



EAST AFRICAN COMMUNITY

IN THE EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)

The Official Report of the Proceedings of the East African Legislative Assembly 119TH SITTING - SECOND ASSEMBLY: FIFTH MEETING – FOURTH SESSION

Thursday, 19 May 2011

*The East African Legislative Assembly met at 2.30 p.m. in the Chambers of the
Assembly, AICC Building, Arusha.*

PRAYER

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

(The Assembly was called to order)

COMMUNICATION FROM THE CHAIR

The Speaker: Honourable Members, today we have a special guest, His Excellency Vincent Biruta, President of the Rwanda Senate. He is here to visit the EAC Organs and Institutions, and more so, the East African Legislative Assembly. *(Applause)*

PAPERS

The following Papers were laid on the Table:

The Revised Statement of Expenditure for the Financial Year 2010/2011

The Financial Statement and the Estimates of Expenditure for the Financial Year 2011/2012

MOTION

FOR THE CONSIDERATION OF THE BUDGET OF THE EAST AFRICAN COMMUNITY FOR THE FINANCIAL YEAR 2011/2012

The Assistant Minister for EAC Affairs, Kenya (Mr. Peter Munya) (Ex-Officio):
Mr. Speaker, I beg to move:

THAT, this assembly do resolve itself into:

- (a) A Committee of Ways and Means to consider and approve the Financial Statements of the Financial Year 2011/2012; and,

- (b) A Committee of Supply to consider and approve the Revised Estimates of Expenditure for the Financial Year 2010/2011 and the Estimates of Expenditure for the Financial Year 2011/2012.

The Counsel to the Community (Mr. Wilbert Kaahwa)(Ex-Officio): Seconded.

The Assistant Minister for EAC Affairs, Kenya (Mr. Peter Munya) (Ex-Officio):

I would like at this outset to recognize the new Secretary General of the East African Community, Dr. Richard Sezibera who, unfortunately has not been able to be here today as he has had to attend to unforeseen urgent matters requiring him in Rwanda and therefore has designated the Deputy Secretary General (Finance and Administration), Dr Julius Rotich to represent him. We, however, warmly welcome Dr. Sezibera to the fold. He comes to the Community at a critical time of deepening integration and concretizing the regional programme. We appreciate that he has hit the ground running. During his acceptance speech he has outlined a clear vision and commitment to provide dynamic leadership of the regional organization. *(Applause)*

By the same token, I would like to pay tribute to the immediate former Secretary General, Ambassador Juma Mwapachu who has exemplified visionary leadership during his term of the past five years. Ambassador Mwapachu oversaw the EAC programme during a period of a manifest resurgence of the East African Community. This period was characterized by major achievements and breakthroughs in the regional integration process. I would highlight, among these, the enlargement of the Community with the admission of Rwanda and Burundi in 2007; the expansion of the regional programme with the establishment of the new Commissions in the same year; the consolidation of the Customs Union; the establishment of the Common Market; the concretization of the regional programme and prioritization, in particular, of the regional infrastructure programme; and the forward push towards the establishment of a Grand Free Trade Area under the EAC-COMESA-SADC Arrangement. Ambassador Mwapachu has left a legacy of highly respectful and resourceful relations with our development partners and preparedness to position East Africa among the fast modernizing regions of the world. With this appreciation for his leadership of our Organization during the last five years, we also wish Ambassador Mwapachu well and continued success in his future endeavours. *(Applause)*

PART II: REGIONAL AND GLOBAL SITUATION

Mr. Speaker, this presentation of the Budget comes at a significant time in the political evolution in our region, in particular against the background of a busy electoral season, following the general elections in Rwanda and Burundi; the Constitutional Referendum in Kenya; the general elections in Tanzania last year; and the elections in Uganda early this year. These democratic exercises, the adherence to regular, peaceful, free and fair elections, are a cornerstone of the EAC integration process. They reaffirm our commitment to the fundamental principles on which the EAC is anchored, namely the rule of law, good governance and protection of civil and human rights; and commitment to the wellbeing and welfare of our people.

We see positive trends in deepening of democracy and good governance in all the countries of our region. I would like to express our solidarity with Uganda which has been the latest in going through a successful electoral process and congratulate HE

President Yoweri Kaguta Museveni on his installation last week. Our hearts go out to the Government and People of Kenya during this critical time of major transition in the implementation of the New Constitution and preparations for the General Elections slated for some time next year.

Mr. Speaker, these political developments taking place in our region constitute an important part of our objectives to consolidate political cooperation in various facets as building blocks towards our quest for a Political Federation. We pride ourselves for significant achievements in areas such as defence cooperation which is deepening. A Protocol to sanctify such co-operation will be signed shortly. Foreign Policy coordination is now governed by a Protocol. Similarly, a Protocol on peace and security and governance are due to be concluded.

The EAC also warmly welcomes the political choice of the people of South Sudan through a Referendum to have an independent statehood. South Sudan has strong links with our region, culturally and ethnically. There is an equally strong trade and investment link which makes South Sudan a natural ally of our region in every respect. Further a field, the EAC is not unconcerned by the developments in the Middle East and North Africa and we call for peaceful and amicable solution.

Mr. Speaker, on the economic front, it is pleasing to note that the economies of our region continue to grow. The countries of our region have been assessed the fastest growing economies in sub-Sahara Africa and, more broadly, the developing world in recent years. Indeed, according to the International Monetary Fund's (IMF) latest report, the countries of our region, in particular Rwanda, Tanzania and Uganda are among the fastest growing economies in the world.

On the whole, however, the countries of our region are presently beset by currency depreciations with serious ramifications on inflation. These challenges arise from the recent extended drought that hit most parts of the region. This has been compounded by the recent rising prices of fuel and other imports following the political events in the Maghreb and Middle East, and the negative impacts flowing from growing incidents of piracy in the western rim of the Indian Ocean.

We expect that these adverse conditions would be of a temporary and passing nature. EAC Partner States are committed to take effective response measures, both at national and regional levels, to address these challenges. The onset of rains throughout the region gives rise to positive prospects with regard to the food security situation and reversal of the inflationary trend.

PART III: APPRECIATION AND ACKNOWLEDGEMENTS

Mr. Speaker, the theme of this year's Budget is: *"Implementation of the Common Market and laying the foundation for a Monetary Union."* The next Financial Year would be a momentous one as the Community enters a higher phase in its integration process in view of the launch of the Common Market and the energized process toward the establishment of the East African Monetary Union.

In presenting this Budget, I would like to thank all those who have been charged with spearheading the regional integration process, from the Staff of the EAC to the Senior Officials, Permanent Secretaries, the Council of Ministers and Heads of State.

At the initiative of this Assembly, the EAC Budget process has, since the Budget for Financial Year 2009/2010, embraced the good practice of widely inclusive participation of the broad spectrum of stakeholders of the EAC integration process. The EALA has been involved, right from the start, of the Budget process as opposed to the old system.

I believe that the new all-inclusive consultative approach to the formulation of the EAC Budget, with the institutionalization of the Pre-Budget Conference, has impacted on the qualitative development of the EAC programme which is evolving. There is systematic matching and accounting for the prudent management of resources towards the achievement of clear regional integration and development objectives. I commend you, Mr. Speaker and Honourable Members, for your valuable contribution.

Most importantly, Mr. Speaker, allow me to thank their Excellencies, the Heads of State, for close guidance that has enabled this Community to make sterling progress and become the widely acclaimed model of regional integration in Africa. The success of the East African Community is written all over with the interventions, constant close guidance and encouragement that the Heads of State have provided in ensuring the forward movement of our regional integration.

Mr. Speaker, this presentation of the Budget is coming at a time when the East African Community is making very good progress and holding great promise for the period ahead. The state of the Community and its prospects are highly encouraging. GDP of the region has increased from USD 46.5 Billion to USD 74.5 Billion over the period 2005 to 2009 while per capita income has gone up from USD 402 to USD 571 over the same period (EAC Statistical Database) in the region. While tremendous achievements have been made, we also recognize that there will be challenges in the period ahead to which we must apply ourselves in taking the regional integration forward. The stage is set for the full operations of a vibrant single market and investment area in East Africa.

PART IV: EAC PROGRAMME PERFORMANCE REVIEW FOR FY 2010/2011

Mr. Speaker, in reviewing the Budget performance for the current Financial Year, 2010/2011, I would like to state that we have continued the results-based performance management system, which has been put in place supported by an elaborate Monitoring, and Evaluation system at the EAC Secretariat.

As Honourable Members will recall, this august House approved a Budget of USD 77,664,443 for Financial Year 2010/2011 with focus on the following priorities:-

- i. Implementation of EAC Common Market Protocol and a fully fledged Customs Union
- ii. Preparation for EAC Monetary Union
- iii. Promotion of Agriculture and Food Security
- iv. Formulation of the 4th EAC Development Strategy
- v. Strengthening of the EAC-Statistical systems
- vi. Implementation of the EAC Industrialization Strategy;
- vii. Investment Promotion and Private Sector Development
- viii. Deepening co-operation in Political Affairs, including Defence; Security and Harmonization of National Laws and Policies;

- ix. Promotion of sustainable use of Environment and Natural Resources;
- x. Intensification of EAC Publicity, Outreach programme and Oversight function;
- xi. Harmonization of Education systems;
- xii. Extending Judicial services to cover Customs Union and Common Market issues
- xiii. Harmonization of issues in the Social Sectors, including Labour; Immigration and Employment laws and regulations; Promotion of Gender; Youth and Community Development;
- xiv. Implementation of the Lake Victoria Development Programme; and
- xv. Establishment of new EAC-Institutions and establishment of the EAC-Development Fund.

I am pleased to report that the Council of Ministers has ensured that these resources were put to prudent and effective use. The details of the Programme Performance and status of implementation and achievements made under the 2010/2011 Budget have been availed to the General Purposes Committee of EALA for scrutiny.

In this Budget presentation, allow me to report on these activities under the broad thematic areas for ease of reference, namely an update of the integration process and achievements made under Economic, Social and Political pillars of co-operation. I will also highlight issues in Institutional Development, Information and Communications and the 4th EAC Development Strategy which are cross-cutting in the EAC integration and development process. My review will highlight Legal and Judicial Matters; Planning and Infrastructure; Productive and Social Sectors; Political Affairs; Customs and Trade/EAC-COMESA-SADC Tripartite arrangement; East African Common Market; East African Monetary Union; Institutional Framework; and Developments in the EAC Organs and Institutions, among others.

ECONOMIC CO-OPERATION

Customs Union

Mr. Speaker, within a short period of 5 years since its launch in 2005, the EAC Customs Union is demonstrating clear benefits. The intra-trade in the region has increased with increment in both imports and exports among the Partner States. With the implementation of a single customs territory and advancement in elimination of non tariff barriers, intra-trade is expected to grow to greater heights in the region. All the Partner States are sharing in the benefits that the Customs Union has produced. The signing of the double taxation avoidance agreement in December 2010 has further boosted the prospects of cross-border investments and foreign direct investment inflows.

Our pressing call is to consolidate the gains of the Customs Union and maximize its benefits. During the year, we intensified efforts to address the problem of Non Tariff Barriers (NTBs). This activity, just at its inception, is intended to reduce the cost of doing business and enhance the attractiveness of our region as the business and

investment destination of the eastern and central African region. During the Financial Year, work was continued, with the support of the Japan International Co-operation Agency (JICA), in the establishment of One Stop Border Posts (OSBPs) which is a major plank of facilitating free movement of goods and people.

The Summit of EAC Heads of State at its 9th Extra-ordinary Meeting held in Dar es Salaam, on 19th April 2011, among others received a Report of the Council of Ministers on the proposed attainment of a single Customs Territory. The Summit directed the Council of Ministers to undertake a study on this matter and report to the Summit at the 13th Summit in November 2011. The Secretariat is in the process of developing the Terms of Reference for the Study on the attainment of a Single Customs Territory under the Customs Union which will be presented at the next Council meeting for approval.

Common Market

Mr. Speaker, the launching of the Common Market in July last year was a major and historic achievement. There is, however, a negative perception that has accompanied this same landmark achievement. There is a sense that it is business as usual in our region despite the much heralded launch of the Common Market. We need to ensure that we rectify this situation and expedite rather than settle for a leisurely approach to the actualization of the Common Market. Foremost, there are legal and regulatory frameworks that need to be put in place in order to breathe life into the declarations on the various free movements of the factors of production under the Customs Union and Common Market operations.

There are also negative normative tendencies that have persisted in the past, affecting the mindsets of all kinds of actors in the regional integration process. Efforts were made during the Financial Year to address these issues. Working closely with the East African Business Council, we have put these concerns at the forefront. These efforts will be intensified. We recognize clearly that the actualization of the Common Market Protocol depends on a resolute political will and a clear, focused determination to make the EAC Common Market a vibrant reality.

Monetary Union

Mr. Speaker, a major activity during the FY was putting the negotiations of the Monetary Union in motion. The establishment of the Common Market has coincided with the energized movement in the EAC Monetary Union process. Following the Summit decision to establish the Monetary Union in 2012, the Common Market process has been put on top gear. The negotiations of the Monetary Union commenced in Arusha in January this year. Significant ground has been covered, including agreement on the Structure of the Monetary Union. The first five basic provisions of the draft Monetary Union, i.e., the Preamble, Interpretations, Establishment, Objectives and Principles of the Monetary Union have been agreed. The Council intends to ensure adherence to the Summit's directive on the timely establishment of the Monetary Union. There will be no delay or postponement. The realization of the Monetary Union, together with the parallel activities in the integration of the financial markets infrastructure, including the establishment of an East African Stock Exchange are crucial to the facilitation of the operations of the Common Market.

The activities in strengthening evaluation and monitoring systems and related ICT based systems for timely statistical data on trade, investments and other key economic indicators will be implemented. As a regional economic community, we must move quickly to have this kind of data available and on a timely basis. During the Financial Year, EAC engaged Financial Sector Development and Regionalization Project to support the establishment of a Single Financial Market in the region. The project is being implemented with support from the World Bank Grant of USD 16 million.

Infrastructure development

Mr. Speaker, great strides have been made in infrastructure development which constitute a centre pillar of regional integration. During the Financial Year, projects under this sector were moved from the master plan to project implementation of regional physical infrastructure. The flagships of this positive outcome are the Arusha-Namanga-Athi River road project and the power interconnection at Namanga. A number of other road projects are also under implementation at the level of completion of engineering studies and funds mobilization for construction. These roads include the Arusha-Moshi-Holili-Taveta-Voi Road and the Bagamoyo-Tanga-Mombasa-Malindi Highway.

The extension of the Tanzania Central Railway from Isaka to Kigali and Bujumbura is on the forefront. The programme under the East African Transport Development Strategy and the long term Roads Development Programme to 2018 are ongoing under the strategic approach to the construction and modernization of road networks that provide regional interconnectivity. The estimated cost of these roads infrastructure development in the next 10 years is in excess of USD 25 billion. In the area of broadband technology, infrastructure network project to interconnect the five EAC Partner States via a high capacity fibre optic link, progress has been made in securing the support of the African Development Bank (AfDB). The estimated development cost of the infrastructure component is USD 30 million.

Mr. Speaker, you will appreciate that while being prepared to allocate our own public and private sector resources, we are also encouraged by the readiness of our development partners to step into our support. In this connection, negotiations with the AfDB, the last round of which took place in Tunis in April this year, have resulted in the prospects for greater support for the roads infrastructure. The AfDB has already provided feasibility and engineering design studies. Further support to the infrastructure development projects, involving railways, roads, ports and harbours development will be forthcoming under the EAC-SADC-COMESA Tripartite process. A consortium of development partners led by the World Bank, EU, DFID-UK, Trade Mark East Africa, and Trade Mark Southern Africa has already pledged USD 1.2 billion for the development of the infrastructure sector.

With a commitment to promote balanced regional development, EAC continued the Establishment of Quality Infrastructure in the East African Region project which emphasizes technical assistance to Rwanda and Burundi's Quality Infrastructures with the support of the German government. The project whose Phase 3 commenced in January 2011 was allocated Euros 800,000.

Meteorology

Mr. Speaker, during the Financial Year, the EAC intensified activities in promoting a harmonized approach to meteorological data observations, transmission, management and sharing of data. The EAC Meteorological Data Policy and the Protocol on Cooperation in Meteorological Services was developed. Meteorological services continued to be applied in the other areas of co-operation involving CASSOA and LVBC operations and the overall environmental management. The study on “Enhancing Safety of Navigation and Efficient Exploitation of Natural Resources over Lake Victoria and its Basin by Strengthening Meteorological Services over the Lake” is at an advanced stage. The report of this Study will be ready in September 2011. The role of meteorology will become increasingly pronounced in the regional programme during the implementation of the Agricultural Development, Food Security and Climate Change Action Plans.

Energy Sector

Mr. Speaker, as regards the Energy sector, the efforts in the establishment of adequate and reliable energy supply for the region are beginning to give way to good prospects. We are pursuing proposals under the EAC Power Master Plan which include the oil pipeline projects from Kenya to Uganda and onward to Rwanda and Burundi. The EAC Cross-Border Electrification Policy is underway to guide the development of cross border electrification projects. The Tanzanian border town at Namanga has been connected to electricity supply from Kenya. A natural gas pipeline from Mtwara to Mombasa is also under implementation with the broad objective of integrating the East African Power Master Plan that will connect to the broader Eastern Africa Power Pool and the Southern Africa Power Pool.

Indeed, the Energy sub-sector in the region received a boost with discoveries of oil deposits in parts of Uganda. This first commercial scale oil find in the region has leveraged East Africa’s potential as an oil and mineral rich region. The breakthrough in Uganda will complement the ongoing exploitation of natural gas in Tanzania and methane gas in Rwanda. In Kenya, continued exploration raised prospects of oil and other mineral finds in several parts of the country. Major advances were made in the development of geothermal energy, particularly in the Kenyan portion of the East African Rift Valley.

The series of Petroleum Conferences culminating in the 5th one held in Kampala in February 2011 are yielding encouraging prospects of oil exploration in the region. The Association of Energy Regulators of East Africa (EREA) which was launched in 2009 will provide a forum for energy regulators to exchange experiences and promote application of best practices in energy regulation in the Community to regulate cross border energy exchanges and enhance the operations of the EAC Power Pool.

Regional industrialization programme

Mr. Speaker, industrialization remains a major challenge for East African integration. Intra-EAC’s trade today represents only 11% of EAC total trade with the rest of the world. This situation reflects both a low level of industrialization in the region as well as other disincentives and distortions in the process of trying to develop a worthwhile internal market in the region. I am pleased to note that during the Financial Year, we

managed to take the development of the EAC Industrialization Strategy to an advanced stage. The Consultant's Study on the Strategy has been finalized and subjected to a regional validation workshop. The Strategy is in the process of further fine tuning before presentation to the Summit of the EAC Heads of States for consideration and approval in November this year. Apart from the preparation of the broader industrialization strategy, EAC continued the special promotion of the Small and Medium Enterprises sector (SMEs) under the Regional Programme on Industrial Upgrading and Modernization. The programme, with support from UNIDO, will be launched in September this year and will, in the initial phase, focus on four sectors, namely, agro-food, leather, green energy, pharmaceuticals and packaging industries.

Investments and trade promotion

Mr. Speaker, during the Financial Year, EAC made progress in the implementation of harmonized incentives regimes and overall creation of a conducive business and investments climate in the region. Under the collaboration among the EAC, EABC and the Partner States' Investments Promotion Agencies, joint promotion of investments and trade were conducted. The annual EAC Investment Conferences have realized great success in promoting the region's economic potentials and investment opportunities were continued.

During the Financial Year, EAC capacity building on various export promotion strategies, with the UN Economic Commission for Africa (UNECA) were continued under the International Negotiations and Trade Facilitation programme. The Consultant's Study based on analysis of the export promotion procedures has been concluded. The Study identifies gaps which will be worked on in promoting exports in the region. Similarly, EAC pursued with UNIDO the "Trade Capacity Building in Agro-Industry Products" to enhance the region's access to the world markets of agro-industry products.

Activities were also in progress with regard to AGOA under the Trade and Investment Framework (TIFA) which we are pursuing with the USA and other countries. The EAC Regional AGOA Work Plan for the period 2010/2015 was developed. The EAC Secretariat coordinated the participation of the Partner States in the 9th AGOA Forum which was successfully held in August 2010 in Washington D.C. and in Kansas City in the United States of America. The Forum focused on the new strategies for a changing world in the AGOA second decade.

We note that the successful staging of the African Investment Forum in Dar es Salaam in April 2011, following closely on the World Economic Forum on Africa which was held also in Dar es Salaam in May 2010, has firmly placed the EAC region in the spotlight of international trade and development attention. The Heads of States and Governments' personal participation and support to the trade and investment is further proof, if any were needed, that this region is open for business.

Mr. Speaker, joint negotiations with the European Union for the Economic Partnership Agreement (EPA) was also continued. Despite the present stalemate in the EPA negotiations of which the Honourable Members are well aware, it is my hope that an amicable solution will be arrived at soon and lead to an eventual EPA that will secure the interests of the EAC countries. In the meantime, the Summit at its 9th Extraordinary meeting held on 19th April 2011 in Dar es Salaam,

directed that the component of the Swedish International Development Agency (SIDA) grant intended directly to finance negotiations rather than capacity building be allocated to the East African Community Partner States. The rationale is that it is the Partner States, as contracting parties to the Contonou Agreement, are the parties to the Economic Partnership Agreement (EPA) negotiations. The Summit directed the East African Community Secretariat to negotiate with SIDA to allow the transfer of funds to the Partner States in order to immediately reactivate the EPA negotiations.

More successful, however, has been the EAC Partner States' participation in the Tripartite EAC-COMESA-SADC arrangement. This initiative is working towards establishing a Free Trade Area and subsequently Customs Union of the three major African regional economic communities. The initiative comprises a larger trade area of 28 countries with a combined population of 527 million, a GDP of USD 624 billion. Realization of this Grand Free Trade Area (GFTA) will further boost EAC's market advantage and strength. We all look forward to a positive outcome of the 2nd Tripartite Summit that will be held in South Africa in June 2011 to decide on the establishment of the GFTA.

Agriculture and food security

Mr. Speaker, agricultural development and food security remain key challenges for the region. I am pleased to note that during the Financial Year, we made significant breakthroughs in this area following the adoption of the EAC Sanitary and Phytosanitary (SPS) Protocol and the implementation of the regional fertilizer development programme which are key inputs into the Agricultural Development and Food Security Strategy. The 9th Extraordinary Summit of Heads of State in April this year has paid particular attention to this issue, especially during this period of rising fuel and food prices. With the Summit's adoption of the EAC Food Security Action Plan (2011) and the EAC Climate Change Policy, the stage is set for the implementation of the Agricultural Development and Food Security Strategy.

CO-OPERATION IN THE SOCIAL SECTORS

Mr. Speaker, emphasis was placed on the social and human development aspects of our regional co-operation, in particular the areas of health co-operation, gender and community development; education, science and technology, culture and sports development; and environmental and natural resources management.

Health

We made great strides particularly on the health front. The establishment of the East African Health Research Commission during the Financial Year ahead will provide a fillip to this trend. The Annual Health Scientific Conference are generating ideas and resources towards implemental health co-operation programmes and ensuring improved health delivery in the region. During the Financial Year, EAC carried out a Situational Analysis on the HIV and AIDS pandemic in Educational Institutions, whose findings were incorporated in the Five Year Education Sector Regional HIV Strategic Plan for the period 2011-2016.

Education

Mr. Speaker, harmonization of our educational systems is at the heart of the free movement of labour and other services that are essential for the Common Market operations. During the year, EAC Partner States engaged in a series of high level consultations with the inputs of the IUCEA which have come up with a framework for harmonized education system. The framework is comprehensive and touches on Pre-primary and Primary Education, Secondary Education, Tertiary Education, Teacher development, Technical, Vocational and Special Education and Training. The recommendations of this review will be tabled before the higher policy organs for consideration and adoption. Meanwhile, under the Common Market Framework, Partner States undertake to mutually recognize the academic and professional qualifications granted, experience obtained, requirements met, licenses or certifications granted, in other Partner States.

Culture and sports

During the Financial Year, the Council has adopted the draft Protocol on the Establishment of the East African Culture and Sports Commission and referred it to the Sectoral Council on Legal and Judicial Affairs for legal input. The Council has also directed the Secretariat to organize and hold regular Cultural Festivals, EAC Symposia and EAC sports Tournaments on Annual basis. Elaborate planning for these activities are underway.

Gender and community development

The principle of mainstreaming gender in all the projects and programmes of the EAC continued to be strictly applied and to this extent, in particular, gender dimensions were incorporated in the EAC Food Security Action Plan and EAC Climate Change Policy which was adopted by the 9th Extraordinary Summit in April this year. During the Financial Year, preparatory meetings were held for the holding of a Women in Development and Business Conference that is now planned to be held in Kigali in August this year.

EAC Anthem

Mr. Speaker, I am pleased to report that the 12th Ordinary Summit of Heads of State that took place on 3rd December 2010, approved “*Wimbo wa Jumuiya ya Afrika Mashariki*”, as the EAC Anthem. In this context, the Council of Ministers initiated the East African Community Emblems (Amendment) Bill 2011 to this august House. The Council of Ministers further approved the programme for the institutionalization of the EAC Anthem as well as guidelines for its application at the regional and national levels. .

Tourism and Wildlife development

Mr. Speaker, in the area of tourism, the EAC continued to promote East Africa as a single tourism destination. This work will continue, including the longstanding matter of the adoption of a single tourist Visa for the region which we expect to achieve during the next Financial Year. With regard to other regional endeavors in the Tourism and Wildlife sector, activities were launched in developing a Regional Wildlife Database which will be a tool for ensuring the sustainable utilization of the

Region's wildlife resources which constitute our precious heritage and tourist attraction.

CO-OPERATION IN POLITICAL AFFAIRS

Mr. Speaker, as Honourable Members are aware, the attainment of East African Federation is firmly set in the EAC Treaty as our ultimate goal. What now remains is to work steadfastly towards reaching that goal in the shortest time possible. The Team of Experts appointed in 2010 to look into the issues of Political Federation has made its recommendations on the way forward to the 9th Extraordinary Summit meeting in Dar es Salaam in April. We shall focus on implementing the decisions of the Summit relating to reconstituting that Team to more concretely address the fears and concerns that have been raised about the Political Federation

Meanwhile, a lot of work has been done in realizing some of the constituent parts of the process towards Political Federation. Important instruments relating to the development of improved and harmonized governance structures and systems embracing a wide array of constitutional issues such as rule of law, human rights, anti-corruption, elections observation and monitoring, foreign policy co-ordination, defence co-operation, peace and security co-operation have been developed. During the Financial Year, a major breakthrough was made with the signing of the Protocol on foreign Policy Co-ordination in December 2010. Pursuant to the Summit directive, the Protocol is expected to be ratified by 30th June 2011.

FINANCE AND ADMINISTRATION

Institutional Review

Mr. Speaker, as the regional programme enlarges and expands, it becomes important to provide effective institutional frameworks to match. EAC's organizational reform is necessary to fit into the context of moving to the higher stages of integration. These reforms, which can be affected through administrative actions or relevant amendments of the Treaty, are the key to unlocking the full potential of a more effective EAC. The Institutional Review which is ongoing is part of the necessary interventions.

During the Financial year, EAC carried out the Institutional Review via wide consultations within the EAC and with the broad spectrum of EAC stakeholders. The Report and recommendations of the Institutional Review analyzes the current institutional framework and makes proposals for reorganization and restructuring that would fit the expanding mandate of the EAC. The Report of the Institutional Review has now been referred to the Finance and Administration Committee to consider administrative and budgetary implications.

Financial resources and management

Apart from the organizational reforms and restructuring, a main challenge relates to financial resources necessary to sustain the Community. The period ahead will demand high levels of financial resources for both recurrent and development expenditures. So far, our development partners have come to our aid. During the Financial Year, EAC advanced preparations to lead to the adoption of the longstanding proposals on ways and means to assure the EAC of adequate resources

to fulfill its mandate, including preparations for the establishment of the EAC Development Fund.

The EAC has undertaken a number of measures aimed at strengthening internal controls and improvement in its systems. Among the notable ones are the creation of a single business unit for all its projects and Organs to lead to greater efficiencies. This system will be implemented with effect from July 2011. Further, the EAC has partially adopted the International Public Sector Accounting Standards (IPSAS), full compliance will be achieved 2014. The Finance Policies and Procedures Manual was considered and adopted by the Council, and referred to the Sectoral Council of Legal and Judicial Committee for legal input.

EAC Statistical Database

EAC also continued to develop the EAC Web-based Statistical Database which will provide regionally comparable statistical data to facilitate planning, decision making, monitoring and evaluation of the EAC projects and programmes. Under this project, annual statistics reports with the EAC Facts and Figures Report 2010 was done while production of the EAC Trade Report 2010 is ongoing.

EAC Headquarters construction

Mr. Speaker, I am pleased to report that the construction of the EAC Headquarters is progressing well. The following specific achievements have been made: Structural Works on the EACJ Block completed 100%; Structural Works on the EALA Block completed 95%; Structural Works on the EAC Secretariat Block completed 90%; Structural Works on the EALA Plenary Hall completed 80% and; all completed blocks, walling, plastering and finishing are ongoing. Overall, work progress as at 31st March, 2011 was 61%. There are a number of challenges which are being addressed but, at any rate the expected completion of the Headquarters construction is now placed to the fourth quarter of 2011.

Information and communications

The deepening EAC integration raises the need to intensify publicity and marketing effort. In this regard, the information and communications along with other key projects of the Community has been prioritized within the 4th EAC Development Strategy (2006-2010). During the Financial Year, the EAC carried out the Comprehensive Sensitization and Awareness Programme (COSAP). The EAC Information and Communications Strategy was finalized and now awaiting implementation after consideration and approval by the Council. Meanwhile, EAC has leveraged dialogue and discourse on regional integration with the institutionalization of the EAC Symposium process that has been established as an annual event. The 1st EAC Symposium was held in 2009 during the celebrations of the EAC 10th Anniversary, followed by the 2nd EAC Symposium which was held in Arusha on 28-29 April 2011 on the theme, “*Agenda for the EAC’s Second Decade, (2011-2020); Lessons Learnt and Forward Looking Strategies*”.

ACTIVITIES OF THE ORGANS AND INSTITUTIONS OF THE EAC

Mr. Speaker, I now would like to turn to the developments that have taken place in the EAC Organs and Institutions, namely the East African Legislative Assembly, the East

African Court of Justice, Lake Victoria Basin Commission, Inter-University Council for East Africa, Lake Victoria Fisheries Organization and the East African Development Bank.

East African Legislative Assembly

Mr. Speaker, the Assembly held all its meetings as planned and successfully in Bujumbura, Burundi (September 2010); Kampala, Uganda (December 2010) Nairobi, Kenya (January/February, 2011); Kigali, Rwanda (March/April, 2011); and the last one is being held here in Arusha (May 2011), including Committee meetings; thus sustaining its legislative and oversight programme. The Assembly played a prominent and active role in the elections observations and monitoring missions in Burundi, Rwanda, Tanzania and Uganda as well the Referenda in Kenya and Southern Sudan.

The deliberations of the Assembly during the Financial Year made significant inputs into the EAC policy and programme development. In particular, these inputs, which include the public hearings and interactive encounters with the National Assemblies and the broad spectrum of the EAC stakeholders, fed into the issues of Agriculture, Tourism and Natural Resources and Lake Victoria development, ICT, Trade Policy harmonization, Customs Union and Common Market matters; Education, Women, Population, Health; and Election observation. These activities further reinforced the foundations for negotiating both the Monetary Union and the Political Federation and helped to popularize the Community and, on the whole, keep the regional integration process firmly on course.

Similarly, the EALA was active on the international scene, which contributed to its learning process from the experiences of other regional and national legislatures as well as raising its profile as a world class Legislature. The Assembly participated in a number of statutory events organized by the Common Wealth Parliamentary Association, the Inter-Parliamentary Union, the United Nations, The Pan African Parliament, the African Union, and the European Union Presidency.

East African Court of Justice

Mr. Speaker, the East African Court of Justice carried out major activities that included among others; a special Rules Committee meeting in January 2011 to review the Rules of Arbitration of the East African Court of Justice. The EACJ also held meetings on Planning, Training and Public Relations; and draft Rules of Arbitration. At the invitation of the Konrad Adenauer Stiftung Foundation, the Court visited the courts and other institutions in the Federal Republic of Germany, the European Court of Human Rights in Strasbourg, and the European Court of Justice in Luxemburg from 6th - 12th March, 2011. The study tour offered Judges of the EACJ the opportunity to interact and dialogue with Judges of the host institutions, scholars and policy makers. The judges discussed the role of EACJ in enhancing regional integration, giving the challenges, opportunities and future prospects.

The Court is taking on increasing activity with the increase in hearing sessions necessitating the First Instance Division to hold Court sessions every last week of the month. In this context, Judges of the First Instance Division have been attending cases

at least for seven days every month since January 2011 in Arusha. The Court also continued to develop capacity for its staff. Most significant was the launching of the Court's Strategic Development Plan (2010-2015) which contains practical provisions for increasing the effectiveness of the Court. The establishment of Sub-regional Registries in all the EAC Partner States was another major step bringing the administration of the Court closer to the people and enhancing the Court's accessibility.

Lake Victoria Basin Commission

Mr. Speaker, the Lake Victoria Basin Commission (LVBC) continued to exercise its mandate under the Protocol for Sustainable Development of Lake Victoria Basin in line with the shared vision and strategy framework for the management and development of the Lake Victoria basin. A major development in this regard was the implementation of the EAC/AMREF Lake Victoria HIV/AIDS Programme (EALP) which is being supported by the governments of Sweden and Norway.

The Commission spearheaded activities of promoting conservation and management of trans-boundary natural resources and biodiversity in and outside protected areas through the Mount Elgon Regional Ecosystem Conservation Programme and Transboundary Water for Biodiversity and Human Health – Mara River Project. The two projects have offered important lessons in trans-boundary natural resources management. Noteworthy, Mr. Speaker is the use of the experience gained from the management of Mt. Elgon and Mara River ecosystem to guide the management of the Lake Chala-Jipe and Uмба River trans-boundary Ecosystems shared by Republic of Kenya and the United Republic of Tanzania. The Commission is planning to start similar projects in other Partner States of Uganda, Rwanda and Burundi.

The Lake Victoria Environment Management Project Phase 2 (LVEMP II) was operationalized during the FY. The details of incorporation of Rwanda and Burundi into the project have been agreed and now await the approval by the World Bank Board at its meeting in June 2011.

Mr Speaker, the assurance of safety and security of navigation in Lake Victoria remains a major concern and challenge which the EAC is committed to address. During the Financial Year, EAC was closely engaged with the ADB on this issue and I am pleased to inform the Assembly that ADB and a number of other development partners are increasingly committed to provide support the activities of safety and security assurance on the Lake, especially after the launching of the Lake Victoria Transport Act comes into effect in July this year.

As part of its sustained campaign to promote investment in the basin, the Commission successfully convened the first Lake Victoria Basin Investment Forum in Mwanza, Tanzania. The Forum showcased the investment opportunities in the Lake Victoria Basin to potential investors. The Forum attracted both regional and international interest and was highly successful.

Inter University Council of East Africa

Mr. Speaker, the Inter-University Council for East Africa has carried out major human resources development initiatives and processes, including the transition in its top leadership following the recruitment of Prof. Mayunga Nkunya as the new IUCEA Executive Secretary on 6 November 2010 following end of tenure of Prof. Chacha Nyaigotti-Chacha who had headed the institution since its revitalization in 2000. The IUCEA has also strengthened its human resources by recruiting an Assistant Quality Assurance Officer; Assistant Programmes and Projects Officer; Assistant Administrative Officer and a Secretary.

During this Financial Year, the IUCEA initiated preparations for an institutional review by drawing up terms of reference to guide the process, and has identified strategic interventions that will guide implementation of IUCEA activities in line with it being a strategic, all embracing research and human resources development institution in East Africa,. Activities include those, which will lead to_

- i. Operationalizing the IUCEA Act and integration of IUCEA into the EAC Framework;
- ii. Strengthening Quality Assurance Systems;
- iii. Establishment of an East African qualifications framework;
- iv. Enhancing University support systems;
- v. Promotion of systems for the University of the Future;
- vi. Research management and co-ordination in East Africa;
- vii. Strengthening Research support to Universities;
- viii. Higher Education Research for East Africa;
- ix. Promotion of the EAC political integration ideals;
- x. Promotion of distance education in the region's higher education systems, and lifelong learning;
- xi. Improvement of the IUCEA physical infrastructure and financial sustainability; and
- xii. Support services to other departments.

EA Civil Aviation Safety and Security Oversight Agency (CASSOA)

Mr. Speaker, this is the second year for the implementation of CASSOA's Five-Year Strategic and Organization Development Plan (2010- 2015). Among the activities engaged in FY 2010/2011 are : reviewing the mandate of CASSOA in the next 4 years to move from the basic structure regional safety oversight organization to the more complex structure enabling it to carry out effective oversight functions in the region; review, formulating and harmonization of the Regional Civil Aviation Regulations and corresponding technical guidance materials as per ICAO requirements; and capacity building for the oversight functions in the Agency as well as devising systems to ensure compliance to the regional strategies , including State Safety Programs (SSP) and the Safety Management Systems (SMS) regulations; and maintenance and management of data on safety and security occurrences, incidents and accidents and inspection work tracking.

Lake Victoria Fisheries Organization

Mr. Speaker, during the Financial Year, Lake Victoria Fisheries Organization continued to implement its fisheries management programme, including the iconic “Operation Save Nile Perch” project, despite major challenges on the funds front for this particular project. The Frame survey conducted in August 2010 funded by LVBC/LVEMP II and coordinated by LVFO revealed a decrease in the legal fishing effort with continued threat of the undersized Nile perch and use of undersized gillnets by over 50%. Efforts were intensified in getting the EAC Partner States and development partners, including the ACP Fish II Programme for Eastern Africa to make their contributions to the project and the outlook for the project is promising in the period ahead.

East African Development Bank

Mr. Speaker, the operations of the East African Development Bank during the Financial Year continued on an upward trend following two consecutive years of profitable performance. The Bank’s profit for the year ended 31st December 2010 was US\$ 2.20 million compared to US\$ 1.85 million realized in the year ended 31st December 2009. I am gratified to note that the Bank has adopted a robust response to the developmental needs of the region which is underpinned by its five year strategic plan (2011 – 2015) whose formulation is at an advanced stage. The Bank’s Member States have remained committed to strengthening the Bank’s intermediation role and capacity and in its turn the Bank has remained closely engaged with the EAC Secretariat and other organs and institutions of the EAC. The Bank, for instance, was a key participant and sponsor in the first Lake Victoria Investment Forum held in Mwanza, Tanzania in December 2010, which was held under the auspices of the Lake Victoria Basin Commission (LVBC). The Bank was also a keen participant in the process of the EAC partner States working towards the establishment and operationalization of the East African Community Development Fund (EACDF).

PART V: CHALLENGES AND WAY FORWARD

Mr. Speaker, the challenges of the EAC remain pretty much the same ones as in the past years, including the need to establish predictable and sustainable financing of the regional programme. However, as we confidently march forward, I would like to highlight the implementation of the EAC Common Market. There is need to reward the timely and swift adoption and launching of the Common Market Protocol with equally swift and effective implementation of the Protocol. The Common Market Protocol indicates clearly the rights, freedoms, duties and obligations of the people themselves to carry the Common Market forward and reap its benefits. As leaders, we need to be at the sensitization, mobilization and facilitation of the people on this important breakthrough that needs to be promoted, actualized and sustained in every respect.

The Protocol has elaborate trade and development dimension with specific but not limited regard to regional co-operation in infrastructure development, agricultural development and food security; regional industrialization; and harmonization of educational curricula, among other key projects and programmes. We need to apply

ourselves seriously on the realization of these programmes, which will lead to a real Common Market, a strong and truly regionally integrated economy and cohesive East African society. We need to ensure that these regional programmes are implemented. Indeed, the Protocol also provides clear Schedules for its implementation. Foremost, as provided in the Schedules, is the prompt domestication of the Protocol's provisions within our National laws and their implementation in earnest.

PART VI: SUPPLEMENTARY BUDGET FOR THE LAKE VICTORIA BASIN COMMISSION FY 2008/2009 AND 2010/2011

Mr. Speaker, in this part of the Budget Speech, the Council is seeking the Assembly's retroactive approval of a Supplementary Budget totalling USD 958, 591 for the Lake Victoria Basin Commission for the Financial Years 2008/09 and 2010/2011.

Honourable Members would recall that for the Financial Year 2008/2009, the Commission reflected in its Statement of Expenditures worth USD 393,812 on activities which had not been factored in the MTEF budget. The agreements for the funds were signed after the Budget had been approved by the Assembly. The Audit Commission reported this matter to the Assembly which recommended that the LVBC Secretariat seek a retrospective supplementary budget approval. The funds under subject are:

- i. USD 47,110 from the French Government to support the enactment and promulgation of Lake Victoria Transport Act 2007;
- ii. USD166,795 from International Union for Conservation of Nature to support ongoing activities of the Mount Elgon Regional Ecosystem Conservation Project following its re-location on 1st March 2009 to LVBC;
- iii. USD9,984 from Republic of Kenya and Uganda to support a joint team to oversee the survey of the border around Migingo Island in Lake Victoria;
- iv. USD 45,550 from the United Nations University to support Near Lake Water Drinking Projects in Abala (Kenya), Mbarika (Tanzania) and Kiyindi (Uganda); and
- v. USD124,373 from AMREF to support implementation of additional activities following the restructuring of the management and coordination of the EAC/AMREF Lake Victoria Partnership.

Mr. Speaker, the Supplementary Budget in respect of the Financial Year 2010/2011, relates to expenditures on new or restructured projects which attracted additional funds from the development partners. The Council is seeking approval of the expenditure of the various LVBC activities/projects totalling USD 564,779 broken down as follows:-

- i. USD 90,000 for the Maritime Communication for Safety of Lake Victoria Project. These were additional funds paid directly by the African Development Bank to the consultant undertaking the Investment Study on Maritime Communication and Safety.

- ii. USD 302,000 for the EAC/AMREF Lake Victoria Partnership. These were additional funds to implement additional activities following the restructuring of the management and coordination of the Programme; and
- iii. USD 172,779 from the International Development Research Centre (IDRC) to support Climate Change activities. The Financing Agreement was signed after MTEF Budget 2010/11 had been approved by EALA.

PART VII: EAC BUDGET ESTIMATES FOR FINANCIAL YEAR 2011/2012

I would now like to highlight the broad features of the Budget Estimates for the Community for the Financial Year 2011/2012. The details of these Estimates for the priority areas to be funded under the 2011/2012 Budget have been availed to the General Purposes Committee for scrutiny. In this part of my Budget presentation allow me to highlight the features of these Estimates.

Assumptions

The EAC Budget for the Financial Year 2011/2012 is being proposed with the following assumptions:

- i. Continued and consolidated political support for the EAC;
- ii. Availability of adequate financial resources and timely remittances;
- iii. Continued financial support from Development Partners;
- iv. Political stability and good governance;
- v. Conducive macro-economic and business environment in the region; and
- vi. Global economic stability.

Estimates and Strategic Objectives of FY 2011/2012 Budget

Mr. Speaker, the Estimates being presented for Financial Year 2010/2012, have taken into account the strategic objectives under the EAC Development Strategy (2011-2016) and the priorities that have been set by the Council for the period. The Council has applied the MTEF analysis and policy and programme priorities projections over the next three financial years, i.e. 2011 to 2014.

In line with the EAC Development Strategy 2011-2016, the outcome of Pre-Budget Consultative process and in response to the Summit and Council decisions, the EAC will focus on the following priorities over the next three years:

- i. Implementation of EAC Common Market Protocol, for which \$ 10, 274, 605 have been provide in the Budget;
- ii. Conclusion of the EAC Monetary Union Protocol, for which USD 1,604,010 have been provided;
- iii. Deepening Co-operation in Defence, Security and Political matters, USD 1,634, 135;
- iv. Implementation of the EAC Institutional Review recommendations and Capacity Building, USD 3,851,188;
- v. Promotion of Agriculture and Food Security and implementation of Climate Change Action Plan, USD 604,260;
- vi. Promotion of regional and multi-lateral trade, USD 3,102,500;
- vii. Expansion of Regional Infrastructure facilities, USD 9, 423,390;
- viii. Implementation of EAC Industrialization, Investment Promotion, and Private Sector Development Strategies, USD 169,990;
- ix. Promotion of Sustainable use of Environment and Natural Resources, Tourism and Wildlife conservation, USD 42,504,445; and
- x. Enhancing EAC visibility, USD 1,564,190

PART IX: SUMMARY OF THE BUDGET ESTIMATES FOR FY 2011/2012

Mr. Speaker, after this presentation of the priorities for the next FY, allow me to table the Budget Estimates for the Financial Year 2011/2012 totalling USD 109,680,319. This budget exceeds the previous year's approved Budget by 41% (USD 32,015,876).

The Summary of the Budget is as follows:-

- i. Personnel Emoluments USD 20,672,338 which is 19% of the total budget;
- ii. Recurrent Expenditure USD 15,991,087 (15%); and
- iii. Development Expenditure USD 73,016,894 (67%)

- (Applause) -

The Budget is allocated to the Organs and Institutions of the EAC as follows:

- i. East African Community Secretariat USD 50,220,383;
- ii. East African Legislative Assembly USD 11,679,682;
- iii. East African Court of Justice USD 3,289,104; and
- iv. Lake Victoria Basin Commission USD 44,491,150

Mr. Speaker, allow me also to table separate Budget Estimates for the Inter-University Council for East Africa (IUCEA) amounting to USD 12,444,241 for approval. This emanates from the IUCEA's amended legal instrument which gives IUCEA provision to bring independent Estimates to the Assembly for debate and approval.

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

(Question proposed)

COMMUNICATION FROM THE CHAIR

The Speaker: Honourable Members, I know the Budget is a bulky document, and I do not think you can start debate immediately; even though I saw the Council wishing that I put the Question straight away. *(Laughter)*

I will give you an opportunity to digest it so that we can begin debate on Tuesday at 2.30 p.m. But before I adjourn, I would like to make the following announcements:

First, I would like to recognise one of our own; the Judge President of the East African Court of Justice who is here with us. *(Applause)*

Secondly, I would like say that the 10th Anniversary Celebrations Committee will have a brief meeting in Committee Room A right after this.

Thirdly, I would also like to remind Hon. Members that on Monday May 23rd, we have a tree-planting ceremony which will happen at two schools here in Arusha; about 15 kilometres from here. Buses to the schools will leave here at 9.30 a.m. Since we are going to plant trees, we do not want suites, ties, or high heels. So, get ready for work on Monday.

ADJOURNMENT

The Speaker: Honourable Members, with those remarks, I now adjourn the House until Tuesday at 2.30 p.m.

(The House rose at 4.10 p.m. and adjourned until 2.30 p.m. on Tuesday, 24 May 2011)