African Community has been in the process of putting in place policies, institutional and legal frameworks aimed at implementing Article 120 of the Treaty for the Establishment of the East African Community which provides for cooperation amongst Partner States in the fields of Social Development and Social Welfare.

The Council of Ministers has already adopted various policy instruments which include the EAC Social Development Framework (2013), the EAC Youth Policy (2013) the EAC Policy on Persons with Disabilities (2012) and the EAC Strategic Plan on Gender, Youth, Children, persons with Disabilities, Social Protection and Community Development (2012-2016).

Concerning street Children, the Council of Ministers at its 27th Meeting held on 31st August 2013 endorsed and forwarded to the Summit of Heads of State the Bujumbura Declaration on the Wellbeing of the Child in the East African Community.

Madam Speaker, Currently, a comprehensive situation analysis of children issues in all the EAC Partner States was, with the support of Save the Children, undertaken during August and September 2013. A zero draft EAC Child Policy was developed and will be subjected to a validation process before December 2013. It is planned that the EAC Child Policy should be in place by June 2014.

Madam Speaker, I further wish to inform this august House that the EAC Partner States are already undertaking various actions to eradicate of the Street Children phenomenon. However, there is a need for Partner States to cooperate by putting in place a common approach to address child rights issues. It is in this regard that the Community is starting by formulating a Child Policy which shall be followed by an appropriate legal binding instrument for family and child promotion and protection. In the meantime, the EAC Secretariat has planned to work with Local Governments in addressing social development issues. Consultations are planned to take place before December 2013.

The East African Community is also collaborating with Development Partners in order to put in place a full programme on Child Rights which will cater for Street Children.

The Speaker: Hon. Leonce Ndarugiye, any supplementary question?

Mr. Leonce Ndarubagiye (Burundi): Thank you very much, Madam Speaker. I have no supplementary question but I beg your indulgence to give some important information to this august House.

The Speaker: Proceed.

Mr. Ndarubagiye: Thank you very much. I just wanted to remind you that Mwalimu Nyerere and Abed Karume united Tanzania in one day, why do we wait for ten years? Thank you.

The Speaker: It could also be a question but I don't expect the Chair, Council to answer that. Let it be food for thought. Since there is no other supplementary question – unless the Chair wishes to express his – I don't want to call them feelings- on hon. Ndarubagiye's statement.

Mr. Bageine: Madam Speaker that was only an interesting observation. If they did it in one day, why can't we do the same? I think the answer lies in what we have been talking about. The times when this happened have changed a great deal. The political will then is elusive today hence our slow nature of doing things. But not to say that we shall not do it ultimately but I am afraid it will take a bit longer than Mwalimu Nyerere and Abeid Amani Karume did when they united Tanzania. I thank you.

(iv) EALA/PQ/OA/03/22/2013

Ms Shy-Rose Bhanji (Tanzania): Thank you, Madam Speaker. I am asking the Chair, Council of Ministers to answer my question ref: EALA/PQ/OA/03/22/2013. *(The Women and Youths in the EAC can be enabled to have a special role to play in small scale businesses which are now emerging and easy to manage.*

Could the Chairperson of Council inform this August House how the EAC has assisted Women/Youths in this regard so that they can take full advantage of EAC integration?)

I beg to move.

The Chairperson, Council of Ministers (Mr. Shem Bageine): Thank you, Madam Speaker.

Madam Speaker, I am glad to inform this august House that the EAC Youth Policy, 2013 was approved by the Council of Ministers at its 27th Meeting held on 31st august 2013. This Policy is targeting, the unemployed youth, the rural youth, urban youth migrants, youth in the informal sector, the street youth, the School dropouts and out of school youth, among others.

The EAC Youth Policy provides for, promoting youth entrepreneurship by including entrepreneurship training in the school curricula, providing access to credit, business development skills training, mentorship opportunities and up to date information on market opportunities. It also provides measures to regulate the informal economy to prevent unfair labour practices where the majority of youth work.

Madam Speaker, The East African Community has undertaken to sensitize the Youth on existing opportunities within the EAC region. In addition, the Inter-University Council for East Africa is working with the East African Business Council on a program to strengthen youth entrepreneurship in the region.

The Speaker: Hon. Shy-Rose Bhanji, any supplementary question?

Ms Shy-Rose Bhanji (Tanzania): Thank you, Madam Speaker. Thank you, Chair, Council for the answer. However, I would like to know as the Chair, Council has said in his answer that the EAC has undertaken to sensitise the youth on existing opportunities within the EAC Region. I would like to know where this sensitization is taking place, when and where in particular and which youth attended this sensitization as well as women? Thank you.

The Chairperson, Council of Ministers (Mr. Shem Bageine): Madam Speaker, in my answer I said that the Council of Ministers has undertaken to sensitise the youth on various aspects of entrepreneurship. The Council will work with the Secretariat in formulating the sensitization program and where it will be held. Obviously our thinking is that it will be held in all the Partner States.

It is important for me to state that we are churning out thousands of youth from our universities into the job market. And the absorption rate of the market vis-à-vis the numbers is a small percentage. Therefore, I would like to assure this august House that the Council of Ministers is concerned about this phenomenon because we could end up sitting on a time bomb. If these educated youth, including those who have not been able to go to university, are on the streets without employment.

So, we shall be working out a program, which we shall circulate so that we all participate in sensitization of these youth.

The Speaker: Thank you very much, Chair, Council. Hon. Taslma, a quick supplementary question?

Mr. Issa Taslima (Tanzania): Thank you very much, Madam Speaker. I would like to ask the Chair, Council to tell this august House when the East African Business Council will be in position to come up with the outcome of the exercise that they are working on right now?

The Chairperson, Council of Ministers (Mr. Shem Bageine): Thank you very much, Madam Speaker. At the risk of repeating myself, the Council of Ministers, as I stated the other day, has agreed to work differently from the past. I want to assure this House that I have taken note of issues that have been mentioned including this one and when the Council meets and sits as a Board of Directors charged with the responsibility of managing EAC affairs, these issues will be discussed and we should be able to circulate an answer to this after the meeting. I thank you.

ADJOURNMENT

The Speaker: Thank you very much. Hon. Members, I think you will appreciate that we do have a function immediately after this very important session. It is a very important opportunity for us so I don't want to labor more on some of these issues. If we think that we are not very convinced where the Chair has responded, we can also have the opportunity to interface at a personal level.

Hon. Members, with that answer from the Chair, Council we have come to the end of today's sitting. I want to thank you, Members for the commitment you have shown and I want to say that before we adjourn, I can make another very important announcement immediately when we adjourn, we have an invitation from the Speaker of the National Assembly of Burundi for a dinner -that invitation is already with you. So, I urge you Members to expeditiously go through the adjustment so that we are able to keep time.

But I want to take the opportunity again to thank the Minister, hon. Leontine Nzeyimana for the beautiful cocktail we enjoyed yesterday. Thank you very much. *(Applause)* It enables us to carry very beautiful memories back home. Thank you very much.

With those few announcements I wish to adjourn the House to tomorrow, 2.30 p.m.

(House stands adjourned.)

(The Assembly rose at … p.m. and adjourned until Thursday, 31st October at 2.30 p.m.)