



EAST AFRICAN COMMUNITY

**2ND MEETING OF THE 1ST SESSION OF THE
3RD EAST AFRICAN LEGISLATIVE ASSEMBLY**

**Nairobi, Kenya
2nd - 14th September 2012**

**ORAL ANSWERS
TO PRIORITY QUESTIONS**

13th September 2012

1.0 QUESTION : EALA/PQ/OA/3/O4/2012 (By Hon. Shy-Rose Banji)

It is now over ten years since the re-establishment of East African Community and not much is known by the Wanainchi about what it stands for and how it relates with the Partner States.

Can the Chairperson of the Council inform the august House what the Council and the Secretariat are doing to enhance awareness?

Madam Speaker,

The Council at its 23rd meeting in September 2011 approved a robust EAC Communication Policy and Strategy that gives general strategic direction for the Information, Education and Communication activities that is to be pursued by the Community in accordance with Article 71 of the Treaty which mandates the Secretariat to promote and disseminate information on the Community to stakeholders, the general public and the international community. The Policy provides the necessary guidelines that inform the overall direction of the Information, Education and Communication activities, while the Strategy spells out specific activities that the Community will undertake to promote awareness and foster broad participation by the various stakeholders in the integration process.

The Secretariat has taken the lead in preparing the operational plan and resource mobilization for the implementation of the Policy and Strategy. As this process is ongoing, I am happy to report that implementation of some of the strategic interventions to enhance awareness on the integration agenda has started.

Madam Speaker,

Allow me to briefly highlight some of the ongoing activities:-

(a) Joint Cross Border Sensitization Activities

Partner States are now undertaking joint cross border sensitization activities. The United Republic of Tanzania and the Republic of Kenya organized joint border sensitization programme on 21st - 22nd February at the Namanga border post. A similar programme was held between the United Republic of Tanzania and the

Republic of Uganda at the Mutukula border post and between the Republic of Uganda and the Republic of Kenya at the Malaba and Busia border posts. More joint border activities are in the offing.

(b) National Communication Strategies on EAC integration

All the Partner States have developed national policies including communication strategies on the EAC integration and are mainstreaming the integration agenda into their annual work plans.

For example in the Republic of Kenya, the Ministry of the East African Community has carried out sensitization activities in 29 counties out of the 47 during the last Financial Year. It has also carried out cross border joint sensitization at selected border posts; established Integration Offices and the Government has appointed Officers to man these offices at all the key border posts. The Ministry intends to undertake Road shows/experiential marketing of EAC in all parts of the Country in the near future.

In the Republic of Rwanda, every Ministry, Department and Agency (MDAs) is now required to have EAC integration programmes mainstreamed into their activities. The Ministry is currently undertaking radio and TV talk shows on EAC integration; setting up billboards on EAC in strategic places in the country; participating in trade fairs (Rwanda Expo); sensitizing local leaders and teachers among others. The Ministry plans, in the long term, to establish a radio station dedicated to EAC.

In the Republic of Burundi, EAC integration meetings with focal points have been instituted by the Ministry of EAC Affairs and EAC clubs have been established in schools. The Ministry is undertaking the production of promotional materials that include posters, brochures, and exercise books branded with EAC messages.

In Burundi, most businesses are now branding themselves EAC and the visibility of Community has picked up greatly as a result of the government directive to all government and administrative offices to hoist the EAC flag alongside the national one. For the first time, the Ministry of EAC in collaboration with the Federal Chamber for Trade in Burundi organized a regional trade fair on 29th June – 8th July 2012 in Bujumbura, Burundi and thousands of show-goers were sensitized on EAC integration issues.

In the United Republic of Tanzania, the Ministry of East African Cooperation has identified focal points in the local governments to educate citizens about integration issues. In this regard, focal points have already been trained on EAC integration in the Lake Zone.

Sensitization and outreach programmes have been conducted to Members of Parliament in Zanzibar; public engagements through exhibitions such as *Nane Nane*; and joint border sensitization programmes with other Partner States have also been carried out.

The Ministry has also published, in Kiswahili, simplified booklets on the Customs Union and Common Market Protocols and conducts media engagements on EAC projects and programmes. Several training programmes have been held for editors and journalists.

In the Republic of Uganda, the Ministry of EAC Affairs initiated the establishment of EAC Integration Clubs in key schools in all regions on a pilot basis. The Ministry has also conducted joint border sensitization workshops with their counterparts in Kenya and Tanzania respectively at Malaba, Busia, and Mutukula.

The Ministry has initiated consultations with EALA Members; engages with Members of the National Assembly, district leaders, private sector, university students and civil society organizations on integration issues.

Other undertakings include conducting EAC awareness week every November to coincide with the EAC Day on 30th November; hoisting EAC Flag on every government office building; production of IEC materials on EAC; publication of FAQs on EAC integration; and production of a simplified Common Market Protocol that has been translated into local languages.

(c) Engaging the Youth in the EAC integration process

The Secretariat has initiated the engagement of the youth in the integration process through the introduction of EAC University Students Debate. The 1st EAC University Students Debate on Regional Integration was held in Arusha, Tanzania on 24th - 25th August 2012. The main objective of the Debate is to promote continuous dialogue among the youth and interest them in advocating regional integration initiatives. In addition, the Debate is expected to provide a platform for the youth to participate in and contribute to policy formulation on issues that constitute the EAC youth agenda.

Related to this, the Culture and Sports desk at the EAC Secretariat is working out concrete mechanism of collaboration with the Ministries of Education and Sports in the Partner States under the Federation of East Africa Secondary Schools Sports Association on how the EAC could be engaged in organizing the annual Editions of the East Africa Secondary School Games and Sports Competitions. These sports and games attract over 2,500 students and over 300 officials and are held on rotational around the EAC Partner States.

The active participation of the Secretariat in this regard will help enhance its image among the youth who are the future leaders of the Community.

Through these Debates, Sports and Games, EAC Youth Ambassadors will be identified to propagate further the integration issues among the youth.

(d) EAC Arts and Culture Festival

The Secretariat has initiated the EAC Arts and Culture Festival and the Regional Sports Tournament with the ultimate aim of informing, sensitizing and involving the people of East Africa on integration issues during these events. The inaugural editions of the EAC Arts and Culture Festival and the Regional Sports Tournament will be held in alternate years starting next year. The EAC Arts and Culture Festival is slated to take place on 9-16, February 2013 and will be followed by the EAC Sports Tournament in June 2013. Both events will be held rotationally among the Partner States.

(e) Media Coverage of EAC projects and programmes

The media houses in the Partner States have intensified coverage of EAC projects and programmes as a result of the hard work of the EAC Media Centre. Daily press releases are churned out and tips are availed to the media on various EAC meetings, ongoing projects and programmes giving journalists a wide range of news leads on the integration issues.

(f) Radio and TV Public Education Programmes

In June this year, the Secretariat through the Ministries of the EAC Affairs deliberately launched radio and TV public education campaigns on the EAC regional integration issues. Using the major public broadcasters, private media houses, and Community Radio Stations, 48 programmes with various themes are being broadcast in each Partner State.

For example in Kenya, the programmes are running in Kenya Broadcasting corporation, Kass FM, Mulembe FM, Inooro FM, Egesa FM, Pwani FM, Nam Lolwe FM, Muuga FM etc. In Tanzania we have TBC-Television, Redio Free Africa, Star TV, Radio 5 Arusha etc, In Uganda, the programmes are running in The New vision Etop Radio, Captal FM, Sanyu, Open Gate FM, Kasese Community Radio etc. In Rwanda, programmes are ongoing in Radio and Television Rwanda, Contact FM, Voice of Africa, Radio Flash, Isango Star etc, and in Burundi we have RTNB, Heritage Television, Bonesha FM, Radio and Tele Renaissance, Radio Isanganiro etc. Everyday at peak hours there is at least an EAC Radio or television spot being aired in any of these radio and television networks.

(g) Media Summits

The East African Community Secretariat conducts an annual Media summits and awards with various themes at which a Member of the EAC Heads of State Summit (host Partner State) together with the Ministers responsible for EAC Affairs, Heads of EAC Organs and Institutions engage Media Owners, Chief Executive Officers, Publishers, Editors, prominent Media personalities, and the practitioners in the region on integration issues.

The key outputs of these annual Summits and Awards are increased publicity of integration issues by Media Houses voluntarily allocating sufficient space/air time on EAC activities; and enhanced EAC rapport with the media fraternity, with a view to promoting EAC issues. So far we have had 5 Media Summits and the latest was held in Kigali, Rwanda in early August 2012. EALA is always adequately represented at the annual Media Summits.

(h) Increasing accessibility of information on integration through online platforms

The Secretariat intends to increase accessibility of information on integration through online platforms that will lead to the launching of sub websites for several sectors of the integration. It will also do content review of all the 24 sector websites; undertake weekly website updates; and grow EAC social media users by 1,500 per quarter.

Madam Speaker,

In addition to the above mentioned activities, I am happy to inform this august House that the Council at its 25th Meeting held on 27th -31st August 2012 considered the Operational Plan for the EAC Communication Policy and Strategy, which will be executed progressively within five Financial Years with effect from 1st July 2013 at an estimated cost of US\$ 15,460,560 cost, which is approximately US\$ 3,092,113 every financial year.

The key priority activities to be implemented in the Operational Plan and to involve Members of EALA in collaboration with the Ministries of EAC Affairs and the Secretariat are as follows:-

- (a) Participating in EAC Radio and Television Public Education Programmes through Talk-shows and feature/documentary programmes;
- (b) Participating in Annual trade fairs and exhibitions in the Partner States;

- (c) Participating in EAC Day/Week observance/celebrations in the Partner States;
- (d) Joint Sensitization and Outreach activities for border communities on EAC regional integration; and
- (e) Popularizing the East African Community symbols (Flag, Anthem, Tagline-One People One Destiny) by holding Public Rallies and sensitization workshops for Border officials and communities, students, Government officials, Members of the Diplomatic Corps, Professional Associations, Journalists, Students, Youth, Faith Based-Organizations etc.

Madam Speaker,

The Council has directed the Secretariat to work on the resource mobilization strategy, where possible, from the Private Sector and Development Partners, among others, to implement the above mentioned activities. These activities, once implemented successfully, will upscale the visibility and awareness of the EAC integration process and development.

2.0 QUESTION : EALA/PQ/OA/3/O5/2012 (By Hon. Shy-Rose Banji)

Noting that the use of Identity Cards for border crossings could be one of the benefits of intergraiton and thereby enhancing awareness and spurring economic development/busienss.

Can the Chairperson of the Council inform the august House why it is taking long to use Identity Cards at border crossings?

Madam Speaker,

I wish to inform this august House that the Summit of Heads of State has endorsed the Identity card as the future travel document for East Africans in the region. Identity Cards are normally issued to nationals by respective governments free of charge for purposes of registration and documentation of nationals above 16-18 years of age as provided for in the national laws.

The EAC Common Market Protocol under its Article 9 (2) provides that Partner States which have agreed to use machine readable and electronic national Identity cards as travel documents may do so, but have to work out modalities for implementation.

The reason why the citizens of Partner States have not yet started using identity cards for border crossings is due to the fact the five Partner States are at different stages on the ID issuance process. Those Partner States which have already issued IDs (Kenya, Burundi and Rwanda) have issued different types of IDs (depending on the technology utilised). It is only the Republic of Rwanda, which has issued a machine readable and electronic national Identity card,

Madam Speaker

The current status of issuance of National Identity Documents to nationals is as follows-

(a) Republic of Uganda

The Republic of Uganda has already embarked on the registration of her nationals for purposes of issuance of Identity cards. Already 5.5 million people have been registered and will be able to get IDs by end of 2012. Uganda plans to have

completed the exercise by the end of the year 2013. The ID cards are bar-coded and are machine readable.

(b) The United Republic of Tanzania

The United Republic of Tanzania is in the process of producing biometric ID cards and will start issuance to nationals by January 2013. Tanzania targets to issue ID cards to all citizens above 18 years. The National Identity and Documentation Authority (NIDA) has been established and mandated to issue the ID cards.

(c) Republic of Rwanda

The Republic of Rwanda issues ID Cards to all nationals from the age of 16 and above. Rwanda will start the second phase of ID Cards issuance. It will be a smart card, which will also contain other information such as passport and driving licence details

(d) Republic of Kenya

The Republic of Kenya is in the process of procuring smart cards and an issuing system. The current IDs issued to nationals are not machine readable but contain biometric features. Kenya is issuing third generation cards which contain all relevant information on such matters as social security, tax etc,

(e) Republic of Burundi

The Republic of Burundi has initiated a procurement process for issuance of a third generation ID Card.

The Republic of Kenya and the Republic of Rwanda have agreed to pilot the use of national ID cards as travel documents between the two countries beginning 2013.

Madam Speaker,

It is evident that there is willingness among the Partner States to issue their nationals with IDs within the time frames indicated above.

We all appreciate that the Issuance of Identity cards is a very expensive exercise but once accomplished by all the Partner States, it will facilitate the free movement of persons in the East African region.

3.0 QUESTION : EALA/PQ/OA/3/O6/2012 (By Hon. Shy-Rose Banji)

At the moment, East African Countries are competing against one another for investments through tax incentives. This trend is causing imbalances and also causing loss of revenue for those not attracting enough investment potentials.

Is the Council of Ministers aware of this problem? If so, what measures are being taken to solve this problem? And if not, what can the Council of Ministers do about this problem in order to assist all Partner States in generating sufficient and balanced investment potential whose proceeds could be used to enhance service delivery.

Madam Speaker,

Following the establishment of the EAC Customs Union in 2009 with the gradual removal of internal tariffs and the implementation of the Common Market Protocol in 2010, the Community has expanded its internal market and increased the attractiveness of the five EAC Partner States for foreign investment to supply the larger market. The tax burden is one of the factors in the firms' investment decisions. Other factors include: the endowment of raw materials, the abundance of skilled workers, the cost of energy, the quality of infrastructure, the market size.

Significant differences in tax incentives can increase the potential for harmful tax competition among EAC partners where the country offering more favorable tax incentives, ceteris paribus will be in a best position to attract foreign investment and encourage increased domestic investment. Other factors that can broadly be put under "the cost of doing business" include the speed of doing things, getting approvals, licences, the burden of regulatory oversight etc.

Madam Speaker,

Considerable progress in tax harmonization has already been made in line with-

- (a) Article 83 of the Treaty for the Establishment of the East African Community provides that: "Partner States undertake to harmonise their tax policies with a view to removing tax distortions in order to bring about more efficient allocation of resources within the Community"; and

(b)Article 32 of the Common Market Protocol where provides that: "The Partner States undertake to progressively harmonize their tax policies and laws to remove tax distortions in order to facilitate the free movement of goods, services and capital and to promote investment within the Community".

Madam Speaker,

An assessment of the current structure of EAC tax system shows the following features on the level of harmonization:-

- (a)Corporate taxes are almost harmonised across the region except for Burundi which applies 35%, the other Partner States charge 30%;
- (b)Rates of the Value Added Tax (VAT) are also almost harmonised as the rate of VAT in the Community is 18% except for Kenya which applies 16%. But the rules and practices for VAT refunds and the administration processes regarding the VAT input tax deduction need to be harmonized; and
- (c)Taxes on imports of goods and machinery have been harmonized in the context of the Customs Union.

However, substantial differences that require harmonization still exist in the following areas:-

- (d)Excise duties levied on beer, wine, cigarettes, soft drinks, air time and petroleum products which are not yet harmonised and complex;
- (e)Economic Processing Zones (EPZ) and Special Economic Zones (SEZ) that can cause unfair tax and state aid competition; and
- (f) Special depreciations and initial capital allowances that increase tax incentives on some manufacturing sectors.

The above mentioned substantial differences may lead to harmful tax competition, causing imbalances and loss of revenue for those countries not attracting enough investment potentials.

Madam Speaker,

The Council is aware of this problem and some activities were undertaken to minimise/abolish effects of tax competition. EAC Secretariat with the support of German Cooperation through GIZ is implementing a project on Tax harmonisation which is responsible to Harmonise all domestic taxes including tax incentives.

In addition, the IFC/World Bank Group as part of its collaborative agreement with the Secretariat is conducting a specific study on tax incentives in the EAC and has committed to assist the EAC in developing a regional policy on tax incentives whose main purpose will be to ensure that tax incentives are not used by Partner States in a manner that is harmful to other Partner States. At an appropriate time, the Council

will give necessary directives in order to rationalise tax incentives in EAC. The IFC is also working with the EAC Secretariat on harmonization of commercial laws in the EAC region. These have an impact on the investment environment in the region.

It is expected that in the future the EAC Partner States will sign a code of conduct on harmful tax competition which in conjunction with the regional policy on tax incentives will check against any harmful tax competition.

Madam Speaker,

In the meantime, the process of tax harmonisation is going well. The following are the steps being taken to bring about harmonization:

- (a) The Community has embarked on diagnostic studies to inform policy and strategy on Investment Promotion in the Community in line with the pillars of integration so far achieved and the 4th EAC Development Strategy. The studies have involved key stakeholders;
- (b) Legal instruments on Value Added Tax (VAT), Excise Tax and Income Tax are being developed by Technical Working Groups established by the Council. The Technical Working Groups are involving key stakeholders: Revenue Authorities, Ministries of Finance, Private Sector, EABC among others;
- (c) The signing of the of Agreement for Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income which is under process of being brought into force; and
- (d) The draft Code of Conduct against Harmful Tax Competition which is under discussion by the Committee on Fiscal Affairs. It will include guidelines about the features that constitute harmful tax competition and an enforcement mechanism for minimizing harmful tax competition.