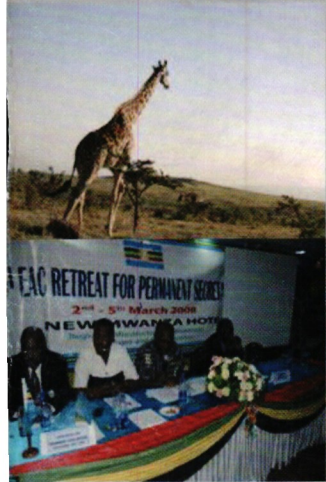




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## ANNUAL REPORT JULY 2006-JUNE 2007

EAST AFRICAN COMMUNITY





EAST AFRICAN COMMUNITY



# **ANNUAL REPORT**

## **JULY 2006-JUNE 2007**

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**ACRONYMS AND ABBREVIATIONS**

ACC	Area Control Centre
ACSA	Central American Civil Aviation Safety Agency
ADB	African Development Bank
AMREF	African Medical Research Foundation
AU	African Union
BMUs	Beach Management Units
CASSOA	Civil Aviation Safety and Security Oversight Agency
CCPAD	Corporate Communications and Public Affairs Directorate
CET	Common External Tariff
CM	Common Market
CMDC	Capital Markets Development Committee
COMESA	Common Market for East and Southern Africa
CPA	Commonwealth Parliamentary Association
CSO	Civil Society Organization
CU	Customs Union
EABC	East African Business Council
EAC	East African Community
EAC CMA	East African Community Customs Management Act
EAC PSD	East African Community Private Sector Development
EACJ	East African Court of Justice
EACeHMIS	East African Regional Integrated e-Health Management Information System
EADB	East African Development Bank
EAIDSNet	East African Integrated Disease e-Surveillance and Response Network
ELA	East African Legislative Assembly
EATTF	East African Trade and Transport Facilitation
ECOSOC	Economic and Social Committee
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GIS	Geographic Information System
GNSS	Global Navigation Satellite System
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immuno-Deficiency Syndrome
HLTF	High Level Task Force
HS	Harmonized Commodity Description and Coding System
ICAO	International Civil Aviation Organization
ICT	Information and Communication Technology
IFS	International Financial System
IGAD	Intergovernmental Authority on Development
IOC	Indian Ocean Commission
IP	Internet Protocol
IPS	International Postal System
ITB	Internationale Tourismus Bourse
IUCEA	Inter-University Council of East Africa
JBIC	Japanese Bank for International Cooperation
LVBC	Lake Victoria Basin Commission
LVFO	Lake Victoria Fisheries Organization
MCS	Monitoring, Control and Surveillance

## EAST AFRICAN COMMUNITY

MDGs	Millennium Development Goals
MOU	Memorandum of Understanding
NAP	National Action Plan
NEPAD	New Partnership for Africa's Development
NGOs	Non-governmental Organizations
NMC	National Monitoring Committee
NTBs	Non-tariff Barriers
PCC	Partnership Consultative Committee
RECs	Regional Economic Communities
RECSA	Regional Centre on Small Arms
RICTSP	Regional Information Communications Technology Support Programme
RIPA	Royal Institute of Public Administration
RISP	Regional Integration Support Programme
SADC	Southern African Development Community
SALW	Small Arms and Light Weapons
SME	Small and Medium Enterprise
SPS	Sanitary and Phytosanitary Measures
SQMT	Standardization, Quality Assurance, Metrology and Testing
TCM	Transport, Communication and Meteorology
TIIC	Trade, Industry and Investment Committee
TOR	Terms of Reference
TPRI	Tropical Pesticide Research Institute
UFIR	Upper Flight Information Region
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
USTDA	United States Trade Development Agency
WCO	World Customs Organization
WMO	World Meteorological Organization
WTM	World Travel Market
WTO	World Trade Organization

## MESSAGE FROM THE CHAIRMAN OF THE COUNCIL



The past one-year has been a momentous one for the East African Community (EAC) Secretariat with significant and far-reaching developments taking place in the region. In tandem, EAC continued to institute measures aimed at consolidating gains that have arisen from the integration process. Budgetary requirements are expected to rise as the Secretariat embarks on the implementation of the 3rd East African Community Development Strategy (2006-2010), which sets out a programme and targets for deliverables within the next five years.

During 2006, advanced preparations were made towards the full operationalization of the Lake Victoria Basin Commission. Several new institutions were also set up to promote co-operation in Science and Technology, Health Research, Civil Aviation. A number of social, economic, cultural and political programmes were also undertaken, the main one being the promotion of Kiswahili as the lingua franca of the EAC.

The admission of the Republic of Burundi and Republic of Rwanda into EAC in November 2006 was another achievement. All these developments, including the ongoing exercise of accelerating the East African integration process through fast-tracking the establishment of East African Political Federation, demonstrate the growing dynamism within the EAC and a genuine determination on the part of the Partner-States to build a strong regional bloc.

In anticipation of the growing mandate of the Community, the Council of Ministers took a critical look at the resources and supply side constraints and instituted several measures. Among these measures was the adoption of a new organizational structure and terms and conditions of service of the staff of the Community, the establishment of the EAC Partnership Fund and the preparations for the establishment of the EAC Development Fund. The EAC Publicity and Marketing function was revamped to play a leading role in delivering the objectives of the 3rd EAC Development Strategy. With all these activities taking place, the stage is now set for a steady growth and development of a resurgent East African Community in the coming years. Success in this endeavour will however depend on the extent to which the people of East Africa are mobilized to participate fully in the regional integration and development processes.

*Rt. Hon Eriya Kategaya, Chairperson, Council of Ministers of the East African Community and Deputy Prime Minister/Minister for East African Community Affairs, Republic of Uganda*

## MESSAGE FROM THE SECRETARY GENERAL



During 2006, EAC focused more on institutional capacity building in line with its growing mandate. EAC also continued with the implementation of various projects and programmes. The defining events of this period were the consultative process on the Political Federation, the enlargement of the Community with the admission of Rwanda and Burundi and the broadening and stepping up of implementation of the regional integration programme.

The EAC maintained close relations and co-operation with bilateral and multilateral development partners. Outreach activities with the stakeholders, both within and outside the region were intensified. And despite resource constraints, EAC participated effectively in regional, continental and global consultations and collaborative activities. High-level contacts were sustained throughout the period resulting in substantial support in trade and investments and establishment of a Partnership Fund. Relations with the African Union (AU) were also

strengthened as EAC became deeply involved in the NEPAD process and the International Conference on the Great Lakes Region.

With regards to the programmes of the Community, special attention was given to the ongoing activities in the harmonization of policies to support the regional projects and programmes. More emphasis was put on the promotion of cross-border trade, development of infrastructure, energy, agriculture and food security, institutional and human resource development, investment promotion, maintenance of macroeconomic stability and peace and security.

Among the major activities the Community undertook during this period were the consolidation of the East African Community Customs Union, inauguration of the Lake Victoria Basin Commission, intensification of the programmes of infrastructure development and operationalization of the new organizational structure for EAC. On the whole, the performance of EAC reflected considerable dynamism in the East African regional integration process. Without doubt, there is a sense of commitment and determination on the part of the EAC Partner States to maintain the tempo and momentum as we look into the future.

*Amb. Juma Mwapachu, Secretary General, East African Community*

## **OVERVIEW OF THE REPORT**

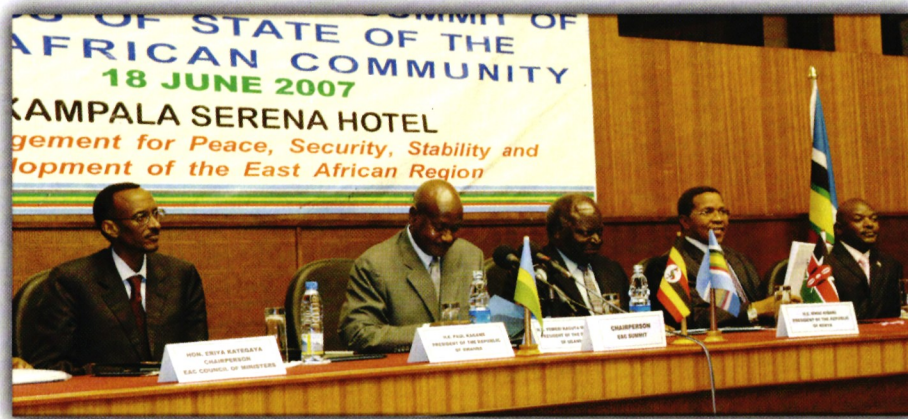
The presentation of the EAC Annual Report for 2006/2007 takes a new approach that is markedly different from the previous ones. Unlike the previous reports, which were process-based, the format of the 2006/2007 report is more analytical and result-based. The new approach captures succinctly the mandate of EAC and the progress on the implementation of indicative programmes as spelt out in the EAC Development Strategy (2006-2010). The report further outlines the obstacles encountered during the implementation process and charts a way forward. Overall, the EAC Annual Report for 2006/2007 reflects a performance audit of the activities of EAC in the period under review.



## ORGANS AND INSTITUTIONS OF THE COMMUNITY

### The Summit

The period 2006/2007 was one of the busiest for the EAC Heads of State Summit. Among the key achievements accomplished during this time were the historic appointments of Ministers solely responsible for EAC affairs, the consolidation of the



Customs Union and the intensification of regional projects and programmes. The five Heads of the Partner States made landmark decisions on a number of issues. Key among these were the agreements: on the need to enhance capacity building of the EAC Secretariat to improve performance, increase awareness of the East African people on the strategic issues involved in East African integration, the launch of the 3rd EAC Development Strategy and its importance in moving the EAC from a Customs Union to a Common Market and the urgency for the EAC to put in place a development fund for financing EAC projects and programmes on a sustainable basis.

At the 8th Summit held in Arusha on November 30, 2006, the Summit adopted the report of the Council of Ministers for the period 30th March to 29th November 2006. Further the Summit approved some of the recommendations of the Council namely:

- I. The amendments made to the EAC Common External Tariff as contained in the EAC Gazette volume 81-No 004 of 15th September 2005 and Volume 81-No 003 of 30th June 2006, pursuant to Article 42 of the Protocol on the Establishment of the East African Customs Union,

- II. the need to sustain the preferential tariff treatment for goods originating from COMESA and SADC countries by the instrument proposed by the Council of Ministers pending the amendment of the East African Customs Management Act, 2004,
- III. the need to enhance the emoluments of the Secretary General and the Deputy Secretaries during this period and approved the adoption of the 3rd EAC Development Strategy 2006-2010,
- IV. the need to reconstitute the East African Court of Justice by establishing two divisions, namely a Court of First Instance with jurisdiction as per Article 23 of the Treaty and an Appellate Division with appellate powers over the Court of First Instance. Accordingly, they directed that the procedure for the removal of Judges from office provided in the Treaty be reviewed

Further to the above decisions, the Summit directed the Secretariat to convene a special Summit to pronounce itself of the proposed amendments on the Treaty.

### The Council of Ministers

The Council of Ministers focused on activities geared towards deepening regional integration. Emphasis was placed on economic integration and implementation of regional projects and programmes in the various sectors.

Major achievements were realized in the areas of finance, trade and investments following the enactment of the EAC Competition Act 2006, and the EAC Standards, Quality Assurance Metrology and Testing Act, 2006. Work continued in the area of the development of tripartite agreements on avoidance of Double Taxation and the Prevention of Fiscal Evasion and on the Study on "Monetary Integration in the East African Community." Efforts were also made to harmonise trade arrangements between EAC, COMESA and SADC, in response to the WTO requirements and EU EPAs.

EAC participated in a series of consultative meetings of the Chief Executives of organizations in the Partner States. These meetings led to identification of programmes to be pursued jointly under Customs, Trade and Infrastructure.

Other activities included a high-level EAC Ministerial delegation to the Federal Republic of Germany and the Headquarters of the European Union in Brussels in September 2006 and EAC collaboration with the Commonwealth Business Council in the preparations for the first East Africa Investment Forum that is to be held at the Summit level at a date yet to be confirmed in 2007 under the theme, *Trade and Investment Opportunities*.

### **The Secretariat**

Several Council decisions were implemented, which included the reconstitution of the Sectoral Council on Legal and Judicial Affairs, the conclusion of the High Level negotiations on the admission of the Republic of Burundi and Republic of Rwanda into the EAC and the determination of a case filed in the East African Court of Justice that pitted Calist Mwatela and his three colleagues against the East African Community. Further, thirty six (36) professional staff were confirmed to their positions after completing their probation period. Regarding the EAC headquarters, preliminary design of the project was finalized and approved by the Project Management Team (PMT).

This period also marked the appointment of Amb Juma Mwapachu, a new Secretary General to replace Hon. Amana Mushega. Other high profile appointments were also made; Ambassador Julius Baker Onen was named Deputy Secretary General in Charge of Projects and Programmes while Hon Beatrice Burungi Kiraso was appointed Deputy Secretary General in Charge of Fast Tracking the Political Federation.

### **East African Legislative Assembly (EALA)**

#### **Legislative Business**

The East African Legislative Assembly held three meetings: in March, June and September 2006 to debate on the following Bills:

- The East African Community Standardization, Quality Assurance and Testing Bill, 2006 that was passed on May 24, 2006.
- The East African Community Appropriation Bill, 2006, which was, passed on May 31, 2006.
- The East African Community Competition Bill, 2006 that was passed on September 21, 2006.

#### **Committee Activities**

The Communications, Trade and Investment Committee conducted a tour of all the major customs border posts in the region to assess the operations of the Customs Union late July 2006. The Committee met and interacted with customs officials, the representatives of the business community and

local political leadership from all the Partner States and submitted its report.

The Legal, Rules and Privileges Committee held workshops on proposed amendments of the Treaty in light of the increasing mandate of the Community. The report of the Committee was submitted to Council and many of its recommendations were adopted.

The Agriculture, Tourism and Natural Resources Committee conducted a seminar for EALA, Members of the National Assemblies and other stakeholders to present the findings from an inspection tour of the Lake Victoria Basin to assess the impact of declining water levels. The Seminar was held in Kisumu between June 30th and July 1st 2006.

The EALA adopted the following Committee Reports in the months of September and October 2006.

- Report on Public Hearing Workshops on the Aspects of the proposed EAC Common Market.
- Report on the findings and recommendations obtained from National Consultations on the proposed amendments to the Treaty.
- Report on the recommendation of the Seminar on the Declining Water Levels of Lake Victoria.
- Report on the Tour of Customs Border Posts and Ports of the Partner States of EAC.
- Report of the Accounts Committee on the Audited Financial Statements of the EAC for the Year 2004/2005; and
- Report of the Third Inter-Parliamentary Relations Seminar (Nanyuki III) on the theme of enhancing functional relationship in the East African Community.
- Copies of these reports were also sent to National Assemblies and Ministries responsible for EAC affairs.

#### **Relationship with other Parliamentary Bodies**

There was a Nile Basin Initiative Workshop held in Entebbe, Uganda in mid July 2006 to discuss the challenges of achieving socio-economic development through the equitable utilization of and the benefits from the common Nile Basin water resource. EALA was also represented in the second conference of the Great Lakes and Horn of Africa Region Inter-Parliamentary Forum which was held in Khartoum, Sudan at the end of July, 2006. Other workshops attended by EALA were 7th workshop of Parliamentary scholars and Parliamentarians held in London, end of July, 2006 and the 37th Commonwealth Parliamentary Association (CPA),

Africa Region Conference held from July 28 to August 5, 2006 in Accra, Ghana.

### **Liaison with the National Assemblies**

The EALA hosted the third Annual Inter-Parliamentary Relations Seminar in August 2006. The seminar brought together more than 120 members from the national assemblies of the Partner States, senior officials of the EAC Secretariat, Ministers of the EAC, Permanent Secretaries and senior officials and the media. The forum provided an opportunity for the EAC Secretariat and the Assembly to update the National Assemblies of the achievements and the challenges that were being encountered in the integration process.

### **Term of the Assembly**

The five-year term of the First Assembly expired on November 29, 2006. Elections were held in the three Partner States for the Second Assembly, which was inaugurated on June 5, 2007.

### **East African Court of Justice (EACJ)**

The EACJ in its publicity programme focussed on major regional media (radio programmes and TV interviews) and placement of advertisements in the newspapers as well as serialized articles about the Court and its activities.

The EACJ heard the first case on (August 8th to 17th 2006) and delivered judgement on the (October 4th, 2006). This was the first case ever to be received in the registry – Calist Andrew Mwatela & 2 Others v. East African Community, Reference No. 1 of 2005 – that was filed in December 2005.

The Court continued to implement its capacity building programmes in a bid to equip the Judges with necessary skills to enable them to effectively discharge their duties and execute their arbitration mandate. A special training course in arbitration was held in Mombasa between June 25 and July 1, 2006. It was conducted by Prof. Julian Lew QC of the School of International Arbitration, Queen Mary, and University of London and aimed at familiarizing the Judges with international arbitration. The Court Administrator attended training on Judicial Record Management at the Royal Institute of Public Administration (RIPA) in London from June 8 -23, 2006.

The tenure of two Judges, Hon. Mr. Justice Joseph Sindi Warioba from the United Republic of Tanzania and Hon. Lady Justice Solomy Bossa, from the Republic of Uganda expired on 29th November 2006. Their terms of service were not renewable, and thus the Summit of EAC Heads of State appointed Mr. Justice Harold Nsekela from

Tanzania and Lady Justice Mary Stella Arach-Amoko from Uganda to replace them.

During November 2006 the Court heard two cases. The first involved Prof. Peter Anyang' Nyong'o and 10 others v. The Attorney General of the Republic of Kenya and Three Others – Reference No. 1 of 2006. The second was Christopher Mtikila v. The Attorney General of the Republic of Tanzania and The East African Community – Reference No. 2 of 2007. The two cases generated other interlocutory applications which were also heard and determined by the Court. The Court also heard two more cases namely: (1) James Katabazi and Twenty One Others v. the Secretary General of the East African Community and the Attorney General of the Republic of Uganda – Reference No. 1 of 2007 (2) East African Law Society and Four Others v. The Attorney General of the Republic of Kenya and Three Others – Reference No. 3 of 2007.

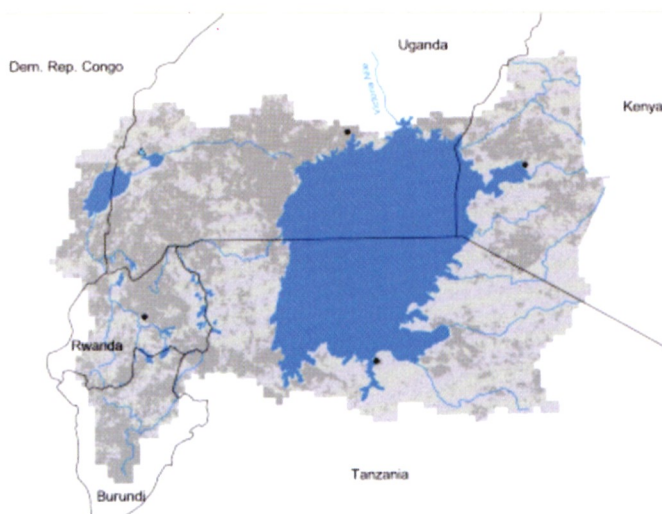
The growth in litigation at the EACJ not only served to resolve disputes on the interpretation and application of the Treaty, it also contributed to legal refinements in institutional development, international organization and human rights as well the development of a common jurisprudence in the region.

### **Lake Victoria Basin Commission (LVBC)**

LVBC main activities undertaken were:

#### **Relocation of the Commission**

The Commission relocated its Headquarters from the EAC Secretariat in Arusha to Kisumu in Kenya. Further the Commission developed and negotiated and concluded the Headquarters Agreement with the



Government of Kenya in April 2007. The official launch of the Commission was made by the

President of the Republic of Kenya, Hon. Mwai Kibaki.

### **Commission's Operational Strategy**

The Commission prepared its Operational Strategy to guide implementation of its activities for the period up to 2010. The Strategy was considered by the 4th Meeting of the Sectoral Council for Lake Victoria Basin and endorsed.

### **Study tour around the Lake Basin**

The Commission, in collaboration with the Partner States, also organized a fact finding study tour in May 2007 for the Members of the Coordination Committee of Lake Victoria Basin Commission.

### **Lake Victoria Basin Commission Bills**

The Commission prepared two Bills –one on the Establishment of the LVBC and the other one on the Water Transport on Lake Victoria. The Water Transport on Lake Victoria Bill was considered by the EALA and enacted. The Bill for the establishment of the Lake Victoria Basin Commission is still under consideration.

The Commission continued to coordinate the various projects and programmes under its mandate which included the:

- Preparation of the Phase two of the Lake Victoria Environmental Management Project, which is expected to be ready for implementation by July 2008
- Installation of navigational equipment on the vessel *RV Jumuiya*
- Bathymetric Survey of the Ports of Kisumu, Mwanza, and Port Bell
- The Mt. Elgon Regional Ecosystem Conservation Programme, and
- Development of a new Lake Victoria Water Release Policy.

### **Development partnership**

New Partnerships between the Commission and the UN-Habitat to undertake a pilot project on Water and Sanitation in selected urban centers within the Lake Victoria Basin were also forged. Similarly a partnership between the Commission and the AMREF on the HIV/AIDS Initiative in the Basin was initiated.

In collaboration with the Partnership Consultative Committee (PCC), the Commission continued to implement the following activities:

- Development of the ICT infrastructure at the LVBC offices
- Preparation of the Operational Strategy for LVBC
- Updating of bibliographic information at the LVB Resource Centre in Arusha
- Development of Trade Database for Lake Victoria jointly with the Directorate of Trade at EAC
- Profiling private sector project for investment in the Lake Victoria Basin; and
- Reviewing, printing and distribution of the Popular version of the shared vision and strategy framework for management and development of Lake Victoria Basin and the Potential and constraints of investment in the Lake Victoria Basin booklets.

### **East African Community Civil Aviation Safety and Security Oversight Agency (CASSOA)**

The process of establishment of CASSOA was led by experts drawn from the civil aviation and airport authorities in the Partner States, the Attorneys General's offices and the Secretariat and lasted from June to October 2006. The Heads of Civil Aviation and Airport Authorities in October 2006 received and considered the draft financing, operational and protocol documents and forwarded recommendations to the Sectoral Council of Transport, Communications and Meteorology meeting in November, 2006 on the establishment of CASSOA.

The Summit in November 2006, cognizant of the importance of the Agency and the positive role it would play in the development of the region directed that CASSOA be established. The Protocol establishing CASSOA was signed in April 2007 and the recruitment of the Executive Director and the basic staff of the Agency finalized in June 2007. It is expected that the establishment of CASSOA will help out the Partner States to comply with the requirements of the Convention on Air Transport, specifically those requirements related to safety and security. The Agency is expected to enhance growth of civil aviation and expand contribution of the transport sub-sector in tourism, agriculture, international trade and disaster preparedness.

### **East African Development Bank (EADB)**

#### **Implementation of the Summit Directive**

The Bank implemented the Summit directive to transform the bank into the lead Agency for facilitating regional integration and development by devising both short-term and medium-term measures to enable it enforce the directive effectively and systematically. The Bank managed to grow the

Asset Finance product as an alternative means of financing the stock of capital equipment. With addition of another officer, the Asset Leasing Unit is expected to grow to 10% of the total portfolio by end FY 2007, up from about 5% growth registered in the previous years. The Bank has continued to examine the modalities of implementing the medium-term measures under the directive which included:

1. The need to define the Bank's role vis-à-vis other institutions as is the case with the World Bank, the African Development Bank and the European Union in financing regional infrastructure
2. The review of the Bank's mandate through appropriate amendments of its Charter to allow it to substantively undertake the proposed role, and
3. Provision of adequate funding.

### **Expansion of the Bank's Membership**

Subsequent to their admission into the Community, the Republic of Burundi and the Republic of Rwanda have expressed interest in becoming members of the Bank. A meeting of the Bank's shareholders will be held during the first quarter of 2008 to consider the Republic of Burundi and the Republic of Rwanda applications for membership to the Bank. It is envisioned the Bank will set up country offices in the Republic of Burundi and the Republic of Rwanda by June 2008.

### **Overview of the Bank's Performance**

The Bank's financial performance continued to improve with net profit of US\$4.6 million realised for the year ended December, 31 2006, compared with US\$1.4 million the previous year. By June 2007 the Bank had realised an interim net profit of US\$5.2 million. The improving financial performance is driven by growth in the volume of operations, in line with the Bank's 5-year Strategic Plan (2006-2010). The Bank's total asset base was US\$281.7 million, up from US\$262.2 million at the end of December 2006. The corresponding net investments were US\$188.5 million, up from US\$176.6 million previously.

In order to help consolidate its achievements and drive future growth, the Bank continued to analyze its internal strengths and weaknesses and made several adjustments. During the period under review, the Bank recruited staff both at entry and senior levels to ensure sufficient depth and breadth of skills to run its expanded operations. Further recruitment is planned to cater for the expected entry of the Republic of Burundi and the Republic of Rwanda into the Community.

### **Inter-University Council for East Africa (IUCEA)**

The IUCEA initiated new projects under the new strategy for 2006-2015. The centre piece is to transform IUCEA into an effective regional institution capable of spurring development of higher education in East Africa.

IUCEA held Governing Board and Executive meetings as stipulated in the statutes and the Annual General Meeting in March 2007. Other meetings of IUCEA Executive Committee were held to discuss terms of service and financial and service regulations.

The main issues discussed during these meetings were the annual budget, financial and service regulations, IUCEA protocol, IUCEA headquarters agreement, the establishment of IUCEA Council of members and IUCEA housing policy.

### **Strategy for 2006-2015**

Following the approval of IUCEA five-year rolling Strategic Plan and the 10-year Perspective Plan in 2006, the Secretariat embarked on the process of operationalizing the plans. As a first step in the process, a committee was formed to craft a strategy for the implementation. The committee presented its report during a retreat of staff that was held on February 13-17, 2007. The meeting was followed by another one which translated the strategic plan into shorter action plans, complete with output and time frames.

Among the core activities that IUCEA undertook during this period were:

#### **I. Exchange of students:**

The IUCEA acknowledged that there was need for the people of East Africa to share their limited resources in order to accelerate the development of the region and to fulfil the requirements of the need to promote cooperation among universities in East Africa. To this end, IUCEA took its responsibility to maintain and strengthen the exchange of students at both the undergraduate and post graduate levels.

IUCEA facilitated the exchange of students between public universities in Tanzania and Uganda.

Proposals on how to include Kenyan students in this programme have been discussed and a way forward recommended.

#### **II. Rationalization of subjects and specialized committees**

The IUCEA held a meeting late 2006 with the objective of strategizing on how to improve the programme. The meeting resolved to form 13 thematic clusters as a result of the merger between subject meetings and specialized committees.

Various methods of interaction among academics, teaching staff and students and theme-specific stakeholders were identified, including mobility of staff and students. IUCEA is currently working on a framework to develop resource capacity for this programme.

III. Formulation of a draft proposal for publicity and advocacy strategy

The IUCEA drafted a proposal on advocacy and publicity strategy, which has been approved by the Governing Board. The strategy is anchored on the need to make IUCEA visible in the regional academic market place and create awareness, among its stakeholders, on its functions and roles and improves its internal and external communications. The strategy also proposes ways on how IUCEA will work with the media, both print and electronic, and other alternative means of communication.

IV. Initiation of a number of projects

The IUCEA initiated a number of projects aimed at enhancing ICT application in its activities as well as those of member institutions. IUCEA installed a number of ICT facilities including a Local Area Network with internet connection and developed a website for dissemination of information. Desktop computers, printers and other accessories were also purchased and installed for use by the staff.

Development Partners, among them the German Education Exchange Programme, (DAAD), continued to support IUCEA, during the period under review. Support from DAAD focussed mainly on the creation of a viable East Africa region Quality Assurance Systems. DAAD sponsored a familiarization tour of IUCEA in June 2007 in Oldenburg University in Germany.

**Lake Victoria Fisheries Organization (LVFO)**

The LVFO continued to harmonize, coordinate and implement measures aimed at promoting sustainable use of the fisheries resources of Lake Victoria. Several activities were undertaken during the period under review. They include:

- Improvement of the abilities of the communities living around the lake to manage fisheries
- Promotion of compliance by fishermen with fisheries regulations
- Strengthening of partnership with key stakeholders
- Monitoring of the status of the fish stocks and fish habitat
- Monitoring of the socio-economic factors of the fishermen

- Development and management of databases
- Packaging and dissemination of information
- Holding of statutory and other meetings
- Building human resource capacities, especially Beach Management Units (BMUs)
- Building infrastructure and equipping fisheries institutions and
- Improving financial management systems.

**Fisheries Management**

The reorganisation of the communities to co-manage the fisheries through BMUs was completed with the formation of 1069 BMUs. Since then the emphasis has shifted to supporting and mentoring the BMUs to enable them to become fully operational. In this



regard, BMUs were trained in BMU operations and financial management.

National studies on landing site gazettement and fisheries licensing were completed and regional synthesized reports produced outlining future course of action.

Control and surveillance patrols were also conducted at national and district levels and regional joint observer missions were undertaken. Fishermen were sensitized and as a result some voluntarily surrendered illegal gears. National stakeholder workshops were held to sensitize the judiciary, the police and the prosecutors to appreciate the need to sustain fish resources, handle cases of fisheries promptly and pass appropriate deterrent sentences.

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A draft Monitoring, Control and Surveillance (MCS) Manual for use by BMUs was also developed.

Efforts were also made to promote and strengthen collaborative partnerships with industrial fish processors associations in Kenya, Uganda and Tanzania through consultative meetings. During these meetings, the fish processors reaffirmed their commitment to the sustainability of Nile Perch including self-policing. The organization in collaboration with national fish processing industry and with support from GTZ, initiated a process for eco-labelling the Lake Victoria Nile Perch fishery.

More significantly, the LVFO regional strategy to address HIV/AIDS in fishing communities was approved by LVFO Council of Ministers in March 2007. LVFO is now working with other agencies to implement the strategy.

### **Resource, environmental and socio-economic monitoring**

LVFO in collaboration with Food and Agricultural Organization (FAO) developed a Regional Plan of Action to manage fishing capacity (RPOA-Capacity) in Lake Victoria. The plan was approved by LVFO Council of Ministers in March 2007 and is currently under implementation. The organization is also preparing a simplified version of RPOA-Capacity to be translated into three local languages – Kiswahili, Dholuo and Luganda – for use by local communities. During the period under review, fish catches continued to be monitored to keep track of fish yield and its contribution to revenue. Standing stock of fish was monitored using hydro-acoustics and trawl surveys. Assessment of the fish catches and the standing stock indicate that dagaa is becoming an increasingly important fishery in the lake.

### **Aquaculture development**

A project (TCP/RAF/3102), through which FAO is supporting aquaculture, in the riparian states was launched in May 2007. Its objective is to increase aquaculture production by improving the collaboration between national aquaculture agencies and other stakeholders. The project is expected to lead to the creation of a regional network for coordinating and information sharing on aquaculture through the development of a regional catalogue and data base. It is also expected to develop a strategy and framework for aquaculture.

### **Other activities**

In February 2007, the Executive Committee conducted an outreach and monitoring mission around Lake Victoria. The mission visited BMUs, local authorities, fish processing plants, fish markets, fisheries management and research institutions in the

Partners States. The mission sensitized the stakeholders on issues related to sustainability of the fisheries resources and lobbied local authorities on the need to support the fish sector.

## **ENLARGEMENT OF THE COMMUNITY**

### **Admission of the Republic of Burundi and the Republic of Rwanda into EAC**

The negotiations for the accession of the Republic of Burundi and the Republic of Rwanda into the Community started in 1999 and signing of the Treaties of Accession of the Republic of Burundi and the Republic of Rwanda took effect on June 18, 2007 making them full members of the East African Community.

Following success of the negotiations, the Council at its 13th Meeting held on November 25, 2006, recommended to the Summit that the Republic of Burundi and the Republic of Rwanda had satisfied the criteria and benchmarks set out for their admission into the Treaty and subsequently approved their entry into the East African Community.

At the 8th Summit, held on November 30, 2006, the Summit endorsed the admission of the Republic of Burundi and the Republic of Rwanda as full Members of the East African Community. The admission however, would be effective from July 1, 2007 after the East African Community and each of the two countries concluded Treaties of Accession. Their entry into the EAC created an enlarged regional economic community, pushing up the combined population of the region to 120 million from the previous 90 million. The Summit also directed EAC Secretariat to work with Rwanda and Burundi to smoothen the operationalization of membership accession.





# CONSOLIDATION OF THE EAC CUSTOMS UNION

## Tariff Elimination Programme

The implementation of the Customs Union proceeded well within the planned five-year period (2005-2010). It took the transitional asymmetrical phase-down approach for the internal tariffs and a decentralized Customs institutional framework. The first round of reduction on specified products from Kenya to Tanzania and Uganda was implemented on January 1, 2006 and the second round effected on January 1, 2007. As of now, Uganda's tariff offer is at 6% from 10% on 426 items and Tanzania's tariff offer is at 15% from 25% on 146 items, 9% from 15% on 11 items, 6% from 10% on 20 items, 3% from 5% on 516 items, 1% from 3% on 112 items and 0% from 2% on 54 items. The tariff elimination programme is on course as planned and is expected to attain the 0% target on all items traded within EAC on January 1, 2010. A zero tariff regime is effectively applying on goods exported from Uganda and Tanzania to Kenya and those traded between Uganda and Tanzania. The internal tariff has been realigned to the HS 2007 version.

## Common External Tariff

The EAC has adopted the Harmonized Commodity Description and Coding System (HS) and accordingly aligned it to the EAC Common External Tariff (CET). The EAC has been applying the CET uniformly in the three Partner States of Kenya, Uganda and Tanzania. The implementation of the EAC CET HS 2007 version commenced on July 1, 2007. Tariff reviews affecting duty remission on raw materials for specified manufactures such as paper, sugar for industrial use and Completely Knocked Down Kits for assembly of bicycles and motorcycles have also been implemented.

## East African Community Customs Management Act (EAC CMA) and Regulations

The three original EAC Partner States— Kenya, Uganda and Tanzania, are implementing the EAC CMA successfully. During 2006/07, amendments were made to the EAC CMA, extending preferential treatment of goods from COMESA and SADC. The amendments also introduced the extension of the period for warehoused goods. The EAC Customs Management Regulations were finalized and their applications commenced on January 1, 2007.

## EAC Rules of Origin

Work on various instruments for application of the EAC Rules of Origin was completed in the period

under review. A simplified certificate of origin to facilitate small-scale trade across borders and a manual of the Rules of Origin were adopted. In addition, an institutional mechanism for issuance of certificate of origin was established where customs administrations in Kenya and Uganda and Chambers of Commerce in Tanzania are the issuing authorities. Preparatory work to review the criteria on change in Tariff Heading commenced in order to review and define origin of goods in the context of allowable processes and workings leading to substantial transformation.

## Simplification and Harmonization of Customs Procedures and Systems

As a cornerstone of EAC Customs Union, Trade Facilitation has been identified as one of the priorities in the programmes of the EAC Customs Union. A review of customs processes has been ongoing both at the regional and national level under the Customs Modernization Programme. The simplification and harmonization has been built in the EAC CMA and Regulations and is based on the international conventions and best practices such as the Revised Kyoto Convention. To realize this, the harmonization of Customs documentation was undertaken and the application of the revised forms came into force in 2006.

## Training and Sensitization Programmes on Customs

Training of customs officers and stakeholders was undertaken in the period under review. It focused mainly on the development of the EAC Customs Curriculum. The curriculum will cover pertinent areas to enable customs authorities in the region perform their role effectively within the international trade context. The Directorate of Customs further developed a training syllabus for Clearing and Forwarding agents in collaboration with the revenue authorities in the Partner States. Sensitization of stakeholders on Rules of Origin was also undertaken in Nairobi, Kisumu, Tororo, Kampala, Dar-es-Salaam and Moshi for participants drawn from customs administrations, clearing and forwarding firms, chambers of commerce, Ministries of Trade and Finance and manufacturing associations.

## Multilateral and International Activities

The Directorate of Customs participated in a number of international events related to customs and trade. The Directorate attended the meetings organized by the African Union, COMESA, World Customs Organization (WCO) and WTO. It also made substantial input in the Joint Trade Policy review exercise which was undertaken for the three original Partner States in collaboration with World Trade Organization in 2006.

Development Bank. A work programme has been drawn. Acquisition and installation of the hardware for the interfacing of Customs is expected to follow.

**Table 1: Five Year Tariff Elimination Programme**

Year	Uganda	Tanzania					
	426	146	15	20	516	112	54
2005/06	10	25	15	10	5	3	2
2006/07	8	20	12	8	4	2	1
2007/08	6	15	9	6	3	1	0
2008/09	4	10	6	4	2	0	0
2009/10	2	5	3	2	1	0	0
2010/2011	0	0	0	0	0	0	0

Source: EAC Report

The EAC Secretariat also negotiated and signed an MOU with WCO. It is anticipated that the MOU, which covers capacity building, sharing of information, technical assistance and joint programmes, will facilitate the implementation of international customs conventions and practices. The EAC is also considering areas where it can possibly become a contracting party. This will help the Secretariat benefit from a regional approach when it comes to the implementation of specific conventions and commitments under WCO.

#### **EAC-COMESA-SADC Collaboration**

The Directorate of Customs participated in the tripartite meetings of EAC, COMESA and SADC where substantial work is being done on harmonization of programmes – targeting mainly the customs-related areas – to achieve functional harmony. A technical meeting of Customs Sub-Committee was held in Lusaka in February 2007. It identified and agreed on specific work on Rules of Origin, capacity building, tariff regime, Non Tariff Barriers and implementation of Customs Union in the three RECs. A meeting of Chief Executives of the three RECs was later held in May 2007 to consolidate and provide further guidance on the harmonization process.

#### **Interconnectivity of Customs Systems**

The EAC Customs Union Protocol and EAC CMA allow for collaboration in areas of implementation and interconnectivity of the Customs Systems amongst the Customs of the Partner States. There is a Customs data bank at the EAC Secretariat. The Directorate of Customs and Trade have initiated a project for interconnectivity of Customs Systems in the region with support from the African

#### **The Republic of Burundi and the Republic of Rwanda under the EAC Customs Union**

During negotiations on accession of the Republic of Burundi and the Republic of Rwanda into the EAC, a number of customs areas were identified for adoption. A roadmap was also developed to guide the two countries on how to apply for the instruments of the Customs Union. The roadmap spells out the activities, sequence and timeframes for the migration. The Directorate has prepared a draft framework, which will be developed into a detailed implementation schedule. The main activities to be undertaken are training and sensitization and adoption process of legal and operational regimes.

#### **Customs Data Trade Report**

The need to compile regional data on customs for purposes of analysis of trade flows is critical. The EAC recognizes that quality data is a critical requirement as far as credibility of information is concerned. Focused interventions are therefore necessary enhance the capacity to improve compilation of data by customs authorities. The Directorates of Customs and Trade further coordinated the development of the EAC Trade Report for 2005.

## TRADE AND INVESTMENTS

Cognizant of the central role of trade in the integration process, the Directorate of Trade concentrated much of its activities towards facilitating and expanding trade in the region during the period under review. These efforts led to identification of bottlenecks that impede trade, specifically the Non-Tariff Barriers (NTBs).

Accordingly, the Directorate of Trade in collaboration with the East African Business Council launched a study whose aim was to evolve mechanisms for identifying, monitoring and removal of NTBs. The survey for Business Climate Index was undertaken in 2006 and the report was approved by the EAC Council of Ministers. One of the key recommendations of the report was the need to establish various institutions and modalities for identifying monitoring and eliminating NTBs. The study involved Line Ministries and agencies, business associations, the National Monitoring Committee (NMC) from the Partner States, the EAC and EABC Secretariats, the EAC Co-ordination Committee, and the EAC Trade, Industry and Investment Committee (TIIC) were all roped in.

### Standardization, Quality Assurance, Metrology and Testing (SQMT) Programme

Harmonization of standards of Partner States was a key feature of the activities in the review period.

The EAC SQAM Act 2006 was assented to by the Summit after being passed by EALA. As a result by the end of the year over 500 standards had been harmonized and adopted by Council of Ministers.

The EAC Metrology Bill has also been published and is expected to be submitted to EALA for debate.

### Competition Act 2006

The EAC Competition Act 2006 was enacted on September 21, 2006. The Act is intended to promote and protect fair competition in trade within the Community and to protect consumer welfare. It applies to all economic activities and sectors involved in cross-border trade. It also aims at restraining malpractices by enterprises through prohibition of anti-competitive concerted practices and abuse of market dominance through consumer exploitation.

It requires all contracting parties to issue notification before effecting of mergers and acquisitions and allows Partner States to grant subsidies, subject to notification of the Committee.

### Joint Trade Policy Review

During the period under review, EAC in collaboration with WTO facilitated a joint EAC trade policy review exercise of Partner States. The review report was presented at the headquarters of the WTO in Geneva between October 25 and October 27, 2006. EAC received accolades from the EU as a leading example of successful regional integration in Africa.



### Private Sector Development (PSDS)

The EAC PSDS was adopted by the Council in 2006. The objective of the Strategy is to accelerate economic growth through poverty reduction, wealth and job creation. It also aims at strengthening of markets and enhancing the region's international competitiveness. The Strategy was formulated in the context of a changing public sector role to give more leverage to the private sector initiative.

**Table 2: Intra-EAC Trade (U.S. dollars, millions)**

Source: Direction of Trade Statistics – IMF

Note: EAC figures relate to trade among all the five EAC countries (Burundi, Kenya, Rwanda, Tanzania and Uganda).

			Exports				Imports			
			2003	2004	2005	2006	2003	2004	2005	2006
1	Burundi	EAC	2.95	3.86	4.42	5.46	50.87	78.54	89.74	110.9
2	Kenya	EAC	711.4	810.2	925.7	1144	31.77	38.39	43.87	54.21
		EAC*	595.4	694.4	793.5	980.6	31.67	38.15	43.59	53.87
3	Rwanda	EAC	1.26	1.77	2.02	2.50	117.7	126.2	144.2	178.2
4	Tanzania	EAC	47.79	64.96	73.51	90.86	217.8	257.5	294.3	363.7
		EAC*	26.18	64.34	41.08	50.78	217.7	257.4	294.1	363.5
5	Uganda	EAC	115.1	59.26	68.35	84.47	368.7	529.8	605.3	748.2
		EAC*	84.26	19.26	22.01	27.2	368.1	529.1	604.1	747.1
	Total	EAC	878.5	940	1,074	1,327	786.9	1,030	1,177	1,455
		EAC*	705.8	778	856.5	1059	617.5	824.6	941.8	1,164

EAC\* figures relate to trade among Kenya, Tanzania and Uganda only.

**Table 3: Macroeconomic Convergence Indicators in EAC**

	Partner State	Target	1997/2001	2002	2003	2004	2005	2006
Real GDP Growth	Burundi	7	1.1	4.4	4.4	4.8	0.9	5.1
	Kenya		2.3	0.3	2.8	4.5	5.8	6.0
	Rwanda		8.6	9.4	0.9	4.0	6.0	6.5
	Tanzania		4.4	7.2	5.7	6.7	6.8	6.2
	Uganda		5.5	6.9	4.4	5.7	6.7	6.2
Inflation Annual Average	Burundi	5	16.1	-1.3	10.3	8.0	13.4	2.7
	Kenya		8.0	2.0	9.8	11.6	10.3	15.6
	Rwanda		4.7	2.0	7.4	12.0	9.2	11.9
	Tanzania		9.8	4.6	4.4	4.1	4.4	6.7
	Uganda		4.8	-2.0	5.7	5.0	8.0	11.3
Current Account as % of GDP (excl. Grants)	Burundi	5	-10.3	-17.5	-21.1	-25.5	-34.2	-36.8
	Kenya		-3.2	2.2	-0.6	-1.4	-3.0	-4.3
	Rwanda		-16.8	-16.6	-19.2	-18.2	-19.4	-18.8
	Tanzania		-12.3	-9.4	-8.2	-7.5	-9.7	-16.1
	Uganda		-12.8	-13.2	-13.5	-11.0	-10.6	-6.7
Budget Deficit (excl. Grants) as % of GDP	Burundi	5	-7.1	-5.7	-13.8	-19.7	-16.8	-21.5
	Kenya		-1.8	-3.9	-3.6	-1.3	-3.0	-4.0
	Rwanda		-9.1	-9.1	-10.5	-12.3	-13.4	-10.5
	Tanzania		-4.5	-5.1	-7.2	-8.6	-10.4	-12.0
	Uganda		-8.7	-12.3	-10.9	-10.7	-8.5	-9.0
Domestic Savings as % of GDP	Burundi	20	-3.3	-11.4	-8.2	-8.4	-23.1	-20.1
	Kenya		6.2	8.4	10.6	13.0	15.3	17.1
	Rwanda		-0.6	0.0	-0.8	2.4	2.3	0.5
	Tanzania		5.8	11.8	14.5	13.6	11.7	10.5
	Uganda		7.5	4.8	5.9	8.7	7.2	8.6
Debt to Official Creditors as % of GDP	Burundi	15	139.1	179.9	224.0	207.3	177.3	158.8
	Kenya		38.0	35.1	31.7	29.5	25.4	20.6
	Rwanda		67.3	85.3	93.4	91.7	70.1	14.8
	Tanzania		83.4	54.2	53.1	50.9	48.1	48.4
	Uganda		57.4	62.1	63.1	63.2	44.4	41.4
Reserves in Months of Imports	Burundi	6	4.9	5.0	4.9	3.5	3.3	3.2
	Kenya		2.8	3.8	4.2	3.3	3.1	3.6
	Rwanda		4.8	6.9	5.6	7.2	7.3	7.6
	Tanzania		4.6	8.3	10.1	9.3	6.4	5.3
	Uganda		6.9	7.2	7.8	8.3	6.8	6.8

Source IMF, 2007

### Model Investment Code

The Council adopted the Model Investment Code in 2006. It is expected that the Code will assist the Partner States harmonize their investment laws and policies and contribute to efforts aimed at achieving the goals of regional integration and development through increased employment opportunities, foreign exchange earnings, and transfer of technology.

### Joint Export and Investment Strategy

The EAC Joint Export and Investment Strategy was adopted in 2006. The Objective of the Strategy is to promote EAC as a single investment area and an exporter of value-added competitive goods and services. It also aims at enhancing product diversification and creation of a favourable investment climate.

The specific objectives of the Joint Export and Investment Strategy are to:

- Streamline, simplify and harmonize administrative procedures and regulations
- Offer efficient and adequate infrastructure
- Make available reliable and affordable utilities in the region
- Improve exports and investment incentives and promotion programmes
- Enhance information dissemination and sharing
- Offer credible fiscal and trade policies
- Strengthen private sector organizations
- Strengthen and harmonize standardization and certification procedures
- Utilize the abundant labour force (skilled and unskilled)
- Increase supply of exportable products, and

## REVISED CONVERGENCE CRITERIA

### Stage I (Year 2007-2010):

#### Primary Criteria

- a) Overall Budget Deficit to GDP ratio (excluding grants) of not more than 6.0%, and Overall Budget Deficit to GDP ratio (including grants) of not more than 3.0%
- b) Annual average inflation rate not exceeding 5%
- c) External Reserves of more than 4 months of imports of goods and non-factor services.

#### Secondary Criteria

- a) Achievement and maintenance of Stable Real Exchange Rates
- b) Achievement and maintenance of Market Based Interest Rates
- c) Achievement of sustainable Real GDP Growth Rate of not less than 7.0%
- d) Sustained pursuit of debt reduction initiative on domestic and foreign debt, i.e. reduction of total debt as a ratio of GDP, to sustainable level<sup>1</sup>
- e) National Savings to GDP ratio of not less than 20%
- f) Reduction of Current Account Deficit (excluding grants) as a % of GDP to sustainable level consistent with debt sustainability
- g) Implementation of the 25 Core Principles of Bank Supervision and Regulation based on agreed Action Plan for Harmonization of Bank Supervision, and
- h) Adherence to the Core Principles for Systematically Important Payment Systems by modernizing payment and settlement systems.

### Stage II (2011-2014)

#### Primary Criteria

- a) Overall Budget Deficit to GDP ratio (excluding grants) not exceeding 5%, and Overall Budget Deficit to GDP Ratio (including grants) not exceeding 2%;
- b) Annual Average Inflation Rate of not more than 5%;
- c) External Reserves of more than 6 months of imports of goods and non-factor services.

#### Secondary Criteria

- a) Maintenance of Market Based Interest Rates;
- b) Maintenance of high and sustainable rate of real GDP growth of not less than 7.0%;
- c) Sustained pursuit of debt sustainability;
- d) Domestic Savings to GDP Ratio of at least 20%;
- e) Maintenance of sustainable level of Current Account Deficit (excluding grants) as % of GDP; and
- d) Achievement of Sustainable Growth Rate of Real GDP of not less than 7.0%.

### Stage III (2015)

Introduction and circulation of a single East African Currency

- Strengthen the capacity of export and investment promotion institutions through facilitating their activities.

### **Jua Kali/Nguvu Kazi (Small to Medium Scale Industries) Programme**

During the period under review, EAC continued to support the region's Small and Medium Enterprise (SME) sector.

This support dates back to 1999 when the EAC

mechanisms that would allow the EAC Partner States to negotiate trade issues jointly as a bloc. One of the fora that has been identified for joint negotiations is the Economic Partnership Agreement (EPA) negotiations.



initiated the Jua Kali/Nguvu Kazi (Small and Medium Scale Industries) Programme whose centrepiece is to assist the informal sector by providing opportunity for them to showcase their products through participation in the exhibitions. In 2006 the exhibition was held in Dar es Salaam Tanzania. Over 6000 firms from Uganda, Kenya, Tanzania and Rwanda participated in the ten-day exhibition.

### **EAC Trade Report 2005**

This Report was developed in order to provide benchmarks for assessing the impact of the Customs Union. It contains trade data, analysis of the trade flows covering EAC intra trade, external trade and investment for the period 2005 in comparison with the preceding years. A study on EAC trade policy has also been developed.

### **EAC to Negotiate as a Bloc**

The future of trade relations between EAC countries and other economic groupings could take a joint approach once the Partner States endorse the report of the study on the modalities to be used in the negotiations. The study was undertaken during the period under review, and has already been presented to the Partner States to come up with specific

## **MONETARY AND FISCAL CO-OPERATION**

### **3rd EAC Development Strategy (2006 – 2010)**

During the year 2006, the 3rd EAC Development Strategy (2006-2010) was finalized and launched by the Summit in November 2006.

The Strategy outlines broad strategic goals of the EAC as well as priority projects and programmes to be implemented, with specific targets to be met by 2010. The goals aim at consolidating gains arising from the implementation of the Customs Union, the establishment of the Common Market (CM) and the promotion of solid and economic infrastructure that would support and stimulate economic growth in the Partner States.

### **Common Market Protocol Developments**

The 11th Meeting of the Council of Ministers held in Arusha from March 28 to April 4, 2006, directed the Secretariat to commission a comprehensive study on the EAC Common Market. The study was to specify the scope of the protocol, identify key areas for negotiations, indicate the necessary institutions that may have to be set up to support the Common Market and propose a model EAC Common Market Protocol that will form a basis for negotiations.

Subsequently, the Summit held in Arusha, Tanzania, on April 5, 2006, directed that the negotiations on the EAC Common Market Protocol commence with effect from July 1, 2006. December 2008 was set as the target date for conclusion of negotiations and signing the Common Market Protocol and June 2009 as the target date for ratification of the Protocol. January 2010 was set as the target date for commencement of the Common Market.

The EAC Secretariat in November 2006 awarded the tender for the study to M.A Consulting Group. The scope of work however, was later expanded in January 2007 to include Rwanda and Burundi that at the time were awaiting accession into the EAC Treaty.

The consultants submitted an Interim Report to the EAC Secretariat in May 2007. The Report was presented and discussed at national workshops in the capitals of the Partner States during the month of June 2007. Various organs and institutions of the Community were also consulted. According to the schedule of implementation, the study was to have

been finalized by end August 2007 and negotiations among the Partner States would then follow.

### **Fiscal, Monetary and Capital Markets Developments**

Harmonization of fiscal and monetary policies of the Partner States continued during the period under review with meetings under the auspices of the Fiscal Affairs and Monetary Affairs Committees to achieve convergence of both the macroeconomic and fiscal regimes of the Partner States. Pre and post budget consultations of the Ministers of Finance have provided useful forum for the Partner States to discuss and harmonize their macroeconomic policies.

During the period under review, the Council adopted the agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to



taxes on income. It now awaits legal input from the Sectoral Council on Legal and Judicial Affairs.

With regards to monetary policies, central bank governors from the three Partner States met in Nairobi towards the end of May 2007, and recommended to Council a revised macroeconomic convergence criteria complete with timeliness. The criteria is as shown in the box.

During the period under review the Capital Markets Development Committee (CMDC) continued to steer the process of harmonizing policies relating to financial markets with a view to developing a regional capital market in the region.

Policies and trading practices in the three Stock Exchanges were also harmonized. A number of firms

have now cross-listed their stocks between Dar es Salaam, Nairobi and Kampala Stock Exchanges. Meanwhile, Partner States continue to implement a number of policies aimed at further developing the nascent capital markets in East Africa including tax incentives and pension sector reforms. At a meeting held in April 2007, CMDC resolved to launch a study that would explore ways to deepen integration of the financial markets in the region in line with the EAC Development Strategy 2006-2010. It is expected that the study will be commissioned during the coming fiscal year.

### **Statistics**

The need to have reliable and timely data has been high on the priority list of EAC Secretariat. Emphasis is being put on the growth and expansion of the Statistics sub sector to ensure that the regional development and decision making is underpinned by reliable and comparable statistics. During the year under review, Phase I of the EAC Database Project which is funded by the Regional Integration Support Programme (RISP) concluded setting up of the core database structure. The Terms of Reference for Phase II of the Study were developed and procurement process for the consultants launched. This phase II of the study focuses on establishing the EAC Statistical database and incorporate the development of various statistical indicators and methodologies to collect, store and retrieve data obtained across the region. Evaluation of bids was undertaken in November 2006. Other activities carried out during the period included the production and distribution of the EAC Facts and Figures report.



# PLANNING AND INFRASTRUCTURE

## ROADS

Under the roads sub sector, construction of roads under the East African Road Network Project (see the map below) continued. The project covers re-construction, rehabilitation, studies, and resource

**Corridor No. 5:** Tunduma – Namanga – Moyale (Linking Tanzania with Kenya and Ethiopia and part of the great North Road).

The final report of the Arusha – Namanga – Athi River Road Project was received by the Secretariat in August/September 2006. Negotiations on financing were concluded in November 2006 and the draft financing Agreement signed with African Development Bank (ADB) for the Namanga – Athi River section. The procurement for works and supervision



mobilization for the five identified priority corridors. The cost of delivering these corridors is estimated at over US\$ 10 billion. To date, approximately US 2.1 billion have been committed.

**Corridor No.1:** Mombasa – Malaba – Katuna (linking Kenya with Uganda and Rwanda)

**Corridor No. 2:** Dar es Salaam – Mutukula (linking Tanzania with Uganda, Rwanda and Burundi)

**Corridor No. 3:** Biharamulo – Lockichogio (linking Tanzania with Kenya, Sudan and Uganda)

**Corridor No. 4:** Tunduma – Nyakanazi (linking Tanzania to Burundi and Rwanda) and

contractors were launched in November 2006 and concluded in March 2007. Meanwhile, negotiations with the Japanese Bank for International Cooperation (JBIC) for the Arusha – Namanga section commenced in December 2006.

ADB has agreed to finance the feasibility studies and engineering designs for the Arusha – Holili – Voi road and the Malindi – Mombasa – Horohoro – Tanga stretch, through a grant. The two roads link Kenyan with Tanzania. The bank has also undertaken to finance a study to determine the contracting capacity in East Africa. In addition, it is providing capacity building to EAC by funding two engineers who will be required to assist in the management of the projects for a period of four years. For this purpose, the bank is providing a grant of US\$5.5 million.

### Road Transport Agreement

Another activity that was undertaken during the period under review in the road sub sector involved the implementation of the EAC Tripartite Road Transport Agreement. The objective of this project is to facilitate and reduce the cost of transport of transit goods in the region through reduction of documentation procedures, including costs related to customs, immigration and police checks. During 2006, agreement for support towards the implementation of the project was reached with ADB through a grant under the regional component of the EAC Trade and Transport Facilitation Project.

### East African Trade and Transport Facilitation (EATTF) Project

The Secretariat and ADB finalized a project proposal for support for the regional components of the EATTF Project. This project aims at strengthening transport of transit goods in the region by addressing corridor management issues, customs documentation and training, "border post" issues and preparation of a 10-year EAC Roads Development Programme. The project is funded by the World Bank for the national components and the African Development Bank for the regional components. The Grant Protocol for the project, amounting to US\$9.33 million was signed in Tunis in February 2007. Implementation of the project has commenced.

## RAILWAYS

### Concessioning of the East Africa Railways System

Negotiations on concessioning of the East Africa railways system were concluded in 2006. Subsequently, Uganda and Kenya Governments signed a joint concessioning agreement in November 2006 effectively transferring the two railway systems, Kenya Railways and Uganda Railways, to the Rift Valley Railways Corporation for the specified period of concession. Tanzania Railways entered into talks on concessioning with RITES of India in November 2006.

The concessioning of the railways is expected to improve efficiency and enhance the profile of the railways transport in the region. Several development partners, including the World Bank, the European Union and the African Development Bank supported the Partner States by making available financial and technical resources that were in the preparatory processes and expenses associated with staff layoffs.

### Railways Development Master Plan

This study involves developing an EAC Railways Development Master Plan as a tool for railways infrastructure investments and policy formulation for an efficient railways system in East Africa. The Terms of Reference for the study were finalized and approved in the last quarter of 2006 and the procurement process launched. The Master Plan is expected to be in place by end of 2007.

## CIVIL AVIATION AND AIRPORTS

Harmonization of the EAC Civil Aviation Safety Regulations, which commenced in 2003 was finalized in 2006. The new regulations, covering airworthiness, personnel licensing and operations, have been promulgated in Kenya, Tanzania and Uganda. Meanwhile, the process of drafting the new



harmonized Aviation Security Regulations and Aerodromes Regulations progressed well in 2006. The second draft of the Regulations was finalized in December 2006 and the final draft was approved for promulgation in June 2007.

### Establishment of CASSOA

The EAC Civil Aviation Safety and Security Oversight Agency (CASSOA) was established in April 2007. The establishment of the Agency, the first of its kind in Africa, is in keeping pace with the Convention on International Air Transport. CASSOA is expected to help out the Partner States with the implementation of best practices and recommended standards in civil aviation in line with their obligations under the Convention. In establishing CASSOA, the Summit underscored the important role a safe and secure aviation industry would play in the region. It is

expected to facilitate growth of tourism industry, horticulture, and greatly boost disaster management efforts as well as international trade.

### **Other Activities in the Aviation Sub sector**

Other activities undertaken in the aviation sub sector during the period under review were the continuation of the studies on the Unified Upper Flight Information Region (UFIR) and the Global Navigation Satellite System (GNSS), which targeted selected EAC Airports.

With regard to GNSS, an implementation Task Force was established in July 2006 to evaluate the findings and recommendations following the receipt of the final report of the study on the implementation of GNSS technology. The study on UFIR was supported by the United States Trade Development Agency (USTDA) to the tune of US\$566,000. It commenced in November 2006 after it was approved by USTDA. Key recommendations from the study are expected to cover the unification of the Upper Airspace of the EAC and the establishment of the Area Control Centre (ACC) for the unified upper airspace in the region.

Another cooperation programme under the sub sector is the liberalization of the civil aviation market for regional carriers within the framework of the Yamoussoukro Decision. The aim of this is to strengthen air transport capacities between the region's city pairs. The Partner States are involved in the review of relevant regulations. Meanwhile, recruitment of a Principal Civil Aviation Officer at the Secretariat in 2007 is expected to strengthen capacity to activities of the EAC Air Transport Sub Committee.

In July 2006, EAC adopted a set of priorities with a view to improving the airport capacities in the region to enable them to accommodate the expanded traffic. The Sectoral Council on Transport, Communication and Meteorology (TCM) meeting of November 2006 approved the airport projects and directed the Secretariat to develop a financing framework.

## **COMMUNICATIONS**

### **Postal Automation Project**

The implementation of the Postal Automation Project is in the final phase. The project aims at computerizing EAC postal services to take advantage of ICT technologies and hybrid mail markets that comprise Counter Automation, International Financial System (IFS), International Postal System (IPS); Data Communication Network; and Electronic Post (e-Post) components.

### **e-governance Projects**

Implementation of various projects and programmes in e-government was pursued during the period under review with the objective of widening the scope of ICT applications in managing public affairs and service delivery. The Council of Ministers approved the framework for e-government in the region in November 2006. The Canadian



Government funds many of the activities in this area. Among the activities undertaken in 2006/07 were the establishment and facilitation of the Regional and National Working Groups, holding of stakeholders' workshops for e-Government, establishment of the needs assessment and priorities in the area of e-government and development of an EAC Regional e-Government Framework.

### **Regional Information Communications Technology Support Programme (RICTSP)**

The Regional Information Communications Technology Support Programme (RICTSP) funded by the EU is being implemented in collaboration with COMESA, EAC, IGAD and IOC. The main objective of the project is to expand the utilization of

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Information and Communication Technology (ICT) for growth. The activities accomplished under the EAC RICTSP during the year under review were:

- Establishment and facilitation of National ICT Working Groups
- Identification of national ICT priorities and their development
- Identification of Regional Priority Projects
- Development of Regional Incubator Project Framework
- Procurement of equipment for the project
- Holding of stakeholder's workshop for web-development and information access
- Development of Terms of Reference (ToRs) for regional web-portal development
- Development of ToRs for the Study on Harmonization of Communications Regulatory Regime for East Africa
- Launch of the recruitment process for various project personnel, and
- Approval of Programme for the year 2006/2007.

### METEOROLOGY

EAC continued with the implementation of the five-year Meteorological Development Plan and Investment Strategy for the region during 2006/7. The planned improvements in meteorology are aimed at:

- Enhancing data collection and monitoring procedures and infrastructure
- Developing human capacity in meteorological services
- Improving the early warning systems and closer cooperation with policy makers in relevant economic sectors
- Improving weather monitoring and dissemination procedures on Lake Victoria and the Indian Ocean and
- Enhancing public weather broadcasts in the region.

In 2006, the EAC Secretariat, in collaboration with the Meteorological Services in the Partner States, developed proposals on the following priority projects of the Strategy:

- Enhancing safety of navigation and efficient exploitation of natural resources on Lake Victoria

and its basin by strengthening of meteorological services in the Lake region

- Disaster prevention and management capacities for sustainable development by strengthening meteorological early warning systems in the EAC region; and
- Enhancing capacities of the meteorological services in support of sustainable development in the EAC region.

The EAC also signed an MOU with the World Meteorological Organization (WMO) during the year. The MOU focused on resource mobilization for the Meteorological projects and programmes.

### MARITIME TRANSPORT

Several initiatives were also taken during the period under review to enhance the performance of the region's maritime and inland waterways. In



November 2006, the EAC Council of Ministers established the Committee on Maritime and Ports Authorities to spearhead the development of regional priority projects and programmes in the sub sector. It was agreed that the Committee would also be charged with the implementation of the Tripartite Agreement on Inland Waterways Transport. The agreement is already in place.

### PRODUCTIVE AND SOCIAL SECTORS

The following policy instruments aimed at developing of agriculture and achieving food security for the Community were adopted by the Council of Ministers on November 28, 2006.

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- Agricultural and Rural Development Policy
- Agricultural and Rural Development Strategy
- Harmonized Sanitary and Phytosanitary Standards
- Measures and Procedures for Plants Vol. I (Phytosanitary)
- Measures and Procedures for Mammals, Birds and Bees Vol.II (Sanitary)
- Harmonized Sanitary and Phytosanitary Standards, Measures and Procedures, Vol.III (Fish and Fishery Products)
- Procedures for Evaluating the Efficacy of Pest Control Products for Plants
- Requirements for Farm Inputs (Pest Control Products) and
- Labeling Requirements for Pest Control Products.

Activities undertaken were:

- Development of the draft Protocol on Sanitary and Phytosanitary Measures (SPS) and other related matters
- Development of the Rural and Agricultural Development Strategy and Policy documents which were signed by Council in November 2006
- Development of a proposal on the implementation of the project on the control of trans-boundary animal diseases.
- Submission of a report on the study on the establishment of East African Early Warning System to monitor food shortages.
- Recruitment of a Principal Agricultural Economist and the launch of recruitment process of a Principal Natural Resource Officer.

The EAC has entered into consultations with the Government of India to support the transformation and revamping of the Tropical Pesticide Research Institute (TPRI) based in Arusha, Tanzania. It is envisaged under the project to undertake research in pesticides and give TPRI an expanded mandate in agricultural research for the EAC region.

### Livestock Development

The EAC region has substantial animal resource base. It has 36.2 million cattle, 29.4 million goats, 12.8 million sheep, 3.5 million pigs, 108.6 million poultry, and 900,000 camels. The livestock sector plays a key role in food security and income

generation, contributing 8% to the regional GDP. The Fisheries sector contributes 4%.

EAC is committed to support the sector to enable it to produce sufficient and quality products to meet the requirements of a rapidly increasing population and even create surpluses for the export market.

At the same time the EAC established the Livestock Development Unit and appointed a Senior Livestock



Officer in March 2007. Among the activities the sector undertook during the period under review were efforts to control outbreak of Rift Valley Fever through quarantine and vaccination of animals. Besides, there are a number of ongoing activities aimed at prevention and control of Transboundary Human and Animal Diseases as well as Avian Influenza (Bird Flu).

EAC is also pursuing further measures under the Regional Emergency Preparedness and Response Plan of Action and Budget on RVF. It is also working on harmonization of the RVF Surveillance Systems, mobilization of resources to fund laboratory capacity, research, surveillance and emergency preparedness and the establishment of an EAC Regional Transboundary Human and Animal Diseases Emergency Preparedness and Response Fund.

Under the Integrated Regional Emergency Preparedness and Response Plan to Transboundary Human and Animal Disease in East Africa, 10 important transboundary diseases in the East African region have been identified. They are Avian Influenza, Rift Valley fever, Foot and Mouth disease, Contagious Bovine Pleuropneumonia, Newcastle, Trypanosomosis, Peste des Petit Ruminants (PPR),

Contagious Caprine Pleuropneumonia, lumpy skin disease and rabies.

### Environment and Natural Resources

Cooperation in environmental and natural resources conservation was pursued in the areas of common interest such as Lake Victoria and its basins and other shared ecosystems, including the major watershed/catchment areas of Mt. Elgon, Mt. Kilimanjaro, Ewaso Nyiro and Pemba channel. Management programmes in these areas were harmonized in order to maximize the benefits of environmental management.

The 3rd East African Development Strategy (2006-2010) identified the following strategic interventions:

- Exchange of research findings on forest management in tree breeding
- Joint forest/bush fire surveillance and fighting programme
- Cross border trade in forest products
- Formalization of meeting between Directors of forests training and research heads of forest institution and other interested stakeholders
- Conservation of forest endemic species assessment documentation and sustainable use of medicinal plants
- Joint pest and disease monitoring and management programme, and
- Partnership in capacity building in the sector exploration of the potentials in the coastal zone.

The Regional Environmental Impact Assessment (EIA) guidelines were developed and are currently under final review with support from UNEP.

### TOURISM AND WILDLIFE MANAGEMENT

The main thrust of cooperation in tourism and wildlife management is to maximize benefits from sustainable tourism and wildlife resources. To this end, the broad themes to guide cooperation in the two areas have been identified.

#### Co-operation in Wildlife

During the period under review, the main activities were: the establishment of a permanent sub-Committee on Wildlife Conservation and

Management and the finalization of the Tourism Marketing Plan and Strategy.

The achievements were:

- Application of local rate for entry fees to National Parks for East African citizens
- Promotion of East Africa as single destination. In this respect, the EAC Partner States are now participating in international trade and tourism fairs under the umbrella of EAC. Among the trade and tourism fairs they participated in are the London World Travel Market (WTM) and the Internationale Tourismus Bourse (ITB) in Berlin
- Establishment of the East African Tourism and Wildlife Coordination Agency, which is charged



with marketing East Africa as a single tourist destination.

### ENERGY

Demand of energy continued to outstrip supply in all the Partner States with both Uganda and Tanzania experiencing serious power shortages mainly caused by drought. To address this issue, the EAC consulted the African Development Bank in February 2007 to seek support for the prioritized power transmission projects as identified in the East African Power Master Plan. ADB pledged to support the preparatory phase covering pre-feasibility, feasibility and construction of priority interconnection projects.

Meanwhile, the EAC Standing Committee on the Implementation of the East African Power Master Plan has identified key projects worth US\$2.6 billion

for immediate implementation. It has also submitted a proposal for 11 projects to the ADB Bank for support under the NEPAD Infrastructure Project Preparation Facility. This is a special fund that will finance activities whose cost is expected to reach US \$9.8 million. More support to the sub-sector is expected from the Government of India following the high level EAC mission to India in February 2007. The Government of India has pledged to support the development of alternative energy – wind, biomass and methane gas.

Several other initiatives were also undertaken, including organizing the third East African Petroleum Conference in March 2007. The conference marked the end of the first round of conferences that had been held since 2003. It brought together over 400 participants from around the world. Participants included Partner State governments, international oil companies, oil industry service companies, government institutions, academic institutions, international geoscientific journals, non-oil and gas institutions and the media. A roadmap for completing the harmonization process was developed with the deadline set for December 2009. Terms of reference and the budget were also prepared. The harmonization exercise is expected to cost US \$800,000.

### **MODERN ENERGY SERVICES PROJECT**

The EAC has also developed a regional strategy for scaling up access to modern energy services. This was done through a consultative process of multi-disciplinary national and regional workshops held in Kenya, Uganda and Tanzania. The strategy was developed with the technical and financial support from GTZ, UNDP and the European Union Energy Initiative – Partnership Dialogue Facility (EUEI-PDF). The principles of the strategy were approved by the Council of Ministers in November 2006. The project aims at increasing access to modern energy services to help in achieving the Millennium Development Goals (MDGs) and contribute to poverty reduction by implementing MDG-based energy investments that have high impact, cost-effective and are easily replicable across the region. A key target of the strategy is to reduce by half the EAC population living without access to modern energy resources. It is estimated that this initiative will cost US\$3.2 billion between 2007 and 2015.

### **SOCIAL SECTORS**

#### **Establishment of new Commissions**

The Council of Ministers approved the establishment of several Commissions. These were the East African Science and Technology Commission, East African Health Research Commission and the East African Kiswahili Commission. The Bills for the establishment of these Commissions now wait

tabling before the EALA. Consultations have been initiated to establish the East Africa Culture and Sports Commission. The schedule of implementation of the latter Commission was finalized at the Sectoral Council on Education, Culture, Sports, Science and Technology, from November 14th to 17, 2006 and that of March 8th to 10th, 2007, both held in Arusha.

#### **Centres of Excellence**

Three centres of excellence were identified namely Utalii College in Nairobi – Kenya, College of African Wildlife Management, in Mweka – Tanzania and the East African Civil Aviation Academy in Soroti – Uganda. There were joint meetings held between these centres of excellence, in which they agreed to a proposal for a collaborative programme that will harmonize training and addressing capacity, quality and certification criteria and procedures in the three centres of excellence.

#### **EAC Essay Writing Competition**

The topic of the 2006 EAC Essay Writing Competition was: “The people of East Africa are endowed with a diversity of cultures that could either build or destroy the integration process. Discuss”. Although entries revealed a slight drop in participation of students compared with the previous years, the quality of the essays showed a marked improvement. National award ceremonies were held in September in the capitals of the EAC Partner States while Regional award ceremony was held on November 30, 2006 during the 8th Summit held in Arusha.

#### **EAC Anthem**

The Regional Technical Committee continued to consult Partner States on the Anthem. The Committee presented the best three songs to the 5th Extra Ordinary Summit in Kampala held on June 18, 2007 for consideration. The Summit appreciated the efforts of the Committee but deferred their decision to the next Ordinary Summit to enable the Republic of Burundi and the Republic of Rwanda to make their contributions in the process of the search for the Anthem.

#### **Health**

The first annual regional East African Community International Health and Scientific Conference was held between March 28 and March 30, 2007, in Kampala, Uganda. The theme of the conference was: “Responding to Health Challenges in East Africa”. It created scope for coverage of a number of sub themes, including human resources for health and quality of care, linking health research to policy and practice and combating emerging and re-emerging diseases. Over 500 delegates attended the inaugural conference, which addressed issues of

HIV/AIDS, health research agenda, avian influenza, reproductive health, health systems research, rift valley fever, malaria and tuberculosis. The Ministers



of Health, health officials and experts from the Partner States and the development partners, attended the conference.

**East African Regional Integrated e-Health Management Information System (EACe-HMIS) and the East African Integrated Disease e-Surveillance and Response Network (EAIDSNet)**

The Regional e-Government Framework for East Africa which was developed, highlights the growing need for the installation of supporting Information and Communication Technology (ICT) infrastructure at various levels, including the use of satellite – based communications in the region. It is in recognition of this fact that the EAC initiated an e-Government regional programme during the period under review. E-Health and telemedicine practice are some of the priority areas that have been identified for consideration.

The EACe-HMIS and the EAIDSNet are fully functional. The two are a collaborative effort of the national Ministries of Health and the national health research and academic institutions in the Partner States. The overriding objective of this regional integrated e-Health and disease surveillance network is to improve the quality of data on communicable and non-communicable diseases and the flow and sharing of various aspects of health information in order to improve the health of the East African population.

A meeting of the Partner States Experts/Task Force held on December 6 – 8, 2006 updated and installed

the EACeHMIS and the EAIDSNet. They also set up multi-sectoral, multi-dimensional and multi-level linkages with the HealthMapper/Global Atlas and Geographic Information System (GIS) Software at the Muhimbili National Hospital (6th December 2006), the National Institute for Medical Research (7th December 2006) and at the Ministry of Health and Social Welfare (8th December 2006) in Tanzania.

**Free Movement of Persons, Labour/ Employment and Refugee Management**

A series of meetings of the Chiefs of immigration were held in July 2006 to consider progress towards: the internationalization of the East African passport, issuance of identity cards by Tanzania and Uganda and the recommendations of the Tourist Boards for a Common Tourist Visa for region. Consequently issues of free movement of people, labour, services, right of establishment and residence were identified as issues for discussions in the EAC Common Market negotiations.

Studies on the “Harmonization of Employment Policies in East Africa” and “Harmonization of Labour Legislation in East Africa” were finalized and presented to stakeholders’ workshops held in Kampala on June 20, Nairobi on June 27, Dar es Salaam on July 18 and Zanzibar on July 20, 2007. Similar meetings are to be held in Rwanda and Burundi.

**Labour, Employment and Poverty Reduction**

The first EAC meeting for Ministers responsible for labour and employment was held in Kampala in August 2006. The meeting acknowledged the establishment of the EAC Ministerial Labour and Employment Forum. The forum is expected to play the lead role in organizing the EAC Special Summit on Employment Creation and Poverty Reduction slated for June 2008. The Summit will focus on youth employment and EAC–AU relations towards the implementation of the Ouagadougou Summit Declaration on Employment Creation and Poverty Reduction, Plan of Action and Follow-up Mechanism. Further, the development of a Regional National Manpower Survey was planned and a technical experts group on human resource, manpower planning, labour and statistics was established to spearhead collaboration with the International Labour Organization (ILO).

**Social Security Systems in East Africa**

The first meeting of the social security institutions in East Africa was held on May 12-13, 2007 in Arusha. Its objective was to create a regional forum of information exchange and networking for the Institutions. The meeting was attended by Partner States’ high-level delegates drawn from the National



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Social Security Institutions, National Health Insurance, Parastatal Pension Funds, Local Authorities Pensions Funds, Public Service Pensions Funds, Government Employees Provident Funds and Zanzibar Social Security Fund.

The meeting recommended that a regional study on the modernization and harmonization of social security systems in East Africa be carried out. The study will help contribute to the development of a harmonized Social Security System in the region in line with modern global trends.

### **Gender and Community Development**

The Regional Framework on Gender and Community Development was adopted by the 13th Council of Ministers in November 2006. To operationalize the framework the EAC embarked on processes aimed at developing the strategic plans and guidelines.

### **Mobilization of Civil Society**

The EAC continued to collaborate with the civil society organizations and the private sector to broaden stakeholder participation in Community programmes and activities. Processes to establish a forum for consultations between the private sector, civil society organizations and other interest groups as provided for in article 127 (4) of the EAC Treaty were initiated.

Therefore the first EAC regional workshop for Civil Society Organizations was held in 2006 with the support of the GTZ. The workshop recommended the establishment of an Economic and Social Committee (ECOSOC) within the structures of the EAC to provide for a consultative mechanism for the participation of Civil Society. It also recommended the creation of an autonomous body to be known as the EAC NGO/CSO Forum to serve as an umbrella body of all NGOs and CSOs in the region. The 12th Council of Ministers meeting held in August 2006 considered and noted the recommendations of the regional workshop.

## **COOPERATION IN POLITICAL MATTERS**

### **Towards the Political Federation**

The EAC continued to steer consultations among the Partner States on fast tracking the establishment of East African Federation. Further to the Directive of the special Summit of 2004, National Consultations in the original three Partner States were launched in October 2006. Reports on the consultative process were submitted to the Council of Ministers nine months later.

The national level consultations enhanced awareness of the people of the region about the benefits and opportunities in regional integration and the stages of integration as provided for in the Treaty. During the consultations fears and concerns that needed to be addressed during the integration process were raised.

The 6th Extra Ordinary Summit of Heads of State agreed on the need to mobilize and deepen sensitization on political integration, stimulate greater political will to promote deeper economic integration and to lock-in gains achieved from economic cooperation and directed that the Republic of Rwanda and the Republic of Burundi should commence consultation processes on the establishment of a Political Federation.

Thus, programmes for sensitization and consultations targeting Rwanda and Burundi were developed. The number one task was the launch of national consultations on the EAC Political Federation in Rwanda and Burundi.

### **Regional peace and security**

The Strategy for Regional Peace and Security spells out measures that need to be put in place to develop best practices in meeting the challenges of combating crime in the EAC region. Specifically, these measures help in combating illicit drug trafficking, money laundering, cattle rustling, management of refugees and asylum seekers, and tracking of criminals. They require the Chiefs of Police to apply relevant EAC Protocols and international conventions to strengthen existing institutions and establish co-ordination among them as well as sensitize communities on the dangers, futility and, on the whole, inadmissibility of crime in society. Similar co-operation was pursued with respect to conflict early warning, management and prevention. Some new measures have also been proposed. They include establishment of disaster management centres in the Partner States that would involve rapid

response as well as harness regional response in the events of disaster and conflict and in combating terrorism.

### **Anti- Small Arms and Light Weapons programme**

Proliferation of Small Arms and Light Weapons remains the single most serious challenge to security in the EAC Region. The EAC Small Arms and Light Weapons (SALW) programme is intended to enhance the pace of implementation of the Nairobi Protocol whose goal is to maintain peace and security in the region. The SALW programme commenced in August 2006, initially focusing on the development of the institutional, legal, policy and political framework for SALW control. National Focal Points to facilitate implementation of identified aspects of National Action Plans (NAP) were subsequently established to facilitate the regional and national civil society umbrella organizations to strengthen networking and sharing of information in combating the proliferation of small arms and light weapons. Reciprocal action is also supported in the countries that border the EAC region through the Regional Centre on Small Arms (RECSA) to implement joint activities in combating the proliferation of SALWs. EAC and RECSA have signed a Memorandum of Understanding on the partnership for resource management under the programme.

### **Foreign Policy Coordination**

Among the top foreign policies of the Community are political integration, regional security and market access. Attaining success in these endeavours demand the harmonization and coordination of the Community's domestic instruments and the pursuit for mechanisms that provide for their alignment with the regional and international instruments. Pursuant to Article 123 of the Treaty for the Establishment of the East African Community, it is imperative that Partner States define and implement common foreign and security policies. This implies aggregating the intra-Community policies and developing strategic objectives and options for the Community vis-à-vis its relations with other entities of the world. The main focus of the EAC's Division for International Relations is on developing modalities for deepening good neighbourliness as a basis for consolidating political integration and promoting peace and stability, strengthening relations with other regional and international organizations and enhancing the Community's competitiveness on the global arena.

## **COOPERATION IN DEFENCE MATTERS**

The defence sector progressed steadily towards establishing a framework for cooperation in line with the provisions of Articles 123 and 125 of the Treaty.

### **Defence Forces Joint Military Exercises**

The defence forces of the East African Community Partner States carried out a joint disaster management exercise in Jinja, Uganda, between September 20 and September 30, 2006. The exercise codenamed EX-HOT Springs, involved planning elements from each of the armed forces of the three original EAC Partner States and representatives of government ministries, EAC Secretariat, non-governmental organizations and civil



society. The EX-HOT Springs trained the Armed Forces in disaster management planning with a view to improving their disaster response capability. The exercise helped to build capacity and contributed to the development of better understanding of disaster preparedness and management measures among the armed forces. It also equipped the forces with the techniques of conducting joint operations and search and rescue in the event of natural disasters and other emergencies. The exercise was among the activities the Partner States have undertaken jointly to implement the Memorandum of Understanding (MOU) on co-operation in Defence.

### **EAC Military Sports and Culture Week**

The third edition of EAC Military Sports and Culture Week was held in Zanzibar in May 2007 completing the first cycle of the series of events. Sports and Culture Week is now an annual event held on rotational basis among the EAC Partner States. The sports and culture event for EAC defence forces have been identified as key activities to foster esprit de corps among the defence forces as well as an East African Culture alongside the promotion of the Swahili language. Expansion of the sports will also be considered in future to allow full participation of newly admitted Partner States of Rwanda and Burundi.

### **Exchange of Directing Staff and Students**

The EAC Staff Colleges Directing Staff exchange programme began in July, 2006. Under the agreed exchange of Directing Staff and Students for Defence Colleges of the Partner States, the Colleges' training cycles have been synchronized to begin in January each year. The Colleges that are involved in the exchange are National Defence College and the Defence Staff College of Kenya, Command and Staff College and the Tanzania Military Academy of Tanzania and Senior Command and Staff College and the Junior Command and Staff College of Uganda. Under the same programme, the Chiefs of Defence deliver lectures in all the EAC Staff Colleges.

### **Exchange Visits**

The EAC Secretary General undertook a tour of the institutions for shared utilization under technical cooperation by Partner States in Tanzania in March, 2007 and Uganda in April, 2007. The institutions under this programme include Lowero Industries Limited (LIL) and the Joint Clinical Research Centre (JCRC) in Uganda, Kenya Ordnance Factories Corporation (KOFK), Kenya Air Force Technical Maintenance Unit (KAFTMU), Kenya Navy Dockyard, and the Kenya Armed Forces Technical College (KAFTEC) in Kenya and Tanzania Automobile Technological Centre (TATC), and Mazao Ordnance Factory in Tanzania.

## **CO-OPERATION IN LEGAL AND JUDICIAL AFFAIRS**

The East African Community concluded the Protocol on Environment and Natural Resources in April, 2006. The Protocol spells out the aspects of co-



operation in the management of the environment and natural resources.

The following legislations were enacted during the period under review:

- East African Community Competition Act, 2006 which principally seeks to promote and safeguard fair competition in the Community to provide for consumer welfare and to establish an East African Community Competition Authority and
- East African Community Standardization, Quality Assurance, Testing and Metrology Act, 2006, which principally makes provision for ensuring, standardization, quality assurance, metrology and testing of products produced or traded in the Community in order to facilitate industrial development and trade.

Other Bills that were initiated by the Council are:

- Lake Victoria Basin Commission Bill, 2006 which seeks to establish the Lake Victoria Basin Commission as an institution of the Community

- Lake Victoria Transport Bill, 2006 which seeks to empower the Lake Victoria Basin Commission to regulate maritime safety and security
- East African Community Customs Management (Amendment) Act Bill, 2006 which addresses the period for the Partner States' preferential tariff treatment under the Common Market for Eastern and Southern (COMESA) and the Southern African Development Community (SADC) arrangements, and

- Summit (Delegation of Powers and Functions) Bill, 2006 that provides for the delegation of powers and functions of the Summit to a member of the Summit, the Council of Ministers or to the Secretary General for purposes of facilitating decision-making.

Approximation of Municipal Laws in the EAC context

In the area of Approximation of Municipal Law for enhancement of co-operation and achievement of integration, activities were undertaken in the areas of laws relating to trade and commercial practices and the development of a regional legal framework for e-commerce and e-government. Laws that related to trade and commercial practices includes those on micro-finance institutions, anti-money laundering practices, export processing zones, co-operatives, public procurement, building societies, capital markets and stock exchanges and banking and insurance.

### **Regional Judicial Training**

Several programmes aimed at promoting judicial training targeting the region's judicial personnel (judges and magistrates) and support staff continued during the year under review. The objectives of these programmes were to enhance the administration of law and justice, ensure that concerned personnel adapt to modern techniques for purposes of efficiency and effectiveness and harmonize such practices as the handling of proceedings and evidence and writing of judgments.

### **Amendment of the Treaty**

The EAC Treaty has been in operation for almost six years now. During this period, new institutional developments and policy rationalization and harmonization in various areas of co-operation have taken place. Challenges and difficulties too have been encountered in such areas as fundamental attributes of the Treaty, scope of co-operation, institutional lacuna, financing of the Community and

its programmes, expansion of the Community in terms of membership, participation and involvement and areas of co-operation and shortcomings associated with drafting. It is for these reasons that the Council of Ministers has prioritized the review and amendment of the Treaty as shown in the East African Community Development Strategy (2006 – 2010). The review and amendment process was launched on during the period under review.

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## **CORPORATE COMMUNICATIONS AND PUBLIC AFFAIRS**

### **Re-Branding EAC**

Several activities were undertaken to strengthen the marketing and publicity function of the Community. A key initiative undertaken was the **EAC Re-Branding Project**, which is being pursued as a priority project



by the EAC Secretariat. The project is a consequence of a directive by the EAC Council of Ministers on the need to strengthen the capacity of the Information and Public Relations department to enable it play its role effectively in managing communications between EAC and its diverse publics.

The EAC Re-Branding project, involves restructuring and repositioning of EAC as a dynamic, achieving regional organization and vehicle for East African unity and development. Among the project's components are the development of a 5-year strategic plan for publicity and marketing of EAC, re-branding the EAC and strengthening the publicity and marketing function through the establishment of the Directorate of Corporate Communications and Public Affairs. A number of communications facilities are to be set up. They are the Press Centre, EAC Shop, Printing Unit, Photo Unit, and Radio and TV Broadcast Unit. The project envisages professionally run EAC Corporate Communications and Public Affairs unit capable of effectively managing communication functions of the Secretariat including

publicity and outreach programmes in the Partner States and abroad.

The EAC further focused attention on the Consultative Process on the East African Federation; the activities of the newly established Sectoral Council of Ministers, the activities of the East African Legislative Assembly and East African Court of Justice, all which received wide media coverage. Other activities included the outreach programmes in Kenya, Ministerial delegation to the EU Headquarters, Pan African Conference for Local Government Authorities, Africities Summit held in Nairobi in August, the EAC Jua Kali/Nguvu Kazi (Small and Medium Scale Industries) Exhibition in Dar es Salaam and the participation of EAC in the London World Travel Market.

A work plan for the proposed Directorate of Corporate Communications and Public Affairs (CCPAD) was drawn up and office space for the EAC Re-Branding Project/CCPAD allocated. A Consultancy of Messrs Serengeti Advisers was engaged to develop a concept paper and Terms of Reference for the EAC Re-Branding Project. The final report was submitted to the Secretariat.

Preliminary activities in the implementation of the project include:

- Organizing the East African Media Summit which was held in Nairobi on April 27-28, 2007
- Promotion of EAC in collaboration with the Tanzania Ministry of East African Co-operation at the Nane Nane exhibition in Arusha
- Promotion of EAC in collaboration with the Miss Tanzania 2007 Pageant
- Periodic publicity of major activities of the EAC in all media (print and electronic) in East Africa
- Advertisement in the World Bank Publication, Perspectives on Development
- Procurement of project vehicle, and
- Production of basic corporate information and promotional items.

## **FINANCE AND ADMINISTRATION**

### **Organizational Structure and Staffing**

With the mandate of the Community growing by the day, it was found necessary to review the organizational structure and staffing of the Community. In August 2006, the Council approved a new EAC organizational structure covering the Secretariat, the East African Court of Justice and the East African Legislative Assembly, a new staff establishment and priority staffing. The structure is being implemented on a phased basis taking into account the need for prioritization. Consequently, 36 priority professional staff were recruited during the third quarter of Financial Year 2006/2007. Staff numbers are expected to grow by an additional 20 professionals from the Burundi and the Republic of Rwanda by the third quarter of 2007/2008.



### **New Terms and Conditions**

New terms and conditions of service for the Staff of the Community took effect from January 1, 2007 after they were approved by the Council of Ministers.

### **New Staff Rules and Regulations**

The Council also approved new set of Staff Rules and Regulations. The rules and regulations spell out general Community principles for human resource management and are premised on the need to attract and retain staff that can demonstrate the highest standards of efficiency, competence and integrity.

### **Institutional Assessment**

An audit firm, Moore Stephens LLP was contracted by the European Commission to undertake an institutional assessment of the East African Community with a view to assess the adequacy of its financial resources. The objective of the task, undertaken between July 31 and August 11, 2006, was to establish conditions that would allow for a direct Contribution Agreement with the EU as well as win confidence of the development partners.

The auditors presented their report, which made recommendations on the way forward. The implementation of the recommendations were rated from 1 to 5, with 1 being "critical and must be implemented immediately" and 5 being "desirable and can be implemented within 12-24 months." Their verdict was that EAC Secretariat benefited from a reasonably robust internal control environment, based on the principles of segregation of duties and senior management control. They also stated that there were mechanisms and controls in place ensuring that funds were prudently managed.

EAST AFRICAN COMMUNITY			
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE 2006			
		2005/06	2004/05
INCOME	NOTES	US \$	US \$
Contribution from Partner States	1	11,072,988	9,500,385
Other Income	2	2,164,429	1,995,810
Miscellaneous Income	3	31,040	17,374
<b>TOTAL INCOME</b>		<b>13,268,457</b>	<b>11,513,569</b>
<b>LESS EXPENDITURE</b>			
Staff Emoluments	4	4,631,068	4,026,275
Administrative & Consultancy Expenses	5	5,476,119	5,364,711
Financial Expenses	6	26,247	24,312
Depreciation Charged	7	286,960	220,180
<b>TOTAL - EXPENDITURE</b>		<b>10,420,395</b>	<b>9,635,478</b>
<b>SURPLUS - FOR THE YEAR</b>		<b>2,848,062</b>	<b>1,878,091</b>

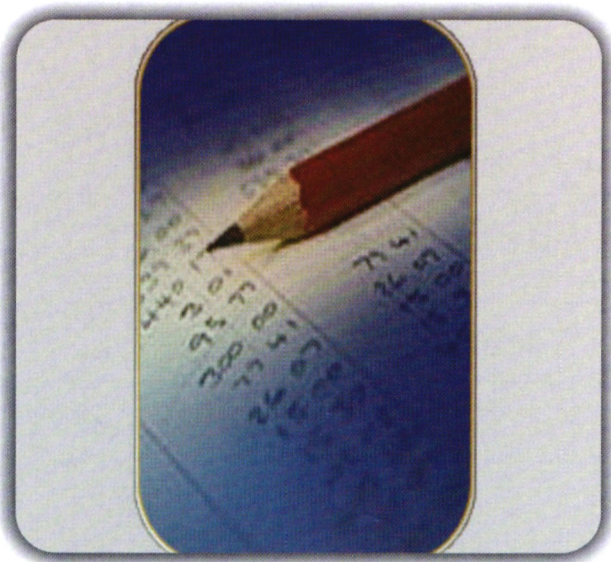
EAC Audited Statements for 2005/2006

EAST AFRICAN COMMUNITY			
CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2006			
		2005/06	2004/05
ASSETS	NOTE	US \$	US \$
<b>NON CURRENT ASSETS</b>			
Fixed Assets (Net Book Value)	8	977,843	1,095,423
<b>CURRENT ASSETS</b>			
Cash & Bank	9	9,571,392	8,215,478
Debtors	10	1,862,651	676,530
Stock	11	28,786	20,960
Claims, Deposits, Prepayments	12	666,103	576,130
<b>Sub total Current Assets</b>		<b>12,128,932</b>	<b>9,489,098</b>
<b>TOTAL ASSETS</b>		<b>13,106,775</b>	<b>10,584,521</b>
<b>CURRENT LIABILITIES</b>			
Accrued Expenses	13	334,830	647,477
Creditors	14	471,632	594,627
<b>Sub total-Current Liabilities</b>		<b>806,462</b>	<b>1,242,104</b>
<b>LONG TERM LIABILITIES</b>			
Gratuity for Staff of the Community	15	1,191,554	1,248,207
Deferred Income from Donors	16	3,010,935	2,974,311
<b>Sub Total-Long term Liabilities</b>		<b>4,202,489</b>	<b>4,222,518</b>
<b>TOTAL LIABILITIES</b>		<b>5,008,951</b>	<b>5,464,622</b>
<b>ACCUMULATED FUND</b>	17	<b>8,097,824</b>	<b>5,119,899</b>
<b>TOTAL LIABILITY &amp; ACCUMULATED FUND</b>		<b>13,106,775</b>	<b>10,584,521</b>



### **Upgrade of Sun Systems Software**

In December 2006, the finance division of the EAC Secretariat upgraded its accounting software, Sun, from version 4.6 to version 5.3 and added another module of Sun accounting software called Vision Budget Management. The idea was to make simpler, preparation of the budget and to make it possible for the budget department to monitor the budget on a day-to-day basis. The upgraded version of 5.3 has more features and facilities like preparing payment vouchers from the system, instead of manually. EAC staff were also trained on the basic features of the new accounting software. Plans are underway to source funds to undertake advanced training on Sun Accounting software.





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