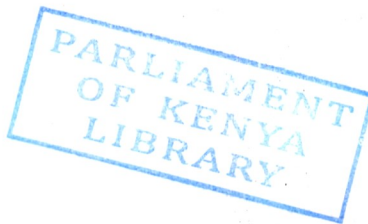




**EAST AFRICAN COMMUNITY**



# **11<sup>TH</sup> MEETING OF THE COUNCIL OF MINISTERS**

**AICC, Arusha, Tanzania**

**Session of the Senior Officials**  
**March 28<sup>th</sup> – March 30<sup>th</sup>, 2006**

**REPORT OF THE SESSION**  
**(Ref EAC/CM 11/SO/2006)**

**EAC SECRETARIAT**  
**Arusha, Tanzania**

**March 2006**

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*Report of the Session of the Senior Officials*

4



## *Preamble*

*The Session of Senior Officials at the 11<sup>th</sup> Meeting of the Council of Ministers was held in Arusha, Tanzania on March 28<sup>th</sup> - 30<sup>th</sup>, 2006. It preceded the Session of the Co-ordination Committee.*

*At this session pursuant to the principle of rotation and in accordance with the Rules of Procedure for the Co-ordination Committee, the United Republic of Tanzania handed over the Chairmanship of EAC affairs to the Republic of Kenya. Similarly the United Republic of Tanzania took over the rapporteur role from the Republic of Uganda. The Session was, therefore, chaired by the leader of the Kenya Delegation, Mr Barrack Ndegwa, Director, EAC Desk, Ministry of East African and Regional Co-operation. The rapporteur was Mr Josephat A Kiriwaggulu, Senior Marketing Economist, Ministry for East African Co-operation.*

*In his handover remarks, the Leader of the Tanzania delegation, Mr Uledi Mussa, Senior Economist, Ministry of East Africa Co-operation outlined the achievements of the East African Community during Tanzania's stewardship most prominent of these achievements has been the beginning of the operationalisation of the East African Community Customs Union. He urged the Partner States to maintain the momentum of co-operation in this and other projects and programmes.*

*The new Chairperson, Mr Ndegwa, appreciated the gains so far attained by the Community and lauded the projections in the pipeline. While appreciating Tanzania's chairmanship, he pledged Kenya's commitment towards the Partner States' further development of the integration process.*

*The Session was opened by the Deputy Secretary General (Projects and Programmes), Dr K Cheluget. While welcoming the delegates, Dr Cheluget reminded that the 11<sup>th</sup> Meeting of the Council coincided with the 10<sup>th</sup> anniversary of the launching of the Secretariat and effective revival of co-operation among the three Partner States. He also noted that the meeting was coming with the proposed launching of the Community's 3<sup>rd</sup> Development Strategy and precedes the 7<sup>th</sup> Summit which will appoint three new executive staff. He outlined the items on the agenda and urged the Session to consider*



*Report of the Session of the Senior Officials*



*them circumspectly in order to facilitate the work of the Co-ordination Committee and ultimately decision-making by the Council.*

*The Session deliberated on the following matters and made recommendations to the Co-ordination Committee as highlighted in this report:*

- (a) Implementation of Previous Decisions of the Council;*
- (b) Report of the Office of the Secretary General;*
- (c) Report on Sectoral Projects and Programme;*
- (d) Report of the Directorate of Customs and Trade;*
- (e) Finance and Administration Report;*
- (f) Report on the Activities of the East African Court of Justice and East African Legislative Assembly;*
- (g) Special Reports*

*The list of Partner State and Secretariat Senior Officials who attended the Session is attached hereto as Annex XXXV.*



## **PART I**

### **REPORT OF THE IMPLEMENTATION OF THE PREVIOUS COUNCIL DECISIONS AS OF MARCH 31<sup>ST</sup>, 2006**

#### **INTRODUCTION**

This report gives an update on the status of implementation of the decisions of the Council, as reflected in the Implementation Matrix, which is attached hereto as **Annex I**. This review covers the period August 2005 to March 2006.

Effort has been made to provide in Section 1.1 of this report an indication of the status of implementation of the main decisions, on a sector-by-sector basis and under specialised areas, using inputs provided by the various sectors at the Secretariat. Decisions that have been fully implemented by the Partner States have been excluded from this report.

Under Sections 1.2 – 1.7, a summary of the current status of implementation of major Studies, Projects and Programmes, directly co-ordinated by the Secretariat or form part of the Community activities, are provided. Progress on other Sectoral activities is provided under the report on Tripartite Sectoral Programmes and Activities.

#### **1.1. STATUS OF IMPLEMENTATION OF THE MAIN DECISIONS (SECTOR BY SECTOR).**

##### **1.1.1 Agriculture and Food Security**

On this sector a meeting of the SPS Working Group that was to be held to establish modalities for the establishment of the proposed East African Gene Bank has been scheduled to take place during the first half of 2006. This will be done as part of the implementation of the Agriculture Strategy.



### 1.1.2. Energy

#### (a) 2<sup>nd</sup> Conference on the Petroleum Potential and Investment Opportunities

The Permanent Secretaries responsible for Energy on fossil fuels approved recommendations that in order to finance future Petroleum Conferences sustainably, Partner States should make available a budget line annually. The Permanent Secretaries also approved that Local Organizing Committee of the hosting country be given mandate to organize the Conference and that the EAC and the Partner States solicit for regular conference sponsors.

#### (b) Eldoret/Kampala Petroleum Products Pipeline

The dateline for the submission of the tender bids for contracts was October 31<sup>st</sup> 2005. Partner States- Kenya and Uganda reported that the tendering process is underway.

### 1.1.3 Environment and Natural Resources

The development of the Protocol on Environment and Natural Resources Management has been completed and will be signed during the 11<sup>th</sup> regular session of the Council of Ministers.

On the development of a shared EAC Water Vision, Common Water Resource Policy and a Comprehensive Water resource Strategic Action Programme, funding has been secured and the work will be discussed during the next meeting of the Aquatic Working Group of the Sectoral Committee on Environment and Natural Resources.

The Four-Year Funding Agreement for the Mt. Elgon Regional Ecosystem Conservation Programme was signed on the 2<sup>nd</sup> September 2005 and the Programme implementation is already on-going.





#### **1.1.4. Tourism and Wildlife Management**

The Partner States have started to implement the Overall Tourism Marketing Plan and Strategy. They have jointly attended the World Travel Market (WTM) in London in November 2005 and International Tourism Bourse (ITB) in Berlin in March 2006. During London participation, The Partner States launched a promotion campaign which signalled a joint approach in projecting EACV as single tourist destination. This effort continued during the ITB in Berlin.

#### **1.1.5. Facilitation of movement of persons, immigration, labour/employment and refugees**

The pre-requisite legal documentation for the fees rates for any class of permits to be issued to citizens of East Africa at 50% the rates to be charged to foreigners has been commenced and the new set date for implementation is December 2006. The first meeting of the HLTF was held on 9<sup>th</sup> -10<sup>th</sup> March 2006

The Partner States have submitted to the EAC Secretariat completed copies of the comparative studies jointly undertaken to review and update the Municipal Labour Laws in the context of related international labour conventions as a step towards facilitating harmonisation.

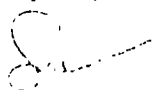
#### **1.1.6. Lake Victoria Development Programme**

##### **(a) Memorandum of Understanding between EAC and Nile Basin Initiative (NBI)**

A Memorandum of Understanding, specific to the Lake Victoria Basin, with a special mention of the NELSAP Coordination Unit, was developed between the EAC and the Nile Basin Initiative. The Memorandum of Understanding is ready for signature at a date to be set by the Nile Basin Initiative.

##### **(b) The Lake Victoria Transport Bill**

The Lake Victoria Transport Bill has been sent, with experts' comments, to the Partner States for consideration and input. The revised Bill will be considered at



the next meeting of the Sectoral Council on Transport, Communications and Meteorology.

**(c) Adoption and use of the Report of the Vision and Strategy framework**

The use of the Vision and Strategy Framework document by the Lake Victoria Basin Stakeholders as a planning document has started. It has been widely used in the preparation of the Second Phase of the Lake Victoria Environmental Management Project (LVEMP II).

**(d) Establishment of a Surveillance System to counter the resurgence of Water hyacinth on Lake Victoria**

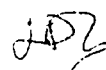
The EAC Secretariat prepared a project proposal on Implementation of a Regional Strategy and Action Plan for the Control of Water hyacinth and other Invasive Aquatic weeds in the East African Community Water Bodies. The Project was submitted to the European Union (EU) for funding and the EC agreed to fund the project during the LVEMP Phase II.

**1.1.7 Legal and Judicial Affairs**

At its meeting held on September 13<sup>th</sup> -16<sup>th</sup> 2005, the Sectoral Council on Legal and Judicial Affairs decided that with regard to immunities and privileges, a protocol concluded under the provisions of Article 151 of the Treaty would suffice; the Sectoral Council advised that the EAC Immunities and Privileges Bill, 2004 be withdrawn. It instead adopted a Draft protocol on EAC Immunities and Privileges. The decisions shall be tabled to the 11<sup>th</sup> Council for consideration.

**1.1.8 The Inter University Council of East Africa**

The IUCEA has continued to implement the student exchange programme between Uganda and Tanzania; however, the Kenya students are yet to join this programme. Kenya has also not yet ratified the Protocol on the Establishment of the Inter-University Council for East Africa. The Sectoral Council on Legal and judicial Affairs decided that a Bill was not necessary. It decided that the Protocol on IUCEA is sufficient.



## **1.2. Finance and Administration**

The process of filling in the positions of the Executive Secretary and the Deputy Executive Secretary of the Lake Victoria Basin Commission has been completed and the successful candidates will be presented to the 11<sup>th</sup> Council for appointment. The other staff of the Commission will be recruited during the F/Y 2006/7.

The Secretariat has developed concrete guidelines for the proposed EAC Development Fund and a report will be presented for consideration by the 11<sup>th</sup> Council of Ministers.

The developed Rules and Regulations for the EAC Development Fund have been finalized and will be presented to the 11<sup>th</sup> Council for approval.


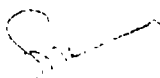
## **1.3 Committee on Fiscal Affairs**

On the taxation of foreign consultants and contractors, Kenya and Tanzania agreed to share their experiences with Uganda. The three Partner States also set up a team of experts to harmonise the structure of exercises on cigarettes, alcoholic beverages, soft drinks and petroleum products in order to achieve macro-economic and fiscal regimes' convergence.

## **1.4 Committee on Statistics and Exchange of Information**

The development of the trade and information network will commence with the establishment of the EAC Web-based Statistics database.

In the interim, the compilation of the 2<sup>nd</sup> series of the EAC Facts and Figures (2005) will be effected as part of the activities of the established Technical Working Groups in the Partner States.



## 1.5 Interstate Co-operation on Defence

The Secretariat convened a meeting of the Defence Experts Working Group composed of defence intelligence Chiefs in October 2005. The meeting which also adopted modalities on how both the EAC defence Sectoral Committee and the Inter-State Security Committee could coordinate on the issue of terrorism. The meeting was held in October 2005 and its report will be considered by the 11<sup>th</sup> Council meeting.

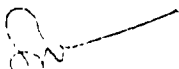
## 1.6 Customs Union

Implementation of the Customs Union commenced from 1<sup>st</sup> January 2005. It involves implementation by Partner States of Common External Tariff, use of a common East African Customs Management Act, 2004, asymmetrical elimination of internal tariffs within five years and use of other common customs related documents and policies. In addition, Partner States are moving towards implementation of a common External Trade Policy.

Further to the above, Partner States were engaged in the process of setting up a mechanism for identifying and monitoring removal of Non Tariff Barriers. A study in this context is being undertaken jointly with the East African Business Council (EABC). Other activities undertaken by the Sectoral Council on Trade, Finance and Investment include removal of inconsistencies in the Common External Tariff.

The Secretariat convened a meeting of Partner States' financial / budgetary, competition and legal experts to study budgetary implications of the Legislative Assembly's proposal for the establishment of a fully fledged body corporate *vis-a-vis* establishment of a Committee for overseeing implementation of the Competition Law to be enacted by the East African Legislative Assembly. This meeting took place and its recommendations were tabled before the Sectoral Council on Trade, Finance and Investment at its meeting held in August 30<sup>th</sup> 2005.

The Partner States are also looking into the possibility of establishing one stop clearance centres at the border entry points. A joint study was undertaken and the outcome is a pilot project under implementation at Malaba border posts.



## 1.7 Transport, Communications and Meteorology

### 1.7.1 Roads

The implementation of the Study on the Arusha – Namanga – Athi River Road coordinated by the Secretariat progressed well over the period. The Secretariat has received a no objection from the African Development Bank to progress to Phase II of the Study involving the detailed engineering design and has instructed the consultants. In addition the Secretariat has written to the Bank on behalf of Tanzania and Kenya to initiate the process of securing funds for the Construction Phase expected to commence early next year.

Partner States reported steady progress in the implementation of the other priority roads in the EAC Road Network Project.

The Secretariat is coordinating preparations towards the hosting of the Mid Term Review for the Roads Project with the Development Partners in the second half of 2006.

### 1.7.2. Aviation

The harmonisation of civil aviation regulations (covering airworthiness, personnel licensing and operations) in the region is at the final stages. The final draft of the harmonised regulations is due for consideration by the experts from the Partner States, the Federal Aviation Administration of the United States and stakeholders in April 2006. It is planned that the harmonised regulations be promulgated in the second half of 2006. Another parallel exercise is ongoing on the development of the technical guidance materials for the implementation of the new regulations.

The objective of harmonising the regulations is to enhance the safety and security of civil aviation operations in the region in line with the industry standards set by the International Civil Aviation Organisation (ICAO). It is also expected that the harmonised regulations will facilitate the establishment of regional institutions in civil aviation and pooling of the critical experts.

Agreement has also been reached and proposals made by the three civil aviation administrations to liberalise the sector for the regional air operators. This is with a view to enhancing the route capacities between regional city pairs and facilitation of the civil aviation market growth in the region. It is expected that

fares and cost of air transport will come down once the recommendations are approved for implementation by the Council.

### 1.7.3 Communications

A follow up on the International telecommunication union project Implementation has been carried out and finalised.

The Secretariat prepared a programme to enable the EAC Partner States benefit from the Japanese funding on development of Information and Communications Technology in EAC Partner States (TRANSCC C9). The draft e-governance framework is in place.

Uganda availed the necessary information required to expedite the inclusion of the Cooperative Framework for joint utilisation of Infrastructure Facilities at Border Posts (TRANSCC C9). The report was finalised, comments were received from Partner States and submitted for consideration by the Regional Oversight Committee at the Permanent Secretaries Level.

### 1.7.4. Meteorology

The implementation of the recommendations in the Five Years Meteorological Development Plan and Investment Strategy progressed slowly due to lack of resources. A request for the support of priority projects in the sector has been forwarded to the World Meteorological Organisation and SIDA under the Partnership Fund.

Following the ongoing adverse weather effects in the region and the continuing forecast of unstable weather in the medium term, it is expected that Partner States will continue enhancing the support to this sector particularly in the area of weather forecasting and dissemination infrastructure and human resources development.

**The Co-ordination Committee recommends to the Council to take note of the progress made in the implementation of its decisions and approved projects, programmes and activities.**

## PART II

### REPORT OF THE OFFICE OF THE SECRETARY GENERAL

#### 2.1. PROGRESS REPORT ON THE IMPLEMENTATION OF THE TREATY FOR THE ESTABLISHMENT OF THE EAST AFRICAN COMMUNITY

The implementation of the Treaty for the Establishment of the East African Community is based on the Revised Indicative Programme of Action which was adopted by the Council at its Fifth Meeting held on November 24<sup>th</sup> – 28<sup>th</sup>, 2002. This report highlights achievements since the 9<sup>th</sup> Meeting of the Council.

Progress as of February 28<sup>th</sup>, 2006 in various areas is indicated in bold characters in the progress column of the matrix attached hereto as **Annex II**. Both the Partner States and the Secretariat are expected to highlight problems encountered in the pursuit of the targets and formulate a way forward.

The following are the salient landmarks in progress:

- (a) Commencement of the East African Community Customs Union on January 1<sup>st</sup>, 2005 (*Article 75(7)*);<sup>1</sup>
- (b) the Formulation of a draft Strategy for the Development of the Private Sectors (*Article 127*);
- (c) Initiation of the re-structured EAC, Civil Aviation Safety Project (*Article 92*);
- (d) Finalisation of the Study on the Lake Victoria Safety of Navigation (*Article 94*);

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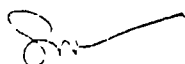

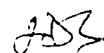
<sup>1</sup> References in parenthesis relate to the Treaty for the Establishment of the East African Community;

- (e) Finalisation of the Agriculture and Rural Development Policy and Strategy (*Article 105(1)(a)*);
- (f) Preparation of the draft Protocol on Immunities and Privileges (*Articles 75 and 138*);
- (g) Preparation of the draft Protocol for the Operationalisation of Extended Jurisdiction of the East African Court of Justice (*Article 27(2)*);
- (h) Ratification of all existing protocols and tripartite instruments except the Protocol on the Establishment of the Inter-University Council (*Article 151*); Kenya is yet to ratify this protocol and was urged to do so by the Council at its 10<sup>th</sup> Meeting (held on August 8<sup>th</sup> - 9<sup>th</sup>, 2005) and by the Sectoral Council on Legal and Judicial Affairs at its meeting held on September 13<sup>th</sup> - 16<sup>th</sup>, 2005.

Outstanding matters include the finalization of the draft strategy for the development of the private sector, Tanzania's report on progress towards full capital account convertibility for East Africa; conclusion of aviation policies by Uganda and Kenya; Kenya's ratification of the Protocol for the Establishment of the Inter-University Council for East Africa; Partner States' implementation of all ratified protocols and tripartite instruments and regular reporting on progress to the Secretariat and the Secretariat's expediting the conclusion of all outstanding studies and protocols;

The Co-ordination Committee recommends to the Council to:

- (a) urge the Partner States and the Secretariat to expedite the implementation of outstanding matters within the context of fast tracking the integration process; and
- (b) direct the Secretariat to propose new targets basing on the provisions of the East African Community Development Strategy 2006 - 2010 when adopted.



## 2.2 INSTITUTIONAL MATTERS

### 2.2.1. Appointment of New Executive Staff

#### 2.2.1.1. Appointment of a new Secretary General

According to the Treaty,

*"1. The Secretary General shall be appointed by the Summit upon nomination by the relevant Head of State under the principle of rotation.*

*2. Upon the appointment of the Secretary General the Partner State from which he or she is appointed shall forfeit the post of Deputy Secretary General.*

*3.....*

*4. The Secretary General shall serve a fixed period of five year term"*  
(Article 67).

The fixed five year contract of the current Secretary General, Hon N Amanya Mushega will expire on April 24<sup>th</sup>, 2006. The Summit is, therefore, expected to appoint a new Secretary General. By the principle of rotation a candidate for appointment as new Secretary General will be nominated by The President of the United Republic of Tanzania. Upon the appointment of a Secretary General from the United Republic of Tanzania:

- (a) the United Republic of Tanzania shall forfeit the post of Deputy Secretary General, currently held by Mr Ahmada R Ngevera, and;
- (b) the Republic of Uganda will have to nominate a suitable candidate for appointment by the Summit (upon recommendation by the Council of Ministers) as Deputy Secretary General.

By his letter Ref PRO/1/306/01 dated January 19<sup>th</sup>, 2006, to the Hon Coordinating Ministers, the Secretary General brought this matter to the attention of the Partner States for appropriate action.

The Council is expected to consider:

- (a) H E The President of the United Republic of Tanzania's nomination of a candidate for appointment as Secretary General;
- (b) H E The President of the Republic of Uganda's nomination of a candidate for appointment as Deputy Secretary General, and recommend accordingly to the Summit of Heads of State.

#### 2.2.1.2. Appointment of a Deputy Secretary General (in charge of Fast Tracking the Political Federation)

Regarding the posts of Deputy Secretaries General, the Treaty for the Establishment of the East African Community, provides that:

- “1. The Council shall determine the number of Deputy Secretaries General.
2. The Deputy Secretaries General shall be appointed by the Summit on the recommendations of the Council and on a rotational basis.” (Article 68).

At its 10<sup>th</sup> Meeting, held on August 8<sup>th</sup> – 9<sup>th</sup>, 2005, the Council of Ministers considered the directive taken by the 3<sup>rd</sup> Extraordinary Summit that the Council establishes the post of Deputy Secretary General to oversee and co-ordinate the fast tracking of the integration process. The Council:

- (a) decided that Uganda nominates a candidate for the post of Deputy Secretary General (Political Federation);
- (b) decided that the Deputy Secretary General (Political Federation) be appointed by December 2005;
- (c) approved the provisional staff complement for the office of the Deputy Secretary General (Political Federation) for appointment by December 2005;
- (d) decided that the terms and conditions of service for the Deputy Secretary General (Political Federation) will be determined in accordance with Article 68(3) to the Treaty; and

- (e) considered and approved a supplementary budget of US \$ 635,296 to cater for the operations of the office of the Deputy Secretary General (Political Federation).

**The Council is expected to consider Uganda's nomination of a candidate for appointment as Deputy Secretary General (in charge of Fast Tracking the Political Federation) and recommend accordingly to the Summit of Heads of State.**

### **2.2.2 Progress on the Verification of the Applications of the Republic of Burundi and the Republic of Rwanda to join the East African Community**

Pursuant to a directive made by the Council of Ministers at its 9<sup>th</sup> Meeting held on November 29<sup>th</sup>, 2004, the Verification Committee appointed to verify the applications of the Republic of Burundi and the Republic of Rwanda to join the East African Community visited the Republic of Rwanda on February 28<sup>th</sup> – March 2<sup>nd</sup>, 2005 and the Republic of Burundi on October 17<sup>th</sup> – 23<sup>rd</sup>, 2005.

The Verification Committee met senior Government officials and private sector and civil society representatives of both countries. It was of the view that both Burundi and Rwanda fulfill the criteria for the admission of foreign countries into the East African Community as provided for in the Treaty for the Establishment of the East African Community. However, the Verification Committee was of the further view that its findings ought to be subjected to further consideration by an EAC High Level Negotiating Mission. The role of the Mission would be to establish benchmarks, conditions, appropriate levels and timing for the admission of these countries. In pursuance of a directive made by the Council at its 10<sup>th</sup> Meeting, the reports of the Verification Committee (EAC/RR/01/2005 and Ref EAC/RB/01/2005) have been dispatched to the Partner States for consideration and comment. The respective summaries of the two reports are attached hereto as **Annexes III and IV**.

The Co-ordination Committee recommends to the Council to:

- (a) consider and adopt the report of the Verification Committee;
- (b) direct that the verification process now be followed by a high level negotiating machinery to be spearheaded by the Ministers responsible for East African Co-operation, the Co-ordinating Permanent Secretaries, the Secretary General and the Deputy Secretaries General, the Heads of EAC organs and the Verification Committee with a mandate to, among others:
  - (i) embark on negotiations with the Republic of Burundi and the Republic of Rwanda on admission requirements and report to the next ordinary Summit of Heads of State scheduled for November 2006;
  - (ii) invite the applicant countries to Arusha for negotiations;
  - (iii) appropriately involve the Partner States Governments, National Assemblies, and the East African Legislative Assembly;
  - (iv) appropriately take into account the views of the private sector and civil society;
- (c) consider and adopt the benchmarks (on sector by sector basis) attached hereto as Annex V to guide the negotiations.

### 2.2.3. Draft Criteria for the Establishment of the EAC Sectoral Councils

At its 7<sup>th</sup> Meeting held on January 30<sup>th</sup>, 2004, the Council of Ministers considered a Secretariat proposal on the criteria for the establishment of EAC Sectoral Council which are provided for under Article 14(3)(i) of the Treaty for the Establishment of the East African Community. The Council directed the Secretariat to:

- (a) re-draft the said criteria taking into account institutional, financial / budgetary and other considerations;
- (b) send the proposed criteria to the Partner States for consideration and input;
- (c) thereafter present the proposed criteria to the Sectoral Council on Legal and Judicial Affairs for consideration (in consultation with the Finance and Administration Committee on financial and budgetary implications).

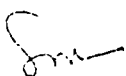
The Secretariat has re-drafted the criteria into the text attached hereto as **Annex VI**. It has sent the re-drafted criteria to the Partner States for comments pending presentation of the same to the Sectoral Council on Legal and Judicial Affairs. By her letter Ref CFA 177/368/01 dated March 9<sup>th</sup>, 2006 Tanzania submitted comments on these criteria.

**The Co-ordination Committee recommends to the Council to:**

- (a) **urge Kenya and Uganda to submit their comments on the criteria to the Secretariat not later than April 15<sup>th</sup>, 2006;**
- (b) **direct the Secretariat to convene a joint Meeting of the Sectoral Council on Legal and Judicial Affairs and the Finance and Administration Committee to finalise the criteria on the establishment of EAC Sectoral Councils by end of May, 2006.**

#### **2.2.4. Proposed Amendment of the East African Community Customs Management Act, 2004**

The East African Legislative Assembly enacted the East African Community Customs Management Act, 2004 on December 9<sup>th</sup>, 2004. The Act, which provides for the management and administration of customs and for related trade matters, came into force on January 1<sup>st</sup>, 2005. In the course of the operationalisation of the East African Community Customs Union on the basis of this Act, the need for amendment of some provisions of the Act was identified for purposes of:



- (a) effecting typographical and grammatical corrections;
- (b) facilitating the implementation of the Act; and
- (c) facilitating the discharge of the functions of the Directorate of Customs as provided under Part II of the Act.

The proposed amendments are in the context of:

- (a) the legislative functions of the East African Legislative Assembly under Article 49(1) of the Treaty for the Establishment of the East African Community;
- (b) the legislative procedure provided under the Acts of the East African Community Act, 2004; and
- (c) Section 41 of the Laws of the Community (Interpretation) Act, 2003.

In this regard the Secretariat has prepared a Bill entitled The East African Community Customs (Amendment) Bill, 2005, which is attached hereto as **Annex VII**. The Session observed the need to have a more comprehensive Bill that also caters for substantive issues as identified by the Sectoral Council on Trade, Finance and Investment.

**The Co-ordination Committee recommends to the Council to direct the Secretariat to prepare a more comprehensive amendment bill that addresses more issues on Customs Administration and Management in consultation with the Partner States.**

#### **2.2.5. Initiation of Bills to the Legislative Assembly**

Article 14(3)(b) of the Treaty for the Establishment of the East African Community obliges the Council of Ministers as the Community's policy-making (executive) to "*initiate and submit Bills to the Legislative Assembly*" for enactment into Community legislation.

Initiation of Bills by the Council may be based on identified and agreed policy matters arising out of the implementation of:

- (a) Partner States' policy harmonization and rationalization;
- (b) Specific EAC programmes and activities aimed at strengthening the integration process; and
- (c) Specific needs for EAC's institutional growth. On this basis and at this point in the Community's development, the Council may initiate bills for:
  - (i) an Act to provide for the preservation of the secrets of the Community, its organs and institutions given the institutional development of the Community into a fully fledged legal person;
  - (ii) an Act to provide for elections of the Members of the East African Legislative Assembly;
  - (iii) an Act to provide for the collection, compilation, analysis and publication of EAC statistical information which will be critical for trade development and the Free Movement of Persons, Labour and Services;
  - (iv) an Act to formally constitute the East African Court of Justice once its jurisdiction has been extended in accordance with Article 27(2) of the Treaty.

The Session noted a report by the Secretariat that in such matters as the establishment of institutions with legal capacity there is need for enabling legislation. In this regard the Secretariat intends to prepare a comprehensive paper on such legislation *vis a vis* the use of Protocols (as provided under **Article 151** of the Treaty) for consideration by the Sectoral Council on Legal and Judicial Affairs at its next meeting.

The Co-ordination Committee recommends to the Council to:

- (a) consider and initiate Bills for the preservation of secrets of the Community, elections of the East African Legislative Assembly and establishment of an EAC statistical data base;
- (b) advise the East African Legislative Assembly accordingly for purposes of the Legislative Assembly's Annual Legislative Programme;
- (c) direct the Counsel to the Community to draft the relevant Bills for consideration by the Sectoral Council on Legal and Judicial Affairs at its next meeting;
- (d) direct the Secretariat to prepare a comprehensive paper on the need for legislation, as opposed to protocols in the establishment of EAC institutions for consideration by the Sectoral Council on Legal and Judicial Affairs at its next meeting.

### 2.2.6 Applications for Observer Status

In accordance with the Community operational principle of "people-centred co-operation"<sup>2</sup> and objective for "the promotion of people-centred mutual development of associations"<sup>3</sup>, the Treaty provides for the granting of observer status to civil society organizations in the membership of the Community.<sup>4</sup>

For purposes of operationalising these provisions, the Council of Ministers adopted Procedures for the Granting of Observer Status. According to these procedures:

- (a) the following broad criteria are applicable:
  - (i) Acceptance of the fundamental principles underlying the East African Community;

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<sup>2</sup> Article 7(1)(a)

<sup>3</sup> Article 5(3)(d)

<sup>4</sup> Article 3(5)



- (ii) Interest in the fundamental and operational principles of the East African Community;
  - (iii) Contribution towards the strengthening of regional integration in East Africa; and
  - (iv) Ability to enhance development partnership.<sup>5</sup>
- (b) the following specific criteria are applicable to East African Non-Governmental Organisations / Civil Society Organisations:
- (i) The organization should have objectives of common interest to the Partner States;
  - (ii) The organisation's activities should bear a regional dimension with the organization being registered in each of the Partner States; and
  - (iii) In its regional activities the organization should have a track record of at least three years of active operation.<sup>6</sup>

#### 2.2.6.1. Application by the East Africa Law Society

The East Africa Law Society was established, as a premier regional bar association in East Africa, in 1995 with the following objectives:

- (a) To establish relations and exchange expertise and ideas between bar associations, law societies, and their members;
- (b) To assist such bar associations and law societies and their members to develop and improve their organizational structures and services to their members thereby enhancing the status of the legal profession;
- (c) To assist members of the legal profession to develop and improve their legal service to the public;
- (d) To advance the science of jurisprudence;
- (e) To promote, through common study of practical problems, uniformity and definition of issues in appropriate fields of law;

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<sup>5</sup> Annex to the Rules of Procedure

<sup>6</sup> Ibid

- (f) To promote measures that shall contribute to the improvement and efficiency of the administration of justice and the adherence to the rule of law;
- (g) To promote, at different levels, the integration of the EAC Partner States.

The East Africa Law Society, which submitted its application for observer status on August 10<sup>th</sup>, 2005, was registered as a company limited by guarantee in the United Republic of Tanzania on October 26<sup>th</sup>, 1995, in the Republic of Kenya on April 7<sup>th</sup>, 1998 and in the Republic of Uganda on June 17<sup>th</sup>, 1998. Detailed documentation of application is attached hereto as **Annex VIII**.

By his letter Ref PRO/45/02 dated September 14<sup>th</sup>, 2005 and in accordance with the Rules of Procedure, the Secretary General circulated the application of the East African Law Society to the Partner States for consideration.

The objectives of the East Africa Law Society are in consonance with the principles and objectives of the EAC. The East Africa Law Society is uniquely positioned to promote cross border integration for the people of East Africa. As such, it will work to harmonise processes, leading to the goals of East African regional integration. The Society already actively promotes East Africa-wide legal and other professional practice, as well as broad-based East African regional integration. It also already interacts comprehensively with virtually all the organs of the East African Community, for the above purposes. It now intends to use this formal Observer Status to solidify and institutionalize its interaction with the East African Community, as set out in the Treaty and the Procedure for Granting of Observer Status.

The Secretariat advises that the application of the East Africa Law Society fulfils the criteria and requirement for the grant of Observer Status.

The Co-ordination Committee recommends to the Council to grant Observer Status to the East Africa Law Society on the terms stipulated in the Treaty.

### 2.2.6.2 Application by the East African Book Development Association

The East African Book Development Association was established in 2000 mainly through private sector initiative to foster trade and cultural collaboration among book sector stakeholders in the East African region. The Association's objectives are:

- (a) to strengthen and liaise with country stakeholder associations in the book sector and to jointly develop and promote authorship, production, publishing, reading and book trade especially in local language books;
- (b) to transport training programmes for stakeholders within the region's book sector;
- (c) to initiate and support projects and public campaigns towards the enhancement of a book-reading culture in the East African Region;
- (e) to support the development of school and community libraries and the training of teachers in reading and library development;
- (f) to promote cross-border book trade among the three East African countries of Kenya, Uganda and Tanzania by encouraging partnerships in authorship, publishing, bookselling and printing among legitimate individuals and institutions;
- (g) to organize regional meetings, seminars, workshops and conferences among regional stakeholders in order to strengthen professional co-operation;
- (h) to associate with and lobby the East African Community and the governments of Kenya, Uganda and Tanzania for the removal or reduction of taxes and excessive fees on book production and trade in order to enable free flow of information across borders, in accordance with the Florence Agreement on the Importation of Educational, Scientific and Cultural Materials and all its protocols;

- (i) to solicit for funding from individuals, organizations, corporate bodies, donors and donor agencies, both within and outside the East African Region towards development of the book industries and promotion of reading in Kenya, Uganda and Tanzania;
- (j) to co-operate with national, regional and international organisations with similar objectives and visions of developing East Africa's book sector and promoting reading in the region; and
- (k) to carry out any other activities as may further the interests of the association.

The East African Book Development Association is registered as a society, in the three Partner States. Detailed documentation on this application is attached hereto as **Annex IX**.

By his letter Ref PRO/2/314/01 dated August 16<sup>th</sup>, 2005 and in accordance with the Rules of Procedure, the Secretary General circulated the application of the East African Book Development Association to the Partner States for consideration.

The objectives of the East African Book Development Association, including the transfer of formal education preservation of cultural heritage, source of information for all other development sectors, are in tandem with the East African Community's objectives in co-operation in social and cultural activities; development of human resources, science and technology. The Secretariat is of the view that the role of the East African Book Development Association will contribute to fostering integration.

The Secretariat advises that the application of this association fulfills the criteria and requirements for the grant of Observer Status.

The Co-ordination Committee recommends to the Council to grant Observer Status to the East African Books Development Association on the terms stipulated in the Treaty.

### 2.3. LEGAL AND JUDICIAL AFFAIRS

The Sectoral Council on Legal and Judicial Affairs met on September 16<sup>th</sup>, 2005 and considered:

- (a) Progress on outstanding issues on the East African Community Competition Bill, 2004;
- (b) The legal content and relevancy of the East African Community Immunities and Privileges Bill, 2004 and The Inter-University Council for East Africa Bill, 2004;
- (c) The legal content of the Protocol on Environment and Natural Resources Management; and
- (d) The legal content of the East African Community Staff Rules and Regulations and the East African Community Financial Rules and Regulations.

The Sectoral Council:

- (a) decided that a Protocol within the meaning of Article 151 of the Treaty, is sufficient for the immunities and privileges of the East African Community, its organs and institutions and persons in the service; and approved a revised draft East African Community Protocol on Immunities and Privileges;
- (b) decided that within the meaning of Article 151 of the Treaty, the Protocol on the Establishment of the Inter-University Council for East Africa is sufficient for the formal establishment of this institution and for other related matters;

- (c) advised the Council of Ministers to withdraw The Inter-University Council for East Africa Bill, 2005 and The East African Community Immunities and Privileges Bill, 2005 from the East African Legislative Assembly;
- (d) approved the legal content of the main text of the Protocol on Environment and Natural Resources Management and cleared the protocol for signature at this Meeting of the Council of Ministers; and
- (e) approved the legal content of the East African Community Staff Rules and Regulations and the East African Community Financial Rules and Regulations and approved both sets of rules and regulations for signature.

The full report of the Meeting of the Sectoral Council is contained in Report EAC/SR/40/2005.

**The Co-ordination Committee recommends to the Council to take note of the decisions of the Sectoral Council on Legal and Judicial Affairs.**

## 2.4. STATISTICS

### 2.4.1 Background and Strategy

At its 7<sup>th</sup> Meeting held on April 28<sup>th</sup>, 1997 the Permanent Tripartite Commission for East African Co-operation considered “The focusing of Secretarial activities” and reminded the Secretariat of its mandate to monitor the implementation of its decisions in the identified tripartite programmes <sup>7</sup> The Commission also decided that in line with the EAC Development Strategy (1997 – 2000), the Secretariat focuses on monitoring the implementation of its decisions by establishing an appropriate mechanism.<sup>8</sup>

Since the 9<sup>th</sup> Meeting of the Commission held on April 30<sup>th</sup>, 1998 the Secretariat has always presented the reports (in matrix format) on the implementation of the past Council decisions. The Secretariat has over the time procured various computer software namely Microsoft Access, Microsoft word and the ADLIB system with a view to developing the most appropriate mechanism for monitoring the implementation of the Council decisions. Given the complexity involved, Microsoft Access was found unsuitable. The acquired ADLIB System through a DFID grant in 1998 is far from complete but has already shown good results in regard to Council decision electronic record archiving and retrieval. On its own the current Microsoft word reports (Matrix) suffers many technical and administrative difficulties including non user friendliness to the Partner States and the Community Organs.

It may also be recalled that the Council at its 4<sup>th</sup> Meeting directed the Secretariat, to forward the refined Terms of Reference on the Phase II of the Establishment of the EAC Statistics Database to M/S Statistics Denmark, International Consulting . On that basis the contractor developed and submitted to the Secretariat the 1<sup>st</sup> draft Project Proposal for Phase II of the Establishment of the EAC Statistics database on January 31<sup>st</sup>, 2003. In April 2003, the contractor declined undertaking any further work till EAC Secretariat had secured concrete commitments of the specific development partner to fund the project activities.

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<sup>7</sup> See Articles 71(c) and 71(1) of the Treaty

<sup>8</sup> See Article 71(m) of the Treaty



As an implementation of the decision made by the Council at its 7<sup>th</sup> Meeting to operationalise the established Committee on Statistics and Exchange of Information, EAC Secretariat has secured financial budgetary support under the Regional Integration Support Programme (RISP) Contribution Agreement Project 9 ACP RSA 19.

COMESA signed a Contribution Agreement amounting to EURO 30 million with the European Union Delegation to benefit both EAC and COMESA Secretariat's for the next five years effective July 2005. EAC Secretariat concluded a special Memorandum of Understanding with COMESA Secretariat in August 2005 for purposes of accessing these resources. EAC regional statistical activities over the same three years will utilise up to a tune of Euro 3 millions. Accessing and utilisation of these secured EDF 9 resources under the signed COMESA / EU Contribution Agreement EAC is required to strictly conform to the COMESA Rules and Financial regulations and Procurement procedures.

For purposes of disbursing the RISP funds, EAC Secretariat has opened two RISP Accounts one in Euros Currency and another in USD Currency. The Euro Account will be a receiving account for the EU / COMESA disbursements to EAC. The USD account will be the operation account.

The COMESA Secretary General by his fax ref COM/ ASG/ 10/34/257/acc of October 28<sup>th</sup>, 2005 and the implementation letter (II) No. 1 ref COM / RISP/ 05K01 of November 4<sup>th</sup>, 2005 transferred EURO 63, 310 to the above mentioned EAC RISP Account.

#### **2.4.2 RISP Work – Plan for January – December 2006**

Over the next two years effective September 3<sup>rd</sup>, 2006 , EAC will establish a web based Statistical database to be hosted at its EAC home page. The Partner States NSOs under the guidance of the EAC Secretariat will develop a common template to be used while forwarding the statistical indicators at regular periods to be agreed on. To achieve this, EAC Secretariat will engage Statistical Consultancy Services at an estimated cost not exceeding EURO 500,000 through a competitive tender process.



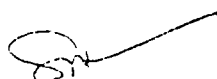
In strict accordance with the COMESA Procurement procedures, EAC Secretariat will have to advertise for the tender not only in the leading diaries of the EAC Partner States but over the ACP / EU. The advertisement period shall have to last 45 days. The opening session of the submitted tender bids shall have to follow no more than two hours after the submission deadline. EAC Secretariat will establish a Special Task Force to specifically handle the entire tendering process from the tender dossier preparation until the handing over of the Final Technical Evaluation Report to the Secretary General. It is hereby proposed that the special Task Force will comprise of 6 members two from each Partner State whose expertise shall be a principal statistical data producer and a procurement specialist preferably from the Central Government Services.

**The Co-ordination Committee recommends to the Council to take note of these developments.**

## **2.5. INTERSTATE CO-OPERATION IN DEFENCE**

The Sectoral Council on Co-operation in Defence met on March 17<sup>th</sup>, 2006 and considered:

- (a) A Report on the Status of Implementation of the Decisions of the Council;  
and
- (b) The Report of the Consultative Committee on Cooperation in Defence covering Operation and Training, Sports and Cultural exchange, and Cattle rustling in the region; draft Strategy on peace and security; Establishment of an EAC Peace and Security Directorate; Upgrading of the Memorandum of Understanding on Co-operation in Defence into a Protocol; and Technical Cooperation.



The Sectoral Council decided / directed as follows:-

## 2.5.1 Operations and Training

### 2.5.1.1 Sustenance of Directing Staff on Staff College Exchange Programme

- (a) Remuneration (pay and allowances) should be the responsibility of the sending Partner State;.
- (b) Host Partner States should provide reasonable accommodation;
- (c) Host Partner State should meet the cost of the utilities;
- (d) Host Partner States should provide suitable transport for official use or allowance as applicable;
- (e) Host Partner States provide free medical treatment/care to Directing Staff and family in Military/Government Hospitals and any other hospital for emergency cases. Referral cases to other hospitals should be on authorization by College Medical Officer. Chronic and overseas cases should be referred to Sending State;
- (f) Host Partner States should facilitate Directing Staff on all official tours/visits within and abroad, according to Host Nations classifications;
- (g) Directing Staff on the Exchange Programme should wear appropriate sending State military uniform;
- (h) While on field exercises, Host Partner States should cater for feeding of Directing Staff.
- (i) Directing Staff should be exempted from duty tax in accordance with Appendix 12 and 13 of the MOU on Co-operation in Defence; .

- (j) Host Partner States should accept as valid current driving licenses and international driving licenses issued by Sending States;
- (k) Service offences committed by the Directing Staff should be referred to the Sending State while Host Nation's domestic law should apply to civil/criminal offences;
- (l) Unless otherwise recalled, Directing Staff should normally serve for a term of 2 years;
- (m) The following additional standards for the exchange of Directing Staff, which should be adhered to by sending Nations.
- Directing Staff for the Exchange Programme should be of the rank of Lt Col;
  - Directing Staff should be graduates of Command and Staff College (Senior Division) with experience of not less than 12 x months as Directing Staff at Grade II Staff level.
  - Directing Staff from the Air force should be either Air-Crew or Air Defence officers.
  - Directing Staff from Land and Naval/Maritime Services could come from any arm of the services;

#### 2.5.1.2 Review of EX TREND Marker

##### (a) Professional

- (i) Harmonized Anti/Counter Terrorism training should be incorporated in Partner States military training doctrine;
- (ii) Multi-agencies should be a permanent feature in all future exercises and when necessary be represented at the various relevant levels of command;

- (iii) The planning processes should include multi agencies and all key players.

**(b) Policy**

- (i) A Regional Focal Point with members drawn from Partner States Armed Forces including Multi-agencies should be established for the purpose of anti/Counter terrorism operations;
- (i) The national organizational framework should facilitate inter agency co-ordination be harmonized;
- (iii) The draft Standard Operating Procedures for Anti/Counter terrorism should be refined by Defence Staff College, Karen in collaboration with National Counter Terrorism Centre (NCTC), Kenya.

**2.5.2.Sports and Cultural Exchange**

The approved five sporting events and cultural activity be retained in the current cycle. However, the events be increased to eight in future to be more gender inclusive and spectacular.

**2.5.3.Cattle Rustling in the Region**

A Defence Experts Working Group to visit the Karamoja - West Pokot - Turkana area to study the implementation of the co-ordinated operations between Kenya and Uganda to curb cattle rustling.

**2.5.4.Establishment of a Peace and Security Directorate**

The EAC Secretariat makes further study on this issue for submission at the next Sectoral Council Meeting.

### **2.5.5 Upgrading of the EAC MoU on Co-operation in Defence to a Protocol**

A Defence Expert Working Group made up of legal experts from the Partner States Armed Forces be formed to draw a draft Protocol for consideration by the Sectoral Committee on Defence and subsequent submission to the next Meeting of the Sectoral Council. The Defence Expert Working Group will also review the MoU.

### **2.5.6. Technical Co-operation**

A Team of Experts comprising Chief Executive Officers of the institutions should be constituted to actualize the shared utilization of the facilities and creation of centres of excellence in respective Partner States where technical capacity already exists in line with the following:

- (a) Upgrade of the facilities to enable full production, maintenance and repair of the whole range of equipment and material requirements for the Partner States;
- (b) Enhancement of professional capacities and experience of maintenance personnel through exchange programmes and adequately supported in-house R&D programme;
- (c) Establishment of new Technical Colleges offering training in military technologies while avoiding duplicity;
- (d) In view of the international trade limitations, a harmonised sustainability strategy for acquisition of raw materials and technology be instituted.



### **2.5.7 Defence-related Research and Development(R&D) in the EAC**

- (a) A Common EAC Defence R&D Policy be formulated to coordinate regional efforts taking into consideration the EAC principle of subsidiarity and focusing on mutually agreed in strategic areas of research;
- (b) Capacity in the established EAC Defence R&D institutions should be enhanced through local, joint and foreign assistance;
- (c) Defence R&D should be pursued with the vision that expanded utilization and adaptability of findings produces a multiplier effect to the entire economy of the region;
- (d) Civilian scientists, engineers and other relevant professionals be identified and attracted to engage in military research activities.
- (e) The achievements already made in the automotive R&D be supported and expanded to form the nucleus and springboard for EAC industrialization.

### **2.5.8 Draft Strategy for Regional Peace and Security**

A joint Defence Experts Working Group be constituted to draw up military inputs to be included in the draft document with regard to Early Warning Mechanism; Disaster Management; Anti/Counter Terrorism, and any other military related issues.

### **2.5.9 EX Natural Fire 06**

The EX Natural Fire 06 Exercise proceed as planned and urged Partner States to always adhere to the guidelines of the Council on foreign sponsored exercises whenever approached.

The full report of the Meeting of the Sectoral Council is contained in Report EAC/SR/01/2006.



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The Co-ordination Committee recommends to the Council to take note of the decisions of the Sectoral Council on Co-operation in Defence.

## 2.6. CONTACT AND OUTREACH ACTIVITIES

During the period August 2005 – March 2006, the Secretariat facilitated contact and outreach activities as shown in Annex X hereto.

The Co-ordination Committee recommends to the Council to:

- (a) take note of the contact and outreach activities undertaken to promote the Community;
- (b) direct the Secretariat to always handle these contact and outreach activities on the basis of projected targets;
- (c) direct the Secretariat to always highlight the outcome of these activities against the projected targets and to gauge their impact and report accordingly to the Council;
- (d) direct the Secretariat to indicate the achievements had through contact and outreach activities undertaken during the past two years.

## PART III

### REPORT ON THE SECTORAL PROJECTS AND PROGRAMMES FOR THE PERIOD JULY 2005 – MARCH 2006

This report highlights progress of implementation of sectoral projects and programmes and related activities for the period July 2005 to February 2006. The thrust over the period was the implementation of the previous decisions made by the Council at its 9<sup>th</sup> meeting and those that have been outstanding from the previous Meetings. The summarised reports on the referred sectoral, task force, consultant and expert activities are respectively presented herein.

The Co-ordination Committee recommends to the Council to:

- (a) take note, for implementation, all general and specific recommendations contained in the reports by the sectors; and
- (b) consider and approve the policy-related recommendations indicated at the end of the respective sections as Council decisions/directives.

#### 3.1 CAPITAL MARKETS DEVELOPMENT AND FISCAL AND MONETARY AFFAIRS

##### 3.1.1 Sectoral Council on Trade, Finance and Investment

A meeting of the Sectoral Council on Trade, Finance and Investment was held in Arusha on August 30<sup>th</sup>, 2005 (*Report ref: EAC/SR/27/2005*). Among others, the Sectoral Council considered the reports of the Capital Markets Development (*report ref: EAC/SR/11/2005*), Monetary Affairs (*Report ref: EAC/SR/13/2005*) and Fiscal Affairs Committee (*report ref: EAC/TF/PS/09/2005*) and decided as follows:



**(a) Policy on the Participation of East Africans in Capital Markets Investments**

- (i) Tanzania was urged to allow Tanzanian nationals, within the 2006/07 budget session, to invest in other Partner States capital markets pending full capital account liberalization.
- (ii) Tanzania and Kenya were urged to treat East Africans as domestic investors in the allocation of new issues within the 2006/07 budget session.

**(b) Measures to Support the Development of Debt Securities Markets**

Uganda and Kenya were urged to reduce withholding tax on interest income on listed long-term bonds (with a maturity of three years and above) from the current rate of 15% preferably to 0% as is the case in Tanzania within the 2006/07 budget session.

**(c) Corporation Tax**

- (iii) Took note that Kenya had reduced corporation tax for newly listed companies from 25% to 20% where at least 40% of the share capital is issued to the public;
- (iv) Urged Tanzania and Uganda to reduce corporation tax to 20%, for the first five years of listing for newly listed companies that offer at least 30% of their share capital to the public within the 2006/07 budget session.

**(d) Pension Reform**

Uganda and Tanzania were urged to expedite the process of pension sector reforms drawing from Kenya's experience and implement this Council decision within the 2006/07 budget session.



**(e) Collective Investment Schemes**

Took note that Uganda had granted tax exemption to income accruing to collective investment schemes, as is the case in Kenya and Tanzania, in line with the decision of the Council.

**(f) Investor Compensation Funds**

Uganda was urged to exempt from tax, income accruing to all Compensation Funds established for the purpose of protecting investors in the capital markets industry as is the case in Kenya and Tanzania, within the 2006/07 budget session.

**(g) Withholding Tax on Dividend Income from Listed Companies**

Uganda was urged to harmonize withholding tax on dividend income for listed companies at 5% in line with Kenya and Tanzania, within the 2006/07 budget session.

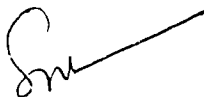
**(h) Proposal to Promote Asset-Backed Securities**

Uganda and Tanzania were urged to grant stamp duty exemption to the process of transferring assets to special purpose vehicles for purposes of issuing asset-backed securities, within the 2006/07 budget session, in the interest of market development in the region.

**(i) Attendance by Representatives from the Ministries of Finance and Central Banks**

(i) In view of the fact that some of the issues discussed involve fiscal and monetary matters, coordinating ministries should ensure that all stakeholders are invited to future meetings.

(ii) The Secretariat should copy all notices of meetings to all stakeholders.



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**(j) Policy Towards a Consolidated Financial Services Regulatory Framework**

- (i) Partner States were urged to share their findings on the reports on consolidated regulatory framework;
- (ii) Tanzania was urged to expedite the process of undertaking a study to determine the feasibility of having a consolidated financial services regulator;
- (iii) Kenya and Uganda were urged to put in place Memoranda of Understanding between domestic financial regulators.

**(l) Report on Fiscal and Monetary Policy Environment for East African Capital Markets**

Took note that the outcome from the regional consultations on the above indicated report will be submitted to the Pre-Budget Consultative meeting for adoption in FY 2006/7.

**(m) Reservation of Minimum Equity Percentage Ownership for East Africans**

The Sectoral Council took note that Kenya will present a paper on reserving a minimum percentage of new securities offered to the public during IPOs for East Africans, at the next meeting of CMDC.

**(n) Forum for Insurance and Pension Sectors**

The Capital Markets Development Committee (CMDC) was expanded to incorporate insurance and pension sectors.

**(o) Capital Account Convertibility**

- (i) Central Bank of Kenya was urged to finalize its study on full capital account liberalization;

- (ii) Bank of Tanzania was urged to learn from Uganda's experience on full capital account liberalisation.

**(p) Monetary Union**

Took note that the Governors had set up a committee of experts to take stock of the issues raised in the study report (entitled 'Monetary Union among members of the East African Community: Preconditions and Policy Directions') and advice on the way forward. The committee of experts will present their report at the next meeting of the Monetary Affairs Committee.

**(q) Formulation and Conduct of Monetary Policy by the Central Banks**

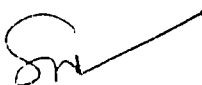
- (i) Took note that all the central banks have initiated work to improve liquidity forecasting frameworks in collaboration with their ministries of finance.
- (ii) Partner States to urge their national statistical offices to produce quarterly series of national accounts.

**(r) Improvement of National Statistics**

- (i) Took note that the EAC Statistics Database Phase II project is earmarked to receive 2.5 million Euros from EDF 9 resources;
- (ii) Directed the EAC Secretariat to seek for additional funding for the Partner States to carry out a joint ICBT survey as soon as possible.

**(s) Legislation on Anti-Money Laundering**

Urged Partner States to expedite the enactment of the Anti-Money Laundering legislation.



**(t) Policy Towards a Coordinated Financial Services Regulatory Framework**

Urged Partner States to put in place a mechanism to facilitate the sharing of information and experiences by domestic financial services regulators.

**(u) Licensing of Banks, Other Financial Institutions and Representative Offices**

(i) Took note that in Uganda, the Financial Institutions Act, 2004 is in place and the moratorium on licensing new banks was lifted effective July 2005.

(ii) Urged Kenya to expedite the enactment of the Banking (Amendment) Bill, 2004 that among others, vests the powers of licensing and revocation of licenses with the Central Bank of Kenya.

**(v) Commercial Courts**

Directed the Secretariat to follow up on the decision by Council of Ministers regarding the sharing of experiences by commercial court judges of the three Partner States, at regional meetings.

**(w) Information Technology**

Urged Partner States to develop appropriate laws to address ICT issues, and participate in the process so as to ensure that the concerns of the financial sector are adequately addressed.

**(x) Responsiveness to Changing Needs of Financial Markets**

(j) Urged Partner States to develop appropriate external aid policies to mitigate the effects of the "Dutch Disease" and report during the next meeting of the Monetary Affairs Committee.

- (ii) Kenya and Tanzania were urged to learn from Uganda's experience in minimizing the effects of the '*Dutch disease*'.

**(y) Measures to Support the Development of Debt Securities**

Took note that the Bank of Uganda had extended the yield curve by introducing a 10-year bond in line with the decision of the Council.

**(z) Progress Made in Implementation of Convertibility of East African Currencies**

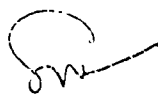
- (i) Took note that central banks, commercial banks and exchange bureaux in the Partner States post two-way rates, which has improved public awareness.
- (ii) Took note that the three central banks had agreed to closely monitor bilateral exchange rates obtaining in the bureaux market to minimise arbitrage.

**(aa) Measures to Increase Export Financing**

Urged the Partner States to expedite the process of relocating export credit guarantee schemes outside the central banks and report progress during the next meeting of the Monetary Affairs Committee.

**(bb) Recent Economic and Financial Developments**

- (i) Took note of macroeconomic developments and urged Partner States to enhance their efforts in achieving the convergence criteria;
- (ii) Urged Partner States to submit updated figures on their macroeconomic performance for the period up to June 2005.

  
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**(cc) Participation of Central Banks of Burundi and Rwanda in MAC Meetings**

The Sectoral Council recommended to the Council of Ministers to endorse the participation of the central banks of Burundi and Rwanda in MAC meetings as invitees.

**(dd) Road Toll Charged by Tanzania at Border Post Crossings**

Took note that the Parliament of Tanzania had already passed amendments to the Road Toll Act to remove the US\$ 5.0 charged on EAC Partner States registered vehicles entering Tanzania, as per the 2005/06 Finance Bill.

**(ee) Study on Taxation of Bottlers of Carbonated Waters**

- (i) Mandated the same team of experts that is handling the harmonization of the respective structures of excises on cigarettes to also harmonise the structure of excises on petroleum products, alcoholic beverages and soft drinks.
- (ii) Urged the team of experts to finalise their report for discussion at the next meeting of the Pre-budget Consultations of the Ministers of Finance.
- (iii) Requested the Secretariat to facilitate the meeting of experts referred to in (i) above.

**(ff) Excise Duty on Cigarettes**

The Sectoral Council took note that this work is being undertaken by the team of experts referred to above.

**(gg) Harmonisation of the Base for Calculating Preferential Tax Discount**

Took note that with the coming into force of the Protocol on the Establishment of the East African Community Customs Union this matter had been resolved by Articles 10, 11 and 37 of the Protocol.

**(hh) Harmonisation of the Base for Calculating Excise Duty on Locally Produced Goods**

The Sectoral Council took note that this work is being undertaken by the team of experts referred to above.

**(ii) Taxation of Foreign Consultants and Contractors**

Took note that Kenya and Tanzania had agreed to share their experiences with Uganda in terms of taxation of foreign consultants and contractors.

**(ii) Agreement between the Governments of Uganda, Kenya and Tanzania for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income**

- (i) Took note that a meeting that was convened at AICC, Arusha, Tanzania for August 24<sup>th</sup> - 25<sup>th</sup>, 2005 (to renegotiate the DTA and draw up an EAC model DTA) failed to conduct business because Uganda did not attend.
- (ii) Directed the Secretariat to reconvene the task force of experts meetings by end of October 2005 to renegotiate the Double Taxation Agreement amongst the Partner States and draw up a model DTA for the East African Community.
- (iii) Urged Partner States to ensure that they are adequately represented at the next meeting on the Double Taxation Agreement.

**(jj) Harmonisation of Policies in the Double Taxation Agreements of Partner States**

Took note of the developments on this matter as indicated in item (ii) above.



**(kk) Consideration of the Report of the Joint Meeting of Fiscal Affairs and Trade, Industry and Investment Committees**

**(a) Investment Incentives**

- (i) Tax incentives for investment be directly related to the amount of investment and not take the form of tax holidays;
- (ii) Tax incentives that are allowed be in the law and available to all enterprises, in the same sector, on the same terms with the exception of EPZs;
- (iii) Granting of tax incentives by administrative discretion be limited to emergency cases and should be institutionalized to minimize potential abuse;
- (iv) When tax incentives are repealed, investors eligible for the prior incentives be allowed to continue enjoying the incentives during the period the incentives were promised, assuming they continue to meet the conditions for them;
- (v) Urged the Partner States to submit their current policies on capital recovery rules, incentives offered under EPZs and any other incentives to the Secretariat;
- (vi) Directed the Secretariat to convene a task force meeting of experts before the next Sectoral Council meeting to harmonise the incentives referred to above.

**(b) Code of Conduct for Investment Incentives and Company Income Taxation**

- (i) A Code of Conduct for Investment Incentives and Company Income Taxation for the EAC be prepared to cover both tax and non-tax incentives to limit harmful tax competition for investments.

- (ii) Directed the Secretariat to source for external assistance to draw up an EAC Code of Conduct for Investment Incentives and Company Income Taxation.
- (iii) Directed the Secretariat to reconvene the task force meeting on the EAC Model Investment Code before the next meeting of the Sectoral Council to finalise this work.

**(c) Harmonization of Excise Duties**

Took note that the harmonization of excise duties is being undertaken by the team of experts referred to in (dd) above.

**(d) Tax Expenditure Budget**

Urged each Partner State to prepare an annual tax expenditure budget listing tax concessions and the estimated revenue loss from each concession with effect from 2005/06 fiscal year.

**(e) Administration of Tax Incentives**

- (i) The EAC Model Investment Code under preparation should separate fiscal policy formulation and investment promotion from the administration of incentives.
- (ii) With respect to customs administration, the Partner States should place less reliance on pre-approval controls and introduce a more comprehensive post-release audit program. They should implement profiling and risk management programs under their computerization programs.
- (iii) The revenue authorities should apply the necessary sanctions against delinquent taxpayers without making it difficult for taxpayers with reasonably good records to comply with their obligations.
- (iv) The revenue authorities should allocate more resources to the revenue departments for monitoring and auditing

the financial records of companies registered under the various tax incentive schemes.

**(II) World Bank Grant**

- (i) Urged Partner States to submit their simulations to the Secretariat before the next meeting of the Sectoral Council.
- (ii) Directed the Secretariat to convene a meeting of a task force of experts prior to the next meeting of the Sectoral Council to form an East African position as a basis for the Ministers of Finance to seek assistance from the World Bank and/or any other development partners.

**The Co-ordination Committee recommends to the Council to:**

- (a) take note and adopt the above decisions of the Sectoral Council on Trade, Finance and Investment; and**
- (b) endorse the participation of the Central Banks of Burundi and Rwanda in meetings of the Monetary Affairs Committee as invitees.**

## 3.2 PRODUCTIVE SECTORS

### 3.2.1 Agriculture and Food Security

The 6<sup>th</sup> Meeting of the Committee on Agriculture and Food Security was held on October 6<sup>th</sup> -7<sup>th</sup> 2005. It considered matters arising from the previous meeting and reviewed status of implementation of Council decisions. The meeting noted the need to develop plans for implementation of the Strategy and conclude some important pending instruments including the preparation of the Protocol on Sanitary and Phyto-sanitary measures.

**The Co-ordination Committee Recommends to Council to decide as follows:**

- (a) **Preparation of the Protocol on Sanitary and Phytosanitary measures**
  - (i) **The SPS Working Group incorporating one legal expert from each Partner State should develop a Protocol on Sanitary and Phytosanitary measures. The Secretariat to facilitate this task.**
  - (ii) **The Working group should meet in the next Calendar of Activities, July – December 2006.**
- (b) **Development of Maximum Residue Limits (MRLs) standards for**
  - (i) **Terms of Reference for a baseline study on the development of the MRLs be prepared by the respective Working Group.**
  - (ii) **The developed MRLs shall take into consideration market and human health implications within East Africa and possible external target markets.**
- (c) **Development of standards for Artificial Insemination (AI) centres and importation of semen of other species not covered in these standards should commence.**

- (d) A harmonized institutional and legal framework for implementation of standards, measures and procedures be established.
- (e) Partner States should ensure that institutions carrying out efficacy trials are accredited.
- (f) A meeting of the Working Group and the Registrars of medicines from the Partner States be convened to refine the draft documents and address pending issues for harmonisation of regulation of Veterinary Medicines and Vaccines.
- (g) Implementation of the Agriculture and Rural Development Policy and Strategy

The EAC Secretariat and Partner States should arrange the Agriculture and Rural Development Congress in the respective Partner States to capture the public and decision-makers ownership and hence promote Agriculture and Rural Development.

*(Report Ref. EAC/SCAGFS/6/2005)*

### 3.2.2 Tourism and Wildlife Management

The 1<sup>st</sup> meeting of the Permanent Secretaries responsible for Tourism and Wildlife Management was held on 20<sup>th</sup> October 2005.

The meeting considered the report of the Committee on Tourism and Wildlife Management focussing on the main developments in the sector including:

- (a) Establishment of Centres of Excellence;
- (b) Treatment of East Africans using Accommodation Facilities and Visiting Attractions in Partner States;
- (c) Arrival and Departure Cards;

- (d) Implementation of EAC Standards Criteria for the Classification of Hotels and Other Facilities;
- (e) Implementation of the East African Tourism and Wildlife Marketing Plan and Strategy;
- (f) Priority Areas for the 3<sup>rd</sup> EAC Development Strategy; and
- (g) Joint approach to address Negative Travel Advisories.

The Permanent Secretaries exchanged views on the status of implementation, constraints being encountered:

**The Coordination Committee Recommends to Council to decide as follows:**

- (a) **Establishment of Centres of Excellence: Cost of Training**

The Secretariat should convene a meeting of Heads of the three Centres of Excellence, to jointly address the cost of training and explore ways of making the fees affordable, based on unified structure for East Africans and make appropriate recommendations to the Council.

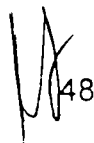
- (b) **Treatment of East Africans using Accommodation Facilities and Visiting Attractions in Partner States**

Governments of the Partner States engage in dialogue with the private sector on the implementation of the East African citizen rates so as to promote intra-regional tourism.

- (c) **Arrival and Departure Cards**

The Chiefs of Immigration departments to review arrival and departure cards since they still contain inconsistent information, sizes and color.

- (d) **Implementation of the EAC Standards Criteria for the Classification of Hotels and Other Facilities**


- (i) The proposed activities of the Standing Committee on Quality Assurance be incorporated into the East African Tourism Co-ordination Agency.
  - (ii) The Panel of Experts on Standardisation and Classification of Hotels, Restaurant and Other Tourist Facilities completes its outstanding assignment according to the Implementation Plan and Budget.
  - (iii) The scoring sheet to the criteria should be urgently finalized in order to operationalise and pre-test the classification system.
- (e) **Implementation of East African Tourism and Wildlife Marketing Plan and Strategy**
- (i) The name of the Agency be changed to The East African Tourism and Wildlife Co-ordination Agency.
  - (ii) As regards joint marketing and promotion of tourism and wildlife development, the Directors of Tourism, Heads of Tourist Boards and the Secretariat attend annual promotional events at major international sites including the World Travel Market (WTM) in London in November and Internationale Tourismus Bourse (ITB) in Berlin in March. The objective is to launch a joint promotion campaign through workshops, press conferences and marketing consultations.
  - (iii) The Directors of Tourism and Wildlife and Heads of Tourist Boards should meet regularly to spearhead the process of marketing and promotion of East Africa as a single tourist destination.




**(f) Joint Approach to Address Negative Travel Advisories**

- i) Whenever there is a negative travel advisory, the Secretary General to issue a consulted statement to the following:**
- (a) Whoever has issued the negative advisories;**
  - (b) Embassies and High Commissions of Partner States abroad;**
  - (c) UNWTO Secretariat; and**
  - (d) Concerned Stakeholders.**
- ii) There should be continuous dialogue with all Commonwealth member countries especially the United Kingdom to address the negative image created against the Partner States.**
- iii) EAC tourism trade associations in the Partner States to always seek positive intervention from their counterparts in the tourist generating countries whenever negative travel advisories are issued on any of the three Partner States.**
- iv) Partner States to adopt a proactive approach to pre-empt the issuing of such negative travel advisories.**

**(g) EAC Website**

The information on the Website should continue to be expanded and improved. Therefore, Partner States alongside the Tourist Boards, Wildlife Bodies and other relevant institutions should work with the Secretariat to hyperlink to the EAC Website.

*(Report Reference No: EAC/SR/ 45/2005)*



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### 3.2.3 Energy

#### 3.2.3.1 9<sup>th</sup> Meeting of the Energy Committee

The 9<sup>th</sup> meeting of the Committee on Energy was held on 5<sup>th</sup> -8<sup>th</sup> December 2005. It considered the reports of the working groups on Renewable Energy, Fossil Fuels and Power.

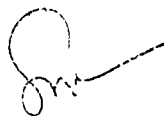
The meeting adopted the reports with improvements and made comments on the progress of implementation. In particular, the Committee reviewed the regional issues in the New and Renewable Sources of energy and agreed on the actions to be taken to develop and promote Renewable Energy Technologies and their application especially in the rural areas.

The meeting further reviewed progress made in the preparation of the 3<sup>rd</sup> Petroleum Conference planned for 2007 in Tanzania. It further discussed the implementation mechanism of the East African Power Master Plan.

**The Coordination Committee Recommends to Council to decide as follows:**

#### **A. Renewable Energy**

- (i) The EAC Secretariat should facilitate creation of a hyperlink on their website connecting to the Partner States websites for easy of access of information.**
- (ii) Partner States should avail data and information to the Secretariat on New and Renewable Sources of Energy (NRSE) and Energy Efficiency for creation of a regional data bank.**
- (iii) Partner States should speed up development of Codes of Practice and Standards for the other Renewable Energy Technologies (RETs) especially wind, micro-hydro and improved cook stoves for eventual harmonization by 2007.**



- (iv) The EAC Secretariat and Partner States should take account of the UN Commission for Sustainable Development (CSD) Agenda, engage in preparations and participate in CSD 14 meeting.
- (v) The EAC Secretariat should facilitate:
- Drawing up the ToR and budget for the comprehensive NRSE and energy conservation assessment study; and
  - Reviewing the ToR for NRSE and Energy Conservation and Efficiency (ECE) Master Plan 1998.
- (vi) The EAC Secretariat should solicit funds to undertake a comprehensive RE resources and ECE assessment study in the region, including the review of the overall institutional framework in support of scaling up of modern energy services in East Africa to alleviate poverty and meet the MDGs.

## B. Fossil Fuels

- i. EAPC'07 be held from 7<sup>th</sup>- 9<sup>th</sup> March, 2007 at the Ngurdoto Mountain Lodge in Arusha, Tanzania.
- ii. Consider and approve the proposed budget of US\$ 463,149.50 for the organization and holding of the conference. Sources for the budget will include contributions from Partner States, registration fees, contributions from oil and gas companies and development partners.
- iii. An independent evaluation of the organization, cost and impact of the East African Petroleum Conferences be undertaken six months after the holding of EAPC'07.
- iv. Note the significant petroleum exploration activity in all the Partner States and Tanzania's continued expansion of the development and production of natural gas.

- v. Note the achievements made in the phasing out of leaded gasoline in the Partner States.

### C. Power

- i. In order to efficiently manage the process of implementation of East African Power Master Plan (EAPMP), a Standing Committee on Power be established to take over the work of the Project Implementation Team (PIT) and Project Steering Committee (PSC) and its membership and mandate to include those of the PIT and PSC.
- ii. The Standing Committee to comprise of six (6) members from each Partner State.
- iii. The ToRs for the Standing Committee on Power as contained in Annex I of the report of the Working Group on Power be adopted.
- iv. The Plan of Action for the implementation of the EAPMP covering the period 2006 – 2010 as contained in Annex II of the Report of the Working Group on Power be adopted.
- v. Following the establishment of the Sectoral Council on Energy, the Committee recommended that the 1<sup>st</sup> Meeting of the Sectoral Council on Energy be convened during the next EAC Calendar of Activities for January – June 2006.

*(Report Reference: EAC/SR/01/2005)*

#### 3.2.3.2 10<sup>th</sup> Meeting of the Energy Committee

The 10<sup>th</sup> meeting of the Committee on Energy was held on 16<sup>th</sup> -17<sup>th</sup> March 2006. It considered the report from the consultative workshop on energy access which was held on 13<sup>th</sup> -15<sup>th</sup> March 2006, status of the preparation of the Petroleum Conference and implementation of the Power Master Plan.

The meeting recalled that in August 2005 the Ministers of Energy of Kenya, Uganda and Rwanda and the Secretary General of the East Africa Community (EAC) endorsed a draft regional strategy for scaling up access to modern energy services with the support of UNDP. The strategy proposes a significant increase in access to modern energy services within a framework of High Impact, Low Cost, Scaleable (HILCS) options for the purposes of meeting the Millennium Development Goals. Initial analysis indicates that some 48 million people within the East Africa sub-region could benefit by access to energy services at a cost of \$1.4 billion. In endorsing a regional approach, the East African Energy Ministers recognized the added-value brought by the East African Community.

The Ministers further requested that the EAC develop a full regional strategy, -based investment programmes and implementation framework.

This regional initiative was launched in August 2005 in the broader context of the Forum for Energy Ministers of Africa, and with clear recognition of the international energy agenda. It is important that the EAC engages itself fully in key global processes in order to access the necessary resources to finance energy access investments.

One such process is the forthcoming meeting of the UN Commission for Sustainable Development. The fourteenth session of the Commission (CSD-14) will meet at UN Headquarters in New York from 1-12 May 2006. CSD-14 will be instrumental in setting the international energy agenda and will review progress in the following areas: Energy for Sustainable Development; Industrial Development; Air pollution/ Atmosphere; and Climate Change.

#### **A. The Consultative Workshop on Energy Access**

The Committee considered and adopted the report of the consultative workshop on energy access held from 13<sup>th</sup> to 15<sup>th</sup> March 2006.

**The Coordination Committee Recommends to Council to decide as follows:**

- (i) **Partner States be committed to developing a strategy for accelerated provision of sustainable modern energy services to the rural, urban and peri-urban poor, to meet the Millennium Development Goals**



(MDGs), within the framework of High Impact Low Cost Scalable (HILCS).

- (ii) EAC to set regional targets, strategies and investment programmes for energy access to meet the MDGs.
- (iii) EAC should harmonize energy policies, legal frameworks and regulations including technical standards and fiscal incentives.
- (iv) Partner States should ensure that gender is mainstreamed in energy access activities and undertake appropriate strategic environmental assessments of energy access options.
- (v) Partner States should mainstream energy access issues into national policy, planning and budget frameworks.
- (vi) EAC to mobilize and allocate resources for accelerated access to modern energy services from Partner States, regional and international financial institutions, development partners and financing facilities e.g. Carbon Funds.
- (vii) EAC to adopt knowledge management as a core service including the establishment of regional centres of excellence on modern energy service delivery.
- (viii) EAC should identify and invest jointly in HILCS programmes.
- (ix) EAC to strengthen the capacity to design, plan, implement and monitor the energy access activities in the region.
- (x) EAC should undertake massive regional awareness efforts to encourage progressive shift from traditional fuels and energy technologies to access modern energy services.
- (xi) EAC to monitor, evaluate and report on progress of energy access activities to meet MDGs.

- (xii) EAC should facilitate adoption of best practices in modern energy technologies and services.
- (xiii) The EAC Secretariat should facilitate the development of time frames and resource requirements for each intervention under HILCS.
- (xiv) The EAC should prepare proposals to secure funding from already identified facilities and other Development Partners.
- (xv) EAC's participation at the fourteenth session of the UN Commission for Sustainable Development (CSD-14) at UN Headquarters in New York, from 1-12 May 2006 comprises the Ministers responsible for Energy and the Secretariat.

#### **B. Review Status of the preparation of the third Petroleum Conference**

The meeting considered and adopted the report on the preparation of the third Petroleum Conference.

The Coordination Committee Recommends to Council to decide as follows:

- i. Offer of Mr. Duncan Clarke of Global Pacific and Partners to publicize the conference in his publication be accepted;
- ii. The supplementary budget as contained in Annex XI is approved; and
- iii. Partner States expedite the contribution of US\$ 40,000 each for the Conference before 15<sup>th</sup> October, 2006.

#### **C. Review of the Implementation of the East African Power Master Plan**

The meeting considered and adopted the report on the implementation of the East African Power Master Plan by the Power Working Group.

The Coordination Committee Recommends to Council to decide as follows:

- i. The implementation of the workplan for the East African Power Master Plan as contained in Annex XII commence immediately.
- ii. Efforts should be made by respective Governments to ensure that all the earmarked projects are implemented on time.
- iii. The proposed budget for implementation of the Plan of Action by the Standing Committee on East African Power Master Plan amounting to US\$1.60 million as contained in the workplan is approved and funds be mobilized.
- iv. Funds for the plan of action be mobilized through the following ways:-
  - a. Partner States contributions;
  - b. Grants from the development partners.
- v. The meeting of the Standing Committee on East African Power Master Plan be convened immediately after the meeting of the 11<sup>th</sup> Council of Ministers to update the implementation matrix among other issues.
- vi. The national utilities to prepare the draft TORs for the projects in the programme and circulate to the members of the Standing Committee on East African Power Master Plan at least one week before the scheduled dates of the meeting of the Standing Committee.
- vii. The EAC to establish the organizational structures for the East African Power Pool as identified in Annex XIII.
- viii. The preparation of rules and regulations to govern the operations of the Power Pool be carried out by the technical committees and the Coordination Centre Manager through the facilitation of the Secretariat and the Judicial and Legal Committee.

ix. The EAC Secretariat looks into the issue of the acronym EAPP, which is also used by Eastern Africa Power Pool.

*(Report Reference No: EAC/SR/06/2006)*





### 3.3. INFRASTRUCTURE (TRANSPORT, COMMUNICATIONS AND METEOROLOGY)

The Sectoral Council on Transport, Communications and Meteorology met on September 8<sup>th</sup> - 9<sup>th</sup>, 2005 at Permanent Secretaries level. Due to unavoidable circumstances, it was not possible to convene the Sectoral Council on Transport, Communications and Meteorology at Ministers level. The following policy recommendations arising from the Permanent Secretaries meeting (*Report Ref:EAC/SCM/36/2005*) are, therefore, being brought to the attention of the full Council for consideration and approval.

#### 3.3.1. Roads

In this sub sector the Permanent Secretaries considered the implementation of the Framework actions - these were the operationalisation of the roads boards and funds; enhancement of maintenance capacity/capability; implementation of the El-Nino Emergency Projects; enhancement of the private sector participation in the investment and management of the roads sub-sector; and implementation of the axle load control; and the preparations of the hosting of the Mid Term Review of the Road Network Project. In addition to the operational recommendations in the report of the Permanent Secretaries for implementation:

The Co-ordination Committee recommends to the Council to:

- (a) direct the Secretariat in collaboration with Partner States experts to compile a detailed report of implementation of the EAC Road Network Project and the Framework Actions for consideration at the next meeting of the Sectoral Council; and
- (b) decide that in view of the electoral process in Tanzania and the process that will be taking place in Uganda in the first quarter of next year, and in order to give Partner States sufficient time to document the progress in the implementation of the agreed road projects, the inter ministerial workshop and the mid term review of the EAC Road Network Project be planned for the second half of 2006.

### 3.3.2. Railways

In this sub sector the Permanent Secretaries meeting considered matters relating to the holding of the Railways Investors Consultative Meeting; the Study on the Railways Master Plan and the ongoing concessioning process.

The Meeting was informed that the execution of the Railways Master Plan Study had not progressed due to lack of adequate funding. The initial Terms of Reference for the Master Plan were approved by the Council on November 24<sup>th</sup>, 2004. In view of the delayed implementation, the TCM Permanent Secretaries meeting of September 2005 noted that the approved ToRs be updated were necessary and that Partner States equally shared the cost of the Study. The ToRs have since been updated.

The Co-ordination Committee recommends to the Council to:

- (a) approve the redeveloped comprehensive Terms of Reference for the Railways Master Plan Study attached hereto as Annex XIV;
- (b) direct the Secretariat to continue sourcing for funds for the study in view of the budgetary constraints facing the Partner States; and
- (c) urge Partner States to avail their long term policies and proposed business plans cases in railways development as important inputs for consideration in the Study; and

### 3.3.3. Civil Aviation

In this sub sector the Permanent Secretaries meeting considered matters relating to the implementation of the revised Civil Aviation Safety Project, in particular, focusing on the revision of the civil aviation regulations, the signing of the MOU on cooperation in civil aviation and airport activities, the establishment of the EAC Civil Aviation Safety and Security Oversight Organization and the continuing training of airworthiness inspection and the liberalization of the air transport in the region. The meeting also noted the urgent need to expand and

rehabilitate critical airports in the region to cater for the expanding civil aviation activities, growing tourism and disaster management and alleviation among others. In addition to the operational recommendations in the report of the Permanent Secretaries for implementation:

The Co-ordination Committee recommends to the Council to:

- (a) approve the amendments to the Bilateral Air Services Agreements (BASAs) between States towards full implementation of the Yamoussoukro Decision on air transport liberalisation as recommended by the Heads of Civil Aviation and Airport Authorities and decide that the amendments be incorporated into respective BASAs for implementation;
- (b) direct the Secretariat to write to the Economic Commission for Africa, with a copy to COMESA and SADC informing them that EAC is now fully compliant with Yamoussoukro Decision provisions regionally and urging the latter two organizations to expedite the move towards continental implementation of Yamoussoukro Decision;
- (c) decide that the EAC Air Transport Sub Committee for the implementation of the Yamoussoukro Decision <sup>be</sup> ~~comprise~~ of one official responsible for BASA administration, one official from the civil aviation authority, one official from the airport authority and one from the Attorneys General Chambers for each of the Partner States with a possibility of co-opting any other experts as necessary. The terms of reference for the Sub Committee be as provided for in the Yamoussoukro Decision Competition Rules;
- (d) authorize the Heads of Civil Aviation and Airport Authorities in collaboration with the Ministries of Finance to renegotiate the utilization of the risk capital resources (meant for the implementation of the civil aviation safety project which is currently supported by the Department of Transportation of the United States of America) from the European Investment Bank (EIB) held by the International Civil Aviation Organisation (ICAO) and also seek for new resources for regional airport projects;

- (e) decide that the revised civil aviation regulations for the region are promulgated by December 2006 in order to facilitate the operationalisation of the East African Civil Aviation Safety and Security Oversight Organisation; and
- (f) approve the implementation of the priority airport projects attached as Annex XV ; and
- (g) direct the Secretariat in collaboration with the Heads of Civil Aviation and Airport Authorities and Ministries of Finance to develop a comprehensive funding arrangements for the priority airport projects for consideration by the Sectoral Council on Transport, Communications and Meteorology at its next meeting.

#### 3.3.4. Maritime

The Permanent Secretaries meeting had noted that the Draft Lake Victoria Bill Transport Bill required further consideration by the experts and had therefore directed that it be re-tabled during the next Sectoral Council after the outstanding issues were addressed by the experts. The meeting directed the Secretariat to convene a meeting of experts before the Sectoral Council Meeting to address the issues. This meeting was held and the Draft Bill updated as necessary and Partner States have approved it for further processing through the Council.

The Co-ordination Committee recommends to the Council to approve the revised Lake Victoria Transport Bill for consideration by the Sectoral Council on Transport, Communications and Meteorology and thereafter refer the same to the Sectoral Council on Legal and Judicial Affairs for legal input.

#### 3.3.5. Communications

In this sub sector the Permanent Secretaries meeting considered matters relating to the implementation of the EAC Postal Automation Project; the harmonisation of the EAC Communications Regulatory Strategy; harmonisation of ICT and

broadcasting spectrum management in East Africa; the East African Carrier project; the Sub Marine Cable System; regional e-government programme; and Eng. Masabu's candidature for the post of director of Telecommunications Bureau at the International Telecommunications Union (ITU).

In addition, the Meeting was informed that the NEPAD Heads of State and Government Implementation Committee (HSGIC) has adopted the Eastern Africa Submarine Cable System (EASSy) as a NEPAD flagship infrastructure project that must be implemented as quickly as possible.

There has been a growing concern among various communications stakeholders that the proposed EASSy project may end up having high tariffs like its sister system SAT3 serving the West African countries and may consequently not benefit end users. As a follow up to this concern, the NEPAD e-Commission has so far convened three meetings of ICT policy makers, regulators and telecommunications operators including EASSy members. The main purpose of these meetings is to agree on a policy framework for the development of ICT Broadband Infrastructure networks in the Eastern and Southern Africa region that would ensure application of open, non-discriminatory and affordable access of end users to these networks.

NEPAD has also commissioned a detailed Study on Open Access financing options that would be completed by end of March 2006. The Report of this Study would be considered by another meeting of ICT policy makers, regulators and telecommunications operators before its recommendations are tabled at a NEPAD Ministerial meeting to be convened before end of May 2006.

In addition to the operational recommendations in the report of the Permanent Secretaries for implementation:

**The Co-ordination Committee recommends to the Council to:**

- (a) **direct the Secretariat to co-ordinate with the NEPAD e-Commission on the development of a policy framework for the implementation of ICT broadband infrastructure networks including EASSY and other ICT interventions through Public Private Partnerships.**

- (b) direct the Secretariat to convene a meeting of ICT policy makers, regulators and telecom operators to consider options for the implementation of ICT Broadband infrastructure network in the region.
- (c) urge Partner States to designate Lake Victoria and other underserved lakes as rural/unserved areas eligible to benefit from National Rural/Universal Telecom/Communications Service Fund;
- (d) direct the Secretariat and the Regulators to further study the issues of direct interconnection and Regional Communications Carrier Company license and develop and establish appropriate modalities and guidelines on direct interconnections arrangements and Regional Carrier License;
- (e) direct the Secretariat and Regulators to start the process of harmonization of the regulatory regime including establishing a mechanism for consideration and processing of regional licenses by end of December 2006; and
- (f) take note of Eng. Patrick Masambu's candidature for the post of the Director of ITU-D and urge Tanzania and Kenya to support his candidature and solicit for his nomination and the Partner States' Ministries for Foreign Affairs be informed accordingly.

*Urge partner states*

### 3.3.6 Meteorology

In this sub sector the Permanent Secretaries meeting considered matters arising from Data Monitoring and Operations meetings of the Meteorological Services; the implementation of the Five Year Meteorological Development Plan and Investment Strategy; the priority support projects under the MOU with the World Meteorological Organisation; and the utilisation of the MV Usipa Vessel donated by the DfID to East Africa. In addition to the operational recommendations in the report of the Permanent Secretaries for implementation:

The Co-ordination Committee recommends to the Council to:

- (a) urge Kenya and Uganda to expedite the process of transforming their Meteorological Services into autonomous institutions as recommended in the Five Year Meteorological Development Plan and Investment Strategy;
- (b) decide that an investors/stakeholders/development partners' Consultative Meeting be held by March 2007 to drum up support for investments in Meteorology in the region and involvement of WMO and ICAO be sought to generate the necessary support for the regional projects in the Meteorological Development Plan and Investment Strategy;
- (c) direct the Secretariat, in collaboration with Partner States' Meteorological Services and Civil Aviation and Airport Authorities, to develop an institutional framework for cost recovery of aeronautical meteorological services in compliance with WMO and ICAO guidelines; and
- (d) decide that an investors stakeholders development partners' Consultative Meeting be held mid 2007 to drum up support for investments in Meteorology in the region and involvement of WMO and ICAO be sought to generate the necessary support for the regional projects in the Meteorological Development Plan and Investment Strategy;
- (e) direct the Secretariat, in consultation with the Meteorological Services, to develop an MOU on cooperation between the Services to enable the harmonization of meteorological policies in the region, facilitate pooling and mobilization of resources and development of regional meteorological institutions.

### 3.4 LAKE VICTORIA DEVELOPMENT PROGRAMME

The activities of the Lake Victoria Basin Commission (LVBC) between July 2005 and February 2006 have been implemented under the auspices of the Lake Victoria Development Programme of the Secretariat since the Commission was not yet fully operational. The formal Meetings of the Sectoral Council were not held over this period mainly due to the protracted negotiations by Partner States in respect to the Seat of the Lake Victoria Commission and subsequently the delays in the recruitment process of the staff of the Commission. However, in the intervening period, the Lake Victoria Environment Management Project Regional Policy Steering Committee (LVEMP-RPSC) met under the LVEMP Regional Secretariat auspices and provided the necessary policy guidance. The last Meeting of the RPSC was held on December 15<sup>th</sup> 2005

A number of planned activities over the reporting period were implemented satisfactorily; some of the outstanding tasks undertaken include: An Assessment of the causes and impacts of the declining water levels of Lake Victoria; the final evaluation of the first phase of the Lake Victoria Environment Management Programme (LVEMP 1) that closed on December 31<sup>st</sup> 2005; preparations of the 2<sup>nd</sup> phase of LVEMP 2; implementation of the Lake Victoria Safety of Navigation Project; the implementation of programmes under the auspices of the Partnership Agreement on Sustainable Development of Lake Victoria and its Basin; facilitation and support in the negotiations and development of the Protocol on Environment and Natural Resources as well as with the Mt Elgon Regional Ecosystem Conservation Project.

In addition, to the above activities, a number of major stakeholder partners in liaison with Partner States Ministries responsible for Water, are implementing projects in the Lake Basin which are of strategic significance to the development of the region. Key among these is the Lake Victoria Region Water and Sanitation Initiative under the UNHABITAT and three River Basin Integrated Water Resources Management projects under the Nile Equatorial Subsidiary Action Plan (NELSAP) of the Nile Basin Initiative.





### 3.4.1. Report of the Extra-Ordinary Meeting of Co-ordination Committee of Lake Victoria Basin

#### 3.4.1.1. Declining Water Levels

An Extra-Ordinary Meeting of the Co-ordination Committee for Lake Victoria Basin (LVB) was held at the EAC Secretariat Headquarters in Arusha on March 10<sup>th</sup> -11<sup>th</sup>, 2006 to consider: a Special Task Force Report on the Declining Water Levels of Lake Victoria; the Status of Preparation of LVEMP II; the Lake Victoria Transport Bill and Safety of Navigation issues and; the progress in the Operationalisation of the Lake Victoria Basin Commission. The Meeting was attended by the relevant Permanent Secretaries /representatives and the East African Community Secretariat.

The Meeting considered and discussed in detail the Report of the Senior Officials on the various themes; it thereafter made specific recommendations for Council to Note and Decide on. These are as outlined below:

The Meeting noted:

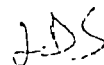
- (a) the Report of the Special Task Force on Declining Levels of Lake Victoria (Annex 5.1) attached hereto as **Annex XVI**;
- (b) and appreciated the steps so far undertaken by the Republic of Uganda in relation to the water release from Kiira and Nalubale Dams and specifically:
  - (i) The Republic of Uganda has reduced releases from the Dam by 30%, from February 6<sup>th</sup>, 2006 to be reviewed within 90 days after which an indicative timeframe for moving towards the Agreed Curve will be determined;
  - (ii) The Republic of Uganda has identified an investor for the Bujagali Power project;
- (c) that the EAC Secretariat and Partner States had undertaken a rapid assessment of the impact of changes in the water levels on different water uses including fisheries, water extraction, water transport, hydropower production, agriculture and tourism.

- (d) that with regard to water supplies in the urban centres in the Basin, the water intakes were well designed, based on the water levels at that time but because of the current situation, water authorities in the cities/towns around the lake have started to redesign the water supply intake systems.
- (e) that planting of exotic trees and in particular on riverbanks and catchment areas has adversely affected water inflows. A review should be undertaken to ascertain this and make recommendation on the appropriate type of tree species for various sites. It was also noted that tea factories in Kenya are shifting away from use of diesel for drying tea to use of firewood and hydropower.

The Meeting further categorised and prioritised actions to be undertaken to mitigate the problems as identified in the Task Force's report for Council to decide on as outlined below:

The Co-ordination Committee recommends to the Council as follows:

- (a) On measures to directly address declining Water Levels of Lake Victoria;
  - (i) Direct EAC Secretariat and urge Partner States to develop investment and action programs to reverse the decline of Lake Victoria water levels and mitigate its impacts under the LVEMP II, which is under Preparation.
  - (ii) Urge the Republic of Uganda to continue the efforts being implemented to reduce water releases at Jinja and move towards the Agreed Curve release policy;
  - (iii) Direct the EAC Secretariat in liaison with Partner States to initiate a process to formulate and implement a new policy to regulate water release from the Lake, based on a modification of the Agreed Curve within one year.



(b) On Energy-Related Issues

- (i) Urge Partner States to make deliberate efforts to reduce dependency on hydropower by developing alternative sources of energy like geothermal, wind, solar, coal, thermal and natural gas. In addition diversification of energy sources for domestic use such as Liquid Petroleum Gas, kerosene, within 5 years;
- (ii) Urge the Republic of Uganda to continue with the efforts to construct hydropower stations downstream of Nalubaale/Kiira power facilities and to urge Tanzania and Kenya to jointly support these particular investments;
- (iii) Direct the EAC Secretariat and urge Partner States to expedite the implementation of the East African Power Master Plan;
- (iv) Urge Partner States to enact legislations to control charcoal production and marketing and promote energy efficient stoves.

(c) On Catchment Management and Informatics Centres

- (i) Urge Partner States to enhance watershed management programs in order to reverse the decline in lake water levels restore the lake's ecological integrity and enhance sustainability of associated ecosystems and landscapes within 5 years;
- (ii) Urge Partner States to Establish/strengthen hydro-informatics centres to monitor and provide information and data on various parameters including meteorology, hydrology, hydraulic channels, land use/cover, water quality, ecosystem and socio-economic factors;
- (iii) Urge Partner States to encourage the use of cotton seed cake (*mashudu*) and mollasses by rural subsistence farmers for animal feed production to prevent environmental degradation.

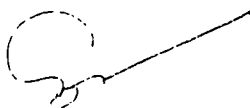
- (iv) Direct the EAC Secretariat to develop efficient and effective methods for sharing information and data on environment and natural resources management and early warning systems on a continuous basis.

(d) On Other Related Issues

d1. Urge Partner States to:

- (i) Assess trends of water levels in other lakes in the East African region to understand the extent of the problem and their potential causes including possible impacts of climate variability and change within a short time possible;
- (ii) Enhance the implementation of the Fisheries Management Plan, in order to achieve sustainable management of the Lake Victoria fisheries;
- (iii) Make deliberate efforts to build capacity on integrated energy and water resources planning and management;
- (iv) Procure landing pontoons to ease landing of vessels and dredgers to dredge silted ports;
- (v) Use of information from the drought early warning system facility in Nairobi and Harare;
- (vi) Intensively undertake reforestation and Afforestation activities through government departments, private sector, local communities, non-governmental organizations and community based organisations;
- (vii) Strictly enforce the legislation that regulates cultivation on riverbanks and Catchment areas;

d2. Direct the EAC Secretariat to conduct a follow-up study to extend the Lake Victoria Decision Support System (LVDSS) to Kenya and Tanzania within 5 years.



### 3.4.1.2. Lake Victoria Environmental Management Project Phase II Preparation

The Meeting commended the EAC Secretariat for securing funds and commitments from Sida Sweden (US \$1.29 million) and European Union (Euro 2.5 million). The funds are to cater for the activities in the Partner States for the Bridging Phase, from LVEMP I that closed in December 2005, to LVEMP II scheduled to start in September 2007. The funds will specifically cover activities under the following sub-components: Catchment Afforestation; Industrial and Municipal Waste; Wetlands Management; Land Use Management; Water Quality and Quantity Monitoring; Water Hyacinth Control; Capacity Building; and Co-ordination.

The Meeting took note of the delays in the procurement process in Partner States and which had tremendously affected the agreed preparation schedule. These delays have necessitated revising the timeframe for preparing LVEMP II as outlined in the table below. As result of these delays, the contract of the Operations Officer expired before the completion of the Task defined and consequently it necessitates an extension. The Secretariat informed the Meeting that it had secured necessary funding from the government of Sweden through Sida.

Table I  
Revised Schedule for LVEMP II Preparation process

Revised Schedule for LVEMP II Preparation process				
No.	Consultancy Phase	Activity	Time	Responsibility
A	Procurement phase	Selection of consultants	February 2006	All institutions
		Selection for New/Triggered activities	May 2006	Countries/EAC
B	Project Preparation Funds (PPF)	Preparation of Work and Procurement Plans	March 2006	Partner states & EAC
		Requisition of PPF	April 2006	Partner states & EAC
C	Implementation of consultancies:	Implementation	October 2006	All institutions
	National TDA	Implementation	April 2006	Countries
	Regional TDA	Implementation	June 2006	EAC
	Regional SAP	Implementation	Sept 2006	EAC
	Other Consultancies	Conclusion	October 2006	Countries & EAC
	Country Project Documents	Conclusion	Dec 2006	Partner States
	Regional Project Documents	Conclusion	Feb 2007	EAC
	Regional Strategic Environmental Study	Implementation and conclusion	March 2007	EAC
	PIP and PIM	Approval	March 2007	RPSC
D	Pre-appraisal	Pre-appraisal	March	World Bank

			2007	
	Appraisal	Appraisal	April 2007.	World Bank
	Negotiations	Negotiations	Apr/May 2007	EAC/World Bank
	Bank Board Processes	Meeting	June 2007	World Bank
	Signing	Signing	Jun/July 2007	EAC/World Bank
	Effectiveness	Effectiveness	Sept 07	World Bank

The Co-ordination Committee recommends to the Council to:

- (a) adopt the revised schedule for LVEMP II preparation process;
- (b) urge Partner States to fast track and implement LVEMP II activities as indicated in the revised preparation schedule;
- (c) direct EAC Secretariat to follow up on funding from Sida and EU for the Bridging Phase.

### 3.4.2. Lake Victoria Transport Bill, 2005

The Meeting noted that a large cross section of stakeholders in the region had reviewed the draft Bill since 2003 when it was first prepared. It was satisfied that this process had been adequate.

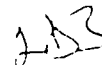

The Co-ordination Committee recommends to the Council to urge the Secretariat to have the Lake Victoria Transport Bill forwarded to the Sectoral Council on Transport, Communication and Meteorology during the next meeting for consideration.

### 3.4.3. Safety of Navigation Project

The Meeting noted the progress in acquiring the MV JUMUIYA and a summary outline of the recommendation of the High Level Stakeholders Workshop on Lake Victoria Safety of Navigation Project held on 3<sup>rd</sup> to 4<sup>th</sup> October 3<sup>rd</sup> - 4<sup>th</sup>, 2005. It also received an update by the Government of Tanzania on issuance of the a Wide Load Permit and assurance that the permit will be issued as soon as possible upon receipt of the detailed trucks specification from DFID Malawi

The Co-ordination Committee recommends to the Council to:

- (a) urge Tanzania to expedite the processes started on the issuance of the wide load permit for transportation of the vessel to Mwanza port, Tanzania;
- (b) urge Uganda to expedite its process of becoming a member of the International Maritime Organization;
- (c) urge the Partner States to:
  - (i) establish Maritime Safety and Security Administration Units within the existing national maritime administration frameworks in their respective countries and to be charged with the responsibility of implementing the Transport Act once enacted;
  - (ii) introduce and observe a Safety of Navigation on Inland Waterways Awareness Week, preferably May of each calendar year;
  - (iii) review the proposed Oil Spill and Toxic Chemicals Contingency Plan for Lake Victoria for implementation;
  - (iv) develop a clear framework for co-ordination of public and private sector initiatives in Search and Rescue (SAR); and





- (v) consider becoming members of International Hydrographic Organisation (IHO) and Uganda becoming a member of International Association of Lighthouses Authority (IALA).

#### 3.4.4. Operationalisation of the Lake Victoria Basin Commission

The Meeting took note of the actions undertaken by the Secretariat and the Republic of Kenya regarding requirements for start-up operation of the LVBC in Kisumu and including the recruitment of staff of the Commission. The Republic of Kenya gave an update on the actions being undertaken by the government in regard to the conclusion of the Headquarters Agreement and the transfer of the Title deed.

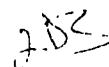
The Co-ordination Committee recommends to the Council to:

- (a) urge Kenya to hasten the conclusion of the Headquarters Agreement with the East African Community and the transfer of Title Deed for the 2.25 ha offered to the Commission by end of June 2006;
- (b) direct the Secretariat to conclude the recruitment of a Maritime Safety Officer and Project Development Officer as soon as the Job Evaluation exercise is completed.

#### 3.4.5 Report on Activities by EAC Partners on Lake Victoria Basin

##### 3.4.5.1 UNHABITAT: Lake Victoria Region Water and Sanitation Initiative (LWATSAN)

UN-HABITAT in association with the Governments of Kenya, Tanzania and Uganda is currently implementing a major initiative to address the water and sanitation needs of the people, particularly the poor, in the secondary towns around Lake Victoria namely: Bukoba and Muleba in Tanzania; Mutukula and Kyotera in Uganda and; Homa Bay and Kisii in Kenya. The project was launched in August 2004 in Partnership with the EAC Secretariat. The activities so far undertaken and completed include:

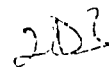


- (i) Stakeholder consultations to build local consensus on the immediate interventions planned under the Lake Victoria Region Water and Sanitation Initiative (LVRWATSAN) through workshops in the participating towns (Dec 2005-Mar 06)
- (ii) Designs for immediate interventions to improve access to water and sanitation services, with a focus on new and innovative concepts that incorporate optimizing the use of existing facilities, and improving their functions and identification of longer-term interventions that require large-scale capital investments and involve construction or major refurbishment of water and wastewater treatment plants, and the extension of reticulation systems.
- (iii) Procurement of contractors for the various civil works in the six towns is ongoing using the UN procedures.

#### **3.4.5.2. The Nile Equatorial Lakes Subsidiary Action Plan (NELSAP): The Kagera, Mara and Sio-Malaba Malakisi River Basin Management Projects**

The implementation of the three projects is ongoing in all the three Partner States. The Project Management Units were set up between January and March 2006 in Kigali for the Kagera; Musoma for Mara and in Kakamega for the Sio-Malaba- Malakisi.

**The Co-ordination Committee recommends to the Council to endorse the above recommendations and progress in the various areas.**



### 3.5. SOCIAL SECTORS

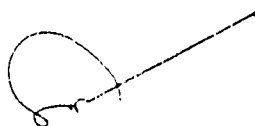
#### 3.5.1. Education, Culture and Sports

The Sectoral Committee on Education, Culture and Sports met on November 7<sup>th</sup> - 8<sup>th</sup>, 2005. The Committee reviewed Implementation of past Council decisions, considered the final draft protocol on the establishment of the Science and Technology Council; a progress report and budget for activities (Jan-June 06) from the Task Force on the formation of the East Africa Kiswahili Council and received, considered and adopted the developed EAC Anthem. The following policy recommendations arising from the Sectoral Committee meeting (*Report Ref: EAC/SC/02/2005*) are, therefore, being brought to the attention of the Council for consideration, adoption and guidance.

#### A) Progress on the Inter University Council for East Africa Protocol and Bill

The Committee noted that Uganda and Tanzania had ratified the Inter University Council for East Africa protocol. The Committee urged:

- (i) Kenya to expedite the process of ratifying the Protocol, and at least do so before the next Summit; and
- (ii) The Secretariat to abide by the Legal and Judicial Affairs Sectoral Council advice, at its meeting of September 2005, to the Council of Ministers to withdraw The Inter-University Council for East Africa Bill, 2004 from the East African Legislative Assembly because the protocol suffices.



**B) Final Draft protocol on the Establishment of the East African Science and Technology Council.**

The Committee:

- (i) adopted the workshop report and final draft protocol.
- (ii) recommended that Council requests the Sectoral Council on Legal and Judicial Affairs to review the legal content of the Protocol and clear the same for signature, *minthor*

**C) Fast tracking the formation of the East Africa Kiswahili Council**

The Committee:

- (i) adopted the report, revised road map and the budget that had been prepared for implementation of activities to facilitate the establishment of National Chapters in Kenya and Uganda.
- (ii) urged the Secretariat to present the January-June 2006 budget proposal (US\$ 71,650.00) for re-allocation to facilitate the implementation of the activities outlined in the road map.
- (iii) urged the Partner States' ministries responsible for culture to mainstream and institutionalize the operations of this Task Force for purposes of ensuring ownership and sustainability

**D) Presentation, Consideration and Adoption of the Developed EAC Anthem**

The Committee considered the report on the development of the EAC Anthem, reviewed the technical report and the lyrical composition of the Anthem, listened to the audio version of the developed Anthem and:-

- (i) adopted the technical report on the development of the EAC Anthem.



- (ii) recommended that the proposed EAC Anthem be presented to Council for consideration and adoption.

The Co-ordination Committee recommends to the Council to:

- (a) adopt the final draft protocol on the establishment of the Science and Technology Council (EASTECCO);
- (b) refer the final Draft Protocol to the Sectoral Council on Legal and Judicial Affairs for review of the legal content and to clear the same for signature;
- (c) consider and adopt the developed EAC Anthem;
- (d) urge the Partner States' Ministries responsible for culture to mainstream and institutionalize the operations of the Task Force on the formation of the East Africa Kiswahili Council for purposes of ensuring ownership and sustainability.

### 3.5.2 Health

#### **Emergency EAC Regional Meeting on the Epidemic Preparedness and Response to Avian Influenza (Bird Flu) in East Africa**

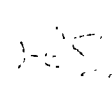
In view of the on-going sporadic outbreaks of the Avian Influenza (Bird Flu) in several parts of the World and the possible risk of the spread of this infectious disease to East Africa, a multi-sectoral meeting of the EAC Partner States' Ministries responsible for Agriculture, Health, Tourism and Wildlife was held on November 8<sup>th</sup> - 9<sup>th</sup>, 2005 in Arusha. The main purpose of the meeting was to discuss the Country reports and also to review the current status on national epidemic preparedness and response to Highly Pathogenic Avian Influenza (HPAI) in the three EAC Partner States.

Permanent Secretaries and Senior Officers responsible for health, animal resources, wildlife, trade and tourism from EAC Member States attended the meeting. Also in attendance were representatives from the World Health Organization (WHO) Country Offices in Uganda and Tanzania as well as a representative of the East, Central and Southern Africa (ECSA) - Health Community Secretariat in Arusha, Tanzania.

The Meeting adopted a comprehensive regional plan of action to respond to the Avian Flu threat, involving an indicative budget of US\$ 54 million (a figure to indicate the magnitude of the gravity just in case the problem arises) in the short term.

The EAC Secretariat will now submit a formal solicitation for the required resources and support for the implementation of the approved plan of action. In addition, the EAC Secretariat will also convene an extra-ordinary meeting of the EAC Ministers responsible for Health, Environment, Wildlife, Agriculture, Animal Health and Tourism as soon as is practicable in order to further review the above regional plan of action and come up with further decisions on epidemic preparedness and response to Avian Influenza (Bird Flu) in East Africa.

**The Co-ordination Committee recommends to the Council to consider and approve the recommendations of the Permanent Secretaries on the proposed comprehensive EAC regional plan of action to respond to the threat of Avian Influenza (Bird Flu) in East Africa.**



### 8.3 Signing of Agriculture and related Documents

The Session was informed that a review by agriculture experts of the documents which have been cleared for signing by Council has shown that thorough editorial work by subject matter specialists and draftsmen is needed in order to completely remove the apparent inconsistencies and ambiguities that might lead to misinterpretation during implementation and application of the documents. This editorial work should be completed before the next ordinary meeting of the Council.


The Co-ordination Committee recommends to Council to:

- (a) direct the Secretariat to convene a joint meeting of subject matter specialists and draftsmen from Partner States to undertake the editing of the cleared documents and; and
- (b) direct the Secretariat to convene a meeting of SPS Working Group to complete the outstanding part on Fish and Fish Products and undertake the appropriate editing.

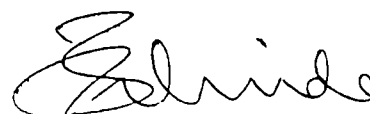
SIGNED by the Leaders of Delegation this 30<sup>th</sup> day of March, 2006.



Mr. Samuel N. Karanja  
Economist  
Ministry of East African  
Community  
REPUBLIC OF KENYA



Mr Uledi A. Mussa  
Senior Economist  
Ministry for East African  
Co-operation  
THE UNITED REPUBLIC OF  
TANZANIA



Amb Lewis D. Balinda  
Director  
Regional Co-operation  
Ministry of Foreign Affairs  
REPUBLIC OF UGANDA

## PART VIII

### 8.0 ANY OTHER BUSINESS

#### 8.1. Decision-making process on Customs-related issues

The Session noted a report by the East African Business Council although this Council appreciated the progress so far achieved in the implementation of the Customs Union, it had noted the need to expedite decision-making and to avoid delays in implementation of decisions. In this regard, the East African Business Council proposed an amendment of the Treaty to provide for delegation of some of the Council's decision-making powers to the Secretariat. The Session agreed that the Secretariat should develop a comprehensive paper on this matter.

The Co-ordination Committee recommends to the Council to:

- (a) note this development;
- (b) direct the Secretariat to prepare a proposal on amendment of the Treaty.

#### 8.2. Arusha – Nairobi Power Inter-connector

The Session was informed that M/s Kenya Power and Lighting Company Ltd. (KPLC) which had carried out a feasibility study on the Arusha – Nairobi Power Inter-connector to be jointly financed by Tanzania and Kenya. However, KPLC had withdrawn in writing citing cost problems. Tanzania was of the view that given the importance of the project there was need for prior consultations before withdrawal

The Co-ordination Committee recommends to the Council to urge Tanzania and Kenya to meet and resolve this matter.



- Implementation of the COMESA-SADC Ministers decision on the EPAs;
- Report of the Sub-Committee Meeting on Customs;
- Report on the infrastructure Committee.

In general, the 3 RECs agreed to:

- a) continue meeting and harmonise their negotiation positions for the EPAs, internal trade matters and implementation of common programmes;
- b) convene technical meetings to develop an implementation framework for the harmonization of trade arrangements between themselves. The first meeting is to be scheduled sometimes in April 2006;
- c) urgently address the variances in their Rules of Origin and timeframes for the implementation of the three Customs Union, with a view to harmonizing them;
- d) Continue their on-going co-operation in the implementation of infrastructure projects and programmes covering civil aviation, energy, information technology, trade and transport facilitation, meteorology and railways.

Taking into account the outcome of the EC Brussels Meeting with NAOs and RAOs and the on-going collaboration between the three RECs;

The Coordination Committee recommends to the Council to:

- (a) take note of these developments;
- (b) mandate the EAC to jointly work with COMESA, IGAD and IOC for purpose of 10<sup>th</sup> EDF programming;
- (c) mandate the EAC to be a member of the joint SADC-COMESA Taskforce to facilitate harmonization of trade policies and implementation of common programmes.



## Emerging Conclusion

EC was agreeable that the 4 RIOs i.e. EAC, COMESA, IGAD and IOC could prepare joint Regional support strategy paper and 10<sup>th</sup> EDF RIP as was the case during the programming for the 9<sup>th</sup> EDF. However, they would wish to see linkage between ESA and SADC EPAs in order to avoid duplication and promote synergies. SADC has already indicated intention to have a separate RIP. Further, EC would like to see a move towards convergence in terms of the institutional set up of the RIOs.

### 7.8.4. Initiatives by EAC, SADC and COMESA Secretariat

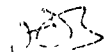

A tripartite meeting between the Chief Executives of EAC, SADC and COMESA was held in Arusha on November 24<sup>th</sup>, 2005 to among others:

- (a) Review progress in the implementation of regional programmes of common interest to EAC, SADC and COMESA; and
- (b) Exchange views on Economic Commission for Africa (ECA) Study on the rationalization of RECs further collaboration/support.

The meeting noted the following:

- (i) European Union's expression of interest to negotiate with RIOs on a collective basis;
- (ii) That multiple membership posed challenges that need to be addressed especially with respect to EPA negotiations;
- (iii) Decisions of the 5<sup>th</sup> COMESA – SADC Taskforce on joint strategic committee and joint committee on Customs and agreed that EAC be brought on board initially as an observer but later on full time basis;
- (iv) Need for review of transit costs under the Northern Corridor arrangements in order to make them less expensive and to facilitate flow of traffic;
- (v) That there was need for RIOs to provide leadership on the ECA study on rationalization of RECs.

The 2<sup>nd</sup> Tripartite meeting between EAC, COMESA and SADC was held in Kigali, Rwanda on March 15<sup>th</sup>, 2006 and covered the following areas:



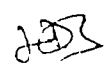
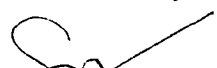
In addition there would be a non focal area covering areas such as peace and security, social and human development including HIV/AIDS, Malaria, TB, etc.

- (e) Link between National Indicative Programme (NIP) and Regional Indicative Programme (RIP): That there is need for linking RIP to NIP in order to ensure coherence and avoid duplication.
- (g) Timeframe: Given that 10<sup>th</sup> EDF programming would come into effect on January 1<sup>st</sup> 2008, while EC in its guidelines wishes the regional and national strategies presented in 3 months (by July 2006), there would need for more time to facilitate consultations with regional policy organs.

### 7.8.3. DELIBERATION OF THE MEETING WITH EUROPEAN COMMISSION

The highlights of the points put across by EC were the following:

- (a) EU policy to Africa was being guided by the "European Union Strategy for Africa".
- (b) EU wishes to have closer cooperation with other donors in the 10<sup>th</sup> EDF programming.
- (c) Need for countries to adhere to agreed regional policies - EU wishes to see increased regional integration.
- (d) 10<sup>th</sup> EDF programming to be based on EPA negotiations.
- (e) Capacity building and supply side issues in respect of EPAs to be tackled through RIP and NIP.
- (f) There exist challenges of configuration in the East and Southern Africa.
- (g) Criteria for allocation of funds between NIPs and RIPs will be based on various factors including absorption capacity; governance; vulnerability; population; communication links; whether country has natural resources or not etc.



- (a) Configuration: That EC should not put undue pressure on the countries in terms of how they should configure for the 10<sup>th</sup> ED Programming. The issue of multiple membership is recognized and there were on-going consultations at the continental level by African Union (AU) to deal with it. It was, therefore, not proper to prejudice the outcome of that process. It was also recalled that Article 37.5 of the Cotonou Partnership Agreement provides that: *"..... EPA negotiations would be undertaken with ACP countries which consider themselves in a position to do so at the level they consider appropriate....."*
- (b) Link between EPA negotiations and 10<sup>th</sup> EDF programming: That the countries would need more resources to cover costs including adjustment that may arise at the end of EPA negotiations given that the process for the 10<sup>th</sup> EDF programming was already on-going and likely to be completed before finalization of EPA negotiations.
- (c) Additionally of resources: Given that the region is comprised of many LDCs, Small Island and vulnerable economies and landlocked countries the amount of resources provided under 10<sup>th</sup> EDF should be substantially increased to cover the preparations, adjustment and implementation of EPAs. Therefore, it was proposed that EU should consider providing resources to the region in addition to the EDF under an EPA facility.
- (d) Focal Areas: that given heterogeneity of the region (LDCs, Small Vulnerable island economies, landlocked countries, highly indebted poor countries, countries in conflict situations) there is need to ensure more focal areas than the two that were being proposed by EC, namely:
- Trade and regional integration;
  - Infrastructure development;
  - Natural resources management including food security and environment.

The presentation should propose what needs to be done about rationalisation and harmonisation of RECs.

The EAC Secretariat is of the view that rationalisation of RECs has far reaching implications and therefore at the proposed meeting of ministers, the EAC position on the initiative should be stated.

**The Co-ordination Committee recommends to the Council to:-**

- (a) take note of these regional developments; and
- (b) appoint a Task Force comprising experts from the Partner States and the Secretariat to study the matter in some details and develop the EAC position for consideration by end of May, 2006.

## **7.8 Report on the European Commission (EC) Meeting for Eastern and Southern Africa National Authorising Officers (NAOs) and Regional Authorising Officers (RAOs) on 10<sup>th</sup> EDF Programming**

7.8.1. The European Commission invited NAOs of the countries of the Eastern and Southern Africa region, including those of the EAC Partner States, together with RAOs of the 4 Regional Integration Organizations (RIOs) (EAC, COMESA, IGAD and IOC) for consultations with EC on 10<sup>th</sup> EDF programming in Brussels March 23<sup>rd</sup> - 24<sup>th</sup>, 2006;.

The meeting, attended by among others, Ministers, Senior Government officials, Chief Executives of the RIOs and representatives of EU member States, was opened by Commissioner Louis Michel, European Commissioner for Development and Humanitarian Aid, who also organized parallel bilateral consultations with countries and a joint one with the 4 RIOs.

### **7.8.2. Preparations**

To prepare for consultations with EC, the NAOs and 4 RIOs met in Brussels on March 21<sup>st</sup> - 22<sup>nd</sup> and agreed to present coordinated positions in both bilateral and regional discussions with EC on the following:

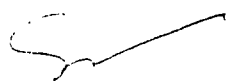


review and prepare an update on recent progress by RECs towards policy harmonization and co-ordination for continental integration and propose, as appropriate, a continent-wide co-ordination mechanism for consideration by Member States and the RECs;

- (b) The AUC should have a continental oversight role over the harmonization and co-ordination of the programmes of the Regional Economic Communities. In this regard, the secretariat should propose how harmonization and co-ordination would be implemented;
- (c) The joint secretariat of the African Union Commission, the Economic Commission for Africa and the African Development Bank should be revitalized to support the integration process. The Joint Secretariat and the RECs should present to the AU Policy Organs programmes on harmonization and co-ordination;
- (d) The AUC in consultation with RECs, ECA and ADB should be tasked with setting up a time-table for the attainment of key landmark objectives in all sectors as provided in the Abuja Treaty;
- (e) The rationalization process should be consultative and involve all key stakeholders of the integration agenda, including the private sector, civil society and women groups; and
- (f) Regional summits should be held to discuss the rationalization process with a view to accelerating the integration process.

#### **7.7.5 What is expected of the East African Community**

The EAC Secretariat has received an invitation calling for the Chairpersons of the RECs, accompanied by the Chief Executives to a ministerial meeting to be held in Ougadougou, Burkina Faso on March 30<sup>th</sup> -31<sup>st</sup>, 2006, to be preceded by a meeting of experts to be held on March 27<sup>th</sup> -28<sup>th</sup> 2006 at the same venue. The Ministers are expected to make a presentation on the progress so far achieved in the process of economic and political integration.



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- g) The Meeting observed that the mandate of RECs was not limited to economic activities but extended to other sectors such as peace and security as well as social issues. These dimensions should be taken into consideration in the discussion of rationalization of RECs:
- h) The concept of rationalization should be viewed in the context of the African Economic Community as enshrined in the Abuja Treaty and the objectives of the African Union:
- i) The Meeting indicated that there was need to ensure the co-ordination between the AU and the RECs and welcomed the proposal for the Chairpersons of RECs to present progress reports on their institutions at the meeting of Ministers responsible for integration scheduled for end of March 2006;
- j) The Meeting emphasized the need for regional consultations to continue discussion on the rationalization after the Banjul AU Summit, scheduled in July 2006;
- k) The involvement of stakeholders such as, private sector, civil society, parliamentarians and labour movements in the consultative process was underscored; and
- l) The Meeting noted that while ongoing multilateral negotiations had a bearing on Africa, the process of rationalization should not be dictated by external players.

#### 7.7.4 The Way Forward from the Lusaka Meeting

The Meeting adopted the following as the way forward:

- (a) Consistent with the Abuja Treaty and the Constitutive Act of the AU, the AUC should, building on the existing studies such as the ECA/AUC study on "Assessing regional integration in Africa",

The Meeting took note of the presentations made on the "Rationalization of Regional Economic Communities" and proposed that the discussions should take account of the substance (acceleration of the integration process) and the process issues. A number of issues were raised during the discussion which ranged from the consultative process particularly the timeframe, role of international cooperating partners, acceleration of the integration process as well as capacity constraints. Specifically the main issues raised included the following:

- a) The presentations, while appreciated, did not capture recent developments including harmonization and co-ordination mechanisms among some RECs and did not reflect what the RECs are doing on the ground;
- b) The rationalization process should take into account the specificities of each region, the mandate and the role of the RECs as well as motivation of Member States in joining regional groupings;
- c) The Consultative Meeting took note of the case for rationalization and emphasized that regional integration is a continuous and lengthy process as reflected in the Abuja Treaty and thus should be undertaken cautiously. The gains that have been made by the RECs should not be overlooked. This notwithstanding, Member States may have to make critical decisions if the ultimate objective of an African Economic Community is to be met;
- d) The Meeting stressed that the case for rationalization should have a clear analysis of what the mandates of the RECs are and whether they were moving towards their stated objectives. It also recognized the capacity constraints not only of the RECs but also of the Commission of the African Union and Member States to implement integration programmes;
- e) There was general agreement on harmonization and co-ordination of policies and programmes of the RECs as important strategies for rationalization. To this end, the Meeting stressed the need to strengthen existing mechanisms and identify the areas of harmonization and convergence particularly trade, economic and monetary policies;
- f) The Meeting underscored the need for a cost benefit analysis on harmonization and co-ordination to inform the rationalization process;



calls for the review of all existing protocols, treaties and agreements and the drafting of new ones.

### 7.7.3. Previous Meetings on Rationalisation

Two meetings have been held at which EAC was represented. The first meeting took place in Addis Ababa on September 30<sup>th</sup>, 2005, convened by the ECA for stakeholders to comment on the findings of the study report. The second meeting took place in Lusaka, Zambia on March 9<sup>th</sup> -10<sup>th</sup>, 2006, organized by the AU in collaboration with the ECA for member States' experts and representatives from the RECs to discuss and agree on the best scenario(s) for rationalization.

As follow up to Lusaka, a Meeting of Ministers responsible for regional integration has been scheduled to take place in Ouagadougou on March 30<sup>th</sup> -31<sup>st</sup>, 2006. Thereafter, the recommendations made by the ministers will be presented to the AU Summit in July 2006.

#### 7.7.3.1. Presentations made at the Lusaka Meeting

By way of information, the Lusaka meeting had five presentations on the following topics:

- a) Presentation by Global Coalition for Africa: Rationalization of Regional Integration, Institutions: Proposed Measures
- b) Presentation by GTZ: Overlapping Membership in COMESA, EAC, SACU and SADC
- c) Presentation by UNECA: *An overview of the case for rationalization*
- d) Presentation by UNECA: *General Framework of the Rationalization of the Regional Economic Communities*
- e) Presentation by the African Union Commission: Scenarios for the Rationalization of Regional Groupings for Economic Cooperation and Integration

#### 7.7.3.2. Observations from the Lusaka meeting

historical bond and others. This approach would lead to the disappearance or re-definition of the objectives of the trans-regional communities. Moreover, geographical redeployment of all the institutions would have to be carried out, including the geo-institutional repositioning of several countries, and the replacement of the membership of several blocs with association agreements. This approach is also not very flexible and is complicated as existing treaties or conventions would have to be abrogated. It has legal, economic and operational ramifications and would be difficult to implement.

**(d) Rationalization by division of labour**

This rationalization framework recognizes and accepts the existence of different regional economic communities. It also divides cooperation efforts into regional and sub-regional programmes, categorizing them according to the interests of the countries in the same region. The scenario suggests that the Abuja Treaty defined RECs focus on regional programmes such as the free movement of people and goods; trade; transit transport regulations; economic and trade data; monetary cooperation and payments; funding integration; and security and conflict prevention and management while the other inter-governmental organizations would focus on the programmes that are of concern to countries in their sub-regions such as agriculture; stock-farming and fisheries; industry; transport infrastructures (energy and environmental management); enhancement of human resources; and health, social and cultural affairs. Based on the manner in which tasks and responsibilities are apportioned, this scenario is very flexible and clarifies the extent of regional integration process, without committing countries to make major political or strategic choices. Its application does not require fundamental review of the treaties. What may be needed is an inter-institutional protocol that would define the allocation of tasks and the establishment of regional co-ordination structure that would serve as the interlocutor of the African Union.

**(e) Rationalization through harmonization and co-ordination**

This framework maintains the existence of all the current RECs with their mandates and prerogatives intact. The rationalization process concerns itself with the harmonization and co-ordination of trade liberalization and macroeconomic convergence policies and criteria of the current regional economic blocs. In addition, the RECs would pursue common or joint programmes in energy and transport. Although this scenario seeks to harmonize all the policies, programmes and activities of the RECs, its implementation would require a lot of resources and time. The co-ordination and harmonization process

## 7.7.2 The Scenarios for Rationalisation

The reports propose five scenarios for rationalization of Regional Economic Communities.

### (a) Maintaining the Status Quo

Under this approach, nothing is done and the 14 regional economic communities continue to exist in their current forms. It is a scenario that is not recommended. The consequence of taking this approach is that it would result in the breaking up of regional markets and amplify the formation of more regional economic groupings, with overlapping mandates and duplication of efforts. Adoption of this scenario entails policy co-ordination and that the deliberative organs and the AUC will have to provide guidance on the criteria, modalities, norms, instruments, and timeframes for the creation of the African Economic Community.

### (b) Rationalization by mergers and absorptions

This scenario would have the rationalization process synchronized with the Abuja Treaty that partitioned Africa into five regional communities: North Africa, West Africa, Central Africa, East Africa and Southern Africa. This scenario requires the merging of the existing inter-governmental institutions in each region, their deliberative organs and their programmes and projects. Five RECs foreseen under this rationalization framework in Africa are: North Africa Economic Community (NAEC), West Africa Economic Community (WAEC), Central Africa Economic Community (CAEC), East Africa Economic Community (EAEC) and the Southern Africa Economic Community (SAEC). The implementation of this scenario would be difficult due to the complexities of the laws governing IGOs. It also requires the careful management of the redeployment of employees, and the liquidation of the assets/liabilities of the IGOs. The benefit of pursuing this scenario is that it would radically eliminate the multiplicity of integration institutions on the continent as well as hasten Africa's integration agenda.

### (c) Rationalization around "rooted" communities

This scenario is based on the dual principle of one REC per region and only one REC per country. It calls for the creation of the regional communities according to common characteristics such as geography, ethnicity, language, sociology,

Africa's Economic integration and sustainable development. It was observed that the current arrangement of the RECs was not conducive to the creation of an African-wide economic space. They therefore, agreed to include in the Abuja Treaty a provision calling for the rationalization of the activities of RECs.

The Abuja Treaty recommended that the OAU Secretary General, the Executive Secretary of the ECA, and the authority of sub-regional and regional economic groupings to take the necessary initiatives to rationalize RECs in order to ensure co-ordination and harmonization of the activities, projects and programmes so as to avert overlaps, power conflicts and wastage of efforts and resources.

Articles 6 of the Abuja Treaty, provides for strengthening of the RECs and creating new ones within 5 years after the coming into force of the Treaty. The treaty came into force on May 12<sup>th</sup>, 1994 at the end of the ratification requirements by the Member States. Under Article 28 of the Treaty, the AU member states undertook to strengthen regional economic communities and take necessary measures aimed at progressively promoting closer cooperation through co-ordination and harmonisation of activities to ensure gradual realisation of the objectives of the Community. It was envisaged that the building of the AEC depended on RECs as pillars for Africa's integration and for that reason, the Treaty provided for establishment of the new RECs where they did not exist. The Abuja Treaty provides for a transitional period for the establishment of the Community, gradually/progressively within a period of 34 years in six stages.

Two studies were commissioned by the ECA in collaboration with the AU to examine a case for rationalization of Regional Economic Communities. The reports, *Assessing Regional Integration in Africa (ARIA I)* published in 2004 and *ARIA II* published in 2005. The studies examined the progress made in integration, the challenges at national, regional and continental level. It observed that there were gaps between goals and achievements, and the challenges outweigh the achievements.

The studies found that multiple memberships make it difficult for States to honour their contribution obligations in the various RECs; leads to low implementation of their programmes; low attendance of meeting and duplication or conflicting programmes implementation at both national and REC levels. It was also found that there was lack of strong co-ordination mechanism at the continental level and there is lack of consensus and weak national institutions, which hamper effective cooperation and integration.

- (g) direct that the ongoing negotiations on Article 104 of the Treaty (Free Movement of Persons, Labour, Services and Right of Establishment and Residence) should proceed but as an integral part of the Common Market Protocol;
- (h) enhance the mandate and number of experts of the HLTF that is handling Article 104 of the Treaty so that it can handle all aspects of the Common Market Protocol as specified in Article 76 of the Treaty;
- (i) establish a Multi-Sectoral Committee of Permanent Secretaries and a Multi-Sectoral Council of Ministers to spearhead the negotiation of the Common Market Protocol.

#### **7.7. REPORT ON THE AFRICAN UNION'S STRATEGY FOR THE RATIONALISATION OF REGIONAL ECONOMIC COMMUNITIES - THE POSITION OF THE EAST AFRICAN COMMUNITY**

In September 2005, the Economic Commission for Africa, convened a meeting of stakeholders in Addis Ababa to discuss the findings of a study report on rationalization of Regional economic Communities, titled, Assessing Regional Integration in Africa (ARIA 1 and ARIA 11). It was attended by representatives from regional economic communities, regional financial institutions, African Diaspora, Global Coalition for Africa, academia and research institutions. The Second meeting was convened by the African Union in collaboration with the ECA for Member States' experts to discuss and agree on the way forward for rationalization of recs. EAC was represented at both meetings.

##### **7.7.1 Background to rationalization of RECs in Africa**

The concept of rationalization of the regional economic communities was first mooted in 1986 at the 44<sup>th</sup> meeting of OAU when the Secretary-General was mandated to examine the practical and operational modalities for co-ordinating and harmonizing the activities and programmes of existing RECs. These and other decisions led to the proclamation of the Treaty Establishing the African Economic Community ("Abuja Treaty") in 1991 with the objective of promoting

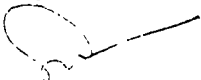


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For a start, the Secretariat would need to commission a comprehensive study that would clearly indicate the scope of coverage of the Common Market Protocol and propose a model common market protocol that would form the basis for negotiations. In undertaking this work, the consultants would identify the status of implementation of various aspects of the Protocol and based on this finding would draw up a Program of Action (with timelines and necessary resources) that would guide negotiations.

The Co-ordination Committee recommends to the Council to:

- (a) direct the Secretariat to commence negotiations on the EAC Common Market Protocol from 1<sup>st</sup> July 2006;
- (b) direct the Secretariat to commission a comprehensive study on the EAC Common Market. The study will among others 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;
- (c) adopt the Terms of Reference attached hereto as Annex XXXIV or the study on the EAC Common Market;
- (d) direct the Secretariat to arrange study tours for the Partner States to familiarise themselves with the workings of fully fledged common markets;
- (e) set December 2008 as the target date for concluding and signing the EAC Common Market Protocol and June 2009 as the target date for ratification of the Protocol;
- (f) set January 2010 as the target date for commencement of the EAC Common Market - this indeed coincides with the end of the 5 year transitional period for implementing the EAC Customs Union Protocol;



### 7.6.3. Relevant Council Decisions

In line with Article 104 (2) of the Treaty, the 7<sup>th</sup> Meeting of the Council of Ministers directed that the process of negotiating for the draft protocol on the Movement of Persons, Labour, Services, Right of Establishment and Residence should start immediately after the signing of the Protocol on the Establishment of the East African Community Customs Union. Subsequently, the ninth Council of Ministers established a High Level Task Force on the implementation of Article 104 (2) of the Treaty and adopted March 2007 as the target date for concluding and signing of the Protocol on free movement of labour. However, there is no Council decision to commence negotiations on Article 76 of the Treaty.

### 7.6.4 Proposals on the Way Forward

From the foregoing, it is apparent that there is a clear Council decision to commence negotiations on Article 104 of the Treaty but there is no such decision on Article 76 of the Treaty. It is also evident that all the essential elements of Article 104 are restated in Article 76. However, the Treaty provides for two protocols – one on the Common Market and another one on free movement of labour and yet free movement of labour is part and parcel of a common market! It is therefore, our considered view that instead of two protocols, Partner States should negotiate one Common Market Protocol that takes care of labour issues as well. Due to the wide coverage of the Common Market Protocol, there would be need to have various specialised sub-committees handling different aspects of the Protocol. The ongoing negotiations for the free movement of labour protocol could proceed but within a wider framework of one Common Market Protocol.

Copying from the experience of negotiating the EAC Customs Union Protocol, there will be need to set up a multi-sectoral High Level Task Force (HLTF) consisting of experts in the various aspects of the Common Market Protocol. The HLTF would in turn have to report to a multi-sectoral Committee of Permanent Secretaries that would also report to a Multi-Sectoral Council of Ministers.

- (d) Free movement of persons, labour, services and right of establishment and residence;
- (e) Free movement of capital within the Community;
- (f) Enhanced macro-economic policy harmonisation and co-ordination particularly with regards to fiscal regimes and monetary policy; and
- (g) Setting up, strengthening and empowering the necessary common market institutions like the Court and Assembly.

### 7.6.2. Mandate from the Treaty

The mandate to commence negotiations on the EAC Common Market is derived from Article 5(2) of the Treaty and more specifically from Article 76(1) of the Treaty which states that *"There shall be established a Common Market among the Partner States. Within the Common Market, and subject to the Protocol provided for in paragraph 4 of this Article, there shall be free movement of labour, goods, services, capital, and the right of establishment."* Further Article 76 (3) of the Treaty states that *"For purposes of this Article, the Council may establish and confer powers and authority upon such institutions as it may deem necessary to administer the Common Market"* while Article 76 (4) states that, *"For purposes of this Article, the Partner States shall conclude a Protocol on a Common Market."* However, the Treaty does not specify the timeframe within which the Partner States have to conclude the Common Market Protocol.

Issues dealing with macro economic harmonisation, co-ordination and movement of capital are further elaborated in Chapter 14 of the Treaty specifically Articles 83, 84 and 86 respectively. Issues to do with free movement of labour are further elaborated in Article 104 (2) of the Treaty which states that *"For purposes of paragraph 1 of this Article, the Partner States agree to conclude a Protocol on the Free Movement of Persons, Labour, Services and Right of Establishment and Residence at a time to be determined by the Council."*





## 7.6 CONCEPT PAPER ON THE PREPARATION OF A PROTOCOL FOR THE ESTABLISHMENT OF AN EAST AFRICAN COMMUNITY COMMON MARKET

The Meeting considered a concept paper on the preparation of a protocol for the establishment of an EAC Common Market.

The key building blocks towards economic, social and political integration of the East African Community are clearly articulated in the Treaty. The Treaty sets out a bold vision for the eventual unification of the EAC Partner States. Article 5 (2) of the Treaty states that the *"... the Partner States undertake to establish among themselves and in accordance with the provisions of this Treaty, a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a Political Federation in order to strengthen and regulate the industrial, commercial, infrastructural, cultural, social, political and other relations of the Partner States to the end that there shall be accelerated, harmonious and balanced development and sustained expansion of economic activities, the benefit of which shall be equally shared."*

Article 2(2) of the Treaty provides that a Customs Union shall be the first transitional stage (entry point), as well as an integral part of the Community. As per the Treaty, a Protocol on the Establishment of the East African Community Customs Union was concluded in March 2004 and the EAC Customs Union commenced operations in January 2005. Having established a Customs Union among the Partner States, the next level of EAC integration, in line with the Treaty and logical sequence, is the Common Market.

### 7.6.1. What is a Common Market

This is a merger/union of two or more territories to form one common territory in which there is free movement of goods, labour, services and capital. The basic elements of a common market are:

- (c) A smoothly functioning customs union including complete elimination of all tariff and non tariff barriers plus a common external tariff;

## 7.5. PROGRESS REPORT ON THE STUDY OF AN EAC INDUSTRIAL DEVELOPMENT STRATEGY

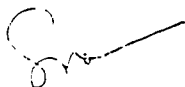
The 10<sup>th</sup> meeting of the Council of ministers held on August 8<sup>th</sup> – 9<sup>th</sup>, noted the need to formulate an EAC Industrialization Strategy. The Council directed the Secretariat to prepare a concept paper (including terms of reference) for a study on an EAC Industrial Development Strategy taking into account comparative advantage, competitiveness and equity; and the and report on the matter at the 11<sup>th</sup> meeting of the Council. Pursuant to the Council directive the Secretariat developed a Concept paper which focuses on:

- (a) Arguments towards supporting strategic industrialization and selective intervention for EAC Partner States;
- (b) State of Industrialization on the EAC region;
- (c) Arguments for selective intervention in the development of regional industries;
- (d) Past experiences;
- (e) Existing industrial potentials for East African countries;
- (f) Challenges and constraints; and Some important steps needed for efficient EAC industrialization,

The meeting considered the concept paper attached hereto as **Annex XXVI**.

**The Co-ordination Committee recommends to the Council to:**

- (a) consider this report and adopt it; and
- (b) direct the Secretariat to prepare ToRs for a Consultancy Study on an EAC Industrial Development Strategy and involve Partner States' Experts on Industry, Trade, Finance and Investment in developing these ToRs and reviewing the Inception Report.



It must be taken into account that various banking facilities already exist geared to fund infrastructure projects in EAC, such as those of the Worldbank, the African Development Bank and the East African Development Bank. Analysis is needed to evaluate whether one of the existing banking facilities, e.g. the East African Development Bank at Kampala, can take on board the task of funding infrastructure investments in support of the EAC integration process, or whether, alternatively, it may serve the envisaged process better to create a new institution.

Finally, the tasks and objective of an EAC Development Fund need to be carefully distinguished from other EAC funds already in existence, such as the Lake Victoria Partnership Fund and the EAC Partnership Fund (basket fund for Cooperating Partners' support of the EAC Development Strategy) in order to avoid overlap or grey areas of responsibility and establish a coherent and complementary funding basis for the EAC integration process.

#### 7.4.5. The way forward

To pursue further the Council's directive to establish an EAC Development Fund, a consultancy study needs to be undertaken to elaborate on the relevant issues alluded to in this paper and to formulate recommendations on the Development Fund's modalities, funding sources, projects to be funded, eligibility criteria and the adequate strategy to implement it for consideration and approval by Council.

The draft terms of reference are attached hereto as **Annex XXXII**.

The Co-ordination Committee recommends to the Council to direct the Secretariat to present the draft terms of reference to a Meeting to be attended by representatives from Ministries of Finance, Central Banks and Ministries of Justice for consideration.

The Regulations of the Development Fund to be developed need to establish

- where the resources of the new EAC Development Fund are expected to come from (Partner States' resources? Should a certain percentage of an "EAC integration tax" levy, e.g. on third country import tariff revenues, flow into the Development Fund? Should EAC's Cooperating Partners Financial cooperation be directed into the fund? for EAC? Should public bonds be issued in EAC? Could the African Development Bank contribute to the fund?);
- the eligibility criteria for EAC regions / Partner States to draw resources from the EAC Development Fund;
- the type of investment to be promoted by the EAC Development Fund: social infrastructure investment (schools, health centres; water projects; housing, etc); economic infrastructure (transport, communication, energy); investment promotion incentives and possibly others;
- the conditionality of drawings from the Development Fund (grants? Loans on preferential interest rates?);
- replenishment of the Fund;
- how will the new Fund be managed (new institution or by EADB?).

#### 7.4.4. Funding

While the creation of an EAC Development Fund will certainly mobilise support and create positive expectations among EAC Partner States, such a fund can only play a meaningful role if the required new funding for significant new infrastructure projects can be secured for it to make a difference for EAC regional integration.

The NEPAD and Blair initiatives may create a useful basis for new funding of infrastructure investment in East Africa. Careful analysis is required to assess whether an EAC Development Fund could serve as a useful catalyst for funding complementary infrastructure projects to support the EAC integration process.



Regional infrastructure investment is needed to improve the transport, communications and energy infrastructure of the Community. At the same time, it is required to trigger complementary integration benefits in pockets of the EAC region which tend to benefit less from the EAC integration process on the basis of existing policies and structural factors of their economies. Regions which can normally be expected to be disadvantaged in the context of their participation in benefits emanating from the deepening integration process are

- those at the periphery of the Community, and / or
- those with ethnic or civil strife or bordering non-Community states with civil strife or wars, and / or
- those with poor infrastructure, and / or
- those without direct access to sea ports, and / or
- those with underdeveloped industrial sector.

The enumerated factors can undermine these regions' integration benefits and, as a result, the political preconditions for a successful regional integration process if the affected populations perceive themselves on the losing end of the business and social integration dynamics. However, additional infrastructure investments in negatively affected regions funded through an EAC Development Fund can trigger corrective processes creating expectations for new integration benefits on the basis of which the affected populations can continue to politically support the integration process.

#### **7.4.3. Critical Issues and Experience of other Integration Initiatives**

The creation of an EAC Development Fund requires careful analysis of experiences of other regional integration initiatives which have established development funds with similar objectives. Advantages and disadvantages of such existing funds need to be carefully assessed in order to enhance the scope for success of the EAC Development Fund.

The EU has considerable experience with Structural and Regional Funds, which should be studied carefully in order to draw relevant lessons for the current initiative.

*among others, infrastructural development issues, development imbalances, investment promotion, and other development issues in the Partner States, for advancement, deepening and acceleration of integration benefits.*” Council noted

“that its decision to establish the EAC Development Fund taken during the negotiations of the Protocol for the EAC Customs Union has not been implemented and directed the Secretariat to prepare a background paper on this matter to be submitted at the next ordinary meeting of the Council.”  
(EAC/CM 10/Directive 13)

#### 7.4.2 The need for an EAC Development Fund

The EAC Customs Union Protocol is being implemented since January 2005. A High Level Task Force was established to oversee the preparation and negotiation of a Protocol on the Free Movement of Persons, Labour, Services, Right of Establishment and Residence to establish an EAC Common Market as a further milestone towards the establishment of an EAC Political Federation, as provided for by the EAC Treaty. With these policy instruments in place viz. under preparation, EAC has at its disposal the necessary tools for progress along its integration agenda.

However, EAC regional integration depends not only on the prerequisite regional policy instruments, but likewise on significant investment in regional infrastructures for integration policies to have a meaningful impact on the economic and social development of the region. Development integration can only unfold effectively, if supply constraints beleaguering the free flow of goods, services and people among the Partner States are addressed vigorously for private sector businesspersons as well as other regional citizens to make use of the enhanced integrated regional market potentials created by the new regional integration policies. Consequently, regional infrastructure investment is required to complement the regional integration policies for EAC integration to deepen and to unfold. An EAC Development Fund could represent a useful mechanism to mobilise and finance such required regional infrastructure investment.

**7.3. DRAFT ANNUAL PROGRESS REPORT OF THE COUNCIL OF  
MINISTERS TO THE SUMMIT COVERING THE PERIOD FROM  
30<sup>TH</sup> NOVEMBER 2004 TO 31<sup>ST</sup> MARCH 2006**

The Session considered the draft Annual Progress Report of the Council of Ministers to the Summit. The report which covers the period November 30<sup>th</sup>, 2004 to March 31<sup>st</sup>, 2006 is attached hereto as **Annex XXXI**;

The Co-ordination Committee recommends to the Council to consider and adopt the Annual Progress Report of the Council of Ministers to the Summit of Heads of State attached hereto as **Annex XXXI**;

**7.4. PROGRESS REPORT ON THE ESTABLISHMENT OF AN EAC  
DEVELOPMENT FUND**

**7.4.1. Previous Council Deliberations**

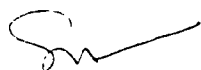
At its 6<sup>th</sup> Meeting, held on November 29<sup>th</sup>, 2003, Council decided as follows:

*“Establishment of the Community Development Fund*

*The Council took note that the Permanent Secretaries had reached consensus on the need to establish a Community Development Fund under a separate protocol. The Council further noted that the Community Development Fund shall address economic structural weaknesses across the entire Community area (for development of areas of common interest) but shall not be used as a compensatory mechanism.”*

**The Council approved the establishment of a Community Development Fund, under a separate protocol, for the development of areas of common interest across the Community. (EAC/CM6/Decision 09)”**

During its 10<sup>th</sup> meeting, held on 8 August 2005, the Council of Ministers “recalled that during the negotiations of the EAC Protocol for the Establishment of the Customs Union, the Council reached a decision to establish a Development Fund as a compromise after failing to reach a consensus on the establishment of a Compensation Fund. ...The intention of the Development Fund was to address,



Following evaluation of technical and financial bids from several firms, the contract to formulate the EAC Development Strategy 2006-2010 was awarded to a consortium of firms comprised of Economic and Social Research Foundation of Tanzania in collaboration with International Development Consultants Ltd of Uganda and African Development and Economic Consultants Ltd of Kenya. The Consultants presented an Interim report to a Stakeholders' Meeting that was held at Ngurdoto Mountain Lodge on February 4<sup>th</sup>, 2006. Based on the comments from that meeting, the Consultants produced a Draft Strategy that was presented to a Stakeholders Meeting held in Arusha on March 11<sup>th</sup>, 2006. Having incorporated the comments from the last meeting, the Consultants have now produced a draft EAC Development Strategy 2006-2010 attached hereto as Annex XXX.

The meeting considered the draft EAC Development Strategy 2006-2010. The meeting noted, however, that the Partner States had not been given sufficient time to undertake country consultations on the Draft Strategy.

The Coordination Committee recommends to the Council to:

- (a) take note of the Draft EAC Development Strategy 2006-2010 attached hereto as Annex XXX;
- (b) direct the Secretariat to formally submit the Draft Strategy to the Partner States for country consultations;
- (c) urge the Partner States to submit their written comments on the Draft Strategy to the Secretariat by 21<sup>st</sup> April 2006;
- (d) direct the Secretariat to convene a Stakeholders' Meeting on the Draft Strategy by 30<sup>th</sup> April 2006;



The Co-ordination Committee recommends to the Council to urge Uganda to nominate a candidate for appointment as Deputy Secretary General (Political Federation).

### 7.1.3. Appointment of EAC Ministers

At the meeting referred to above, the Council urged the Partner States to implement the decision of the Summit on the appointment of Ministers solely responsible for East African Community Affairs.

So far, Kenya and Tanzania have implemented this Summit decision. Uganda is expected to follow suit by May 2006 when a new cabinet is to be appointed.

The Co-ordination Committee recommends to the Council to urge Uganda to appoint a Cabinet Minister for East African Community Affairs.

## 7.2. PROGRESS REPORT ON THE FORMULATING THE EAC DEVELOPMENT STRATEGY 2006 - 2010

A Development Strategy establishes broad strategic statements of intent, specific targets to be achieved and outlines an action plan for that purpose over a given timeframe. The targets set against each result area are used to assess the success of implementation. In the case of EAC, the framework for cooperation is set forth in the Treaty Establishing the East African Community. The EAC Development Strategy is therefore a tool used to facilitate the implementation of the Treaty in a systematic manner.

Currently, the implementation of projects and programmes is guided by the EAC Development Strategy for the period 2001 - 2005. In line with the broad goals of the East African Community as set out in the Treaty, the priority programmes in the Strategy aimed at widening and deepening cooperation in all areas for the mutual benefit of the Partner States. However, the current EAC Development Strategy expired in December 2005 thus the need to formulate the next strategy for the period 2006 - 2010.

Given a series of political developments in the Partner States, not much work has been done in terms of consulting the people of East Africa about fast tracking the political federation.

**The Co-ordination Committee recommends to the Council to request the Summit to give guidance on the way forward.**

### **7.1.2. Establishment of the Office of the Deputy Secretary General Responsible for Political Federation**

At the meeting referred to above, the Council:

- (a) agreed that Uganda nominates a candidate for the post of Deputy Secretary General (Political Federation) – [DSG (PF)];
- (b) decided that the DSG (PF) be appointed by December 2005;
- (c) approved the provisional staff complement for the office of DSG (PF) for appointment by December 2005;
- (d) decided that the terms and conditions of service for DSG (PF) will be determined in accordance with Article 68(3) of the Treaty;
- (e) considered and approved a supplementary budget of US\$ 625.296= to cater for the operations of the office of the DSG (PF)

Due to political developments in the Partner States, the Summit that had been scheduled for November 2005, to, among others, appoint a DSG (PF), did not take place. The Summit is now scheduled to meet in April 2006.

## SPECIAL REPORTS

### 7.1. Brief on the Progress in the Implementation of the Fast Track Committee Report

Reference is made to Report of the 10<sup>th</sup> Meeting of the Council of Ministers that was held in Arusha on August 8<sup>th</sup> - 9<sup>th</sup>, 2005. This brief to the Council is organized in three parts as follows:

#### 7.1.1 Consultative Mechanism on Fast Tracking the East African Political Federation

At the meeting referred to above, the Council:

- (a) approved the proposed consultative mechanism;
- (b) requested the Summit to extend the time set for consultations to begin in January 2006; and
- (c) requested Summit to give guidance on the way forward.

Republic of Tanzania that were held on October and December, 2005. A similar delegation was dispatched to Kenya to observe the referendum on the proposed new Constitution of the Republic of Kenya and to Uganda for the Presidential and Parliamentary elections held in February 2006.

The exposure provided useful lessons that will be applied as EALA presses for harmonization of electoral laws and regulations in the Community.

- (h) As a follow up of the visit of the Audit Commission to the EAC headquarters in August, 2005, the Auditors General on the invitation of the Speaker paid a working visit to the Assembly on December 7<sup>th</sup>, 2005. The two institutions seized the opportunity to exchange ideas regarding the current budgetary and accountability processes at EAC and the necessary modalities for improvements.

#### **6.2.4. Relations with other organisations**

In its three and half years of existence, the EALA has grown from obscurity associated with infancy to an internationally recognized Assembly. This recognition has come about due to two main reasons. First, EALA deliberately took a decision to have its existence and operations known by the people of East Africa through outreach programmes. Secondly, by constant participation in carefully selected international meetings, EALA made its existence known world wide. As a result, the EALA sought and was admitted to and or recognized by all the major groupings of the Parliaments both at regional and international levels. It is on the basis of this recognition that EALA continues to receive invitations to participate in meetings abroad. In the period under review, the EALA participated in a number of meetings/conferences related to the Inter-Parliamentary Union, the Commonwealth Parliamentary Association, the WTO, the Great Lakes Region, ECOWAS and NEPAD.

**The Co-ordination Committee recommends to the Council to take note of this report.**



Entebbe, Uganda on February 23<sup>rd</sup> - 24<sup>th</sup>, 2005. The meeting reviewed the implementation of previous decisions; considered the implementation of the comprehensive Plan of Action in political cooperation; and exchanged views on a number of other Inter-Parliamentary business. At the end of the meeting, the Committee made various recommendations regarding the implementations of the comprehensive plan of action. Notable among them was the recommendation to the National Assemblies to urge the Partner States to establish a regional election monitoring system in tandem with the Fast Tracking Process.

- (e) The Assembly held an Inter-Parliamentary Relations Conference with all Members of the Kenya National Assembly on June 23<sup>rd</sup> -25<sup>th</sup>, 2005 at Entebbe, Uganda. The conference discussed and explored the complementarity in relations between EALA and National Assemblies in the process of regional integration; mechanisms for strengthening institutional linkages between the Kenya National Assembly and EALA; as well as the need for National Assemblies to place the regional integration process at the centre of National Assembly debates.
- (f) On June 30<sup>th</sup>, the Assembly met H.E Benjamin Mkapa in Dar es Salaam in his capacity as Chairperson of the Summit of EAC. The Assembly presented to him a memorandum on a wide range of issues but mainly focusing on areas relating to financing of the Community, the EAC decision making process, the work of the Assembly and revision of the Treaty.
- (g) In keeping with its earlier decision of taking the Assembly and the Community to the people of East Africa; the Assembly undertook its fourth tour of the Republic of Kenya on July 5<sup>th</sup> - 11<sup>th</sup>, 2005. The focus this time was on Northern and North Eastern Kenya. Apart from explaining the objectives of the EAC, the Assembly also used this opportunity to physically see and to learn first hand the challenges faced by the pastoralist communities of the arid and semi-arid areas of North and North Eastern Kenya especially with regard to scarcity of water and markets for their livestock.

On the invitation of the Ministry of Foreign Affairs and International Cooperation of the United Republic of Tanzania and in keeping with the spirit of the recommendation of the meeting of the Inter-Parliamentary Committee for East Africa held in February, 2005, the Assembly sent a team of six Members to observe the General Elections of the United

The two reports of the Committee were adopted by the Assembly in September.

- (c). The Committee on General Purpose convened in March for the pre-budget input of EALA on the EAC budget for the year 2005/2006, respectively.
- (d) The rest of the Committees held their normal sittings during the period the Assembly was in session and received briefs from the Secretariat in their relevant sectoral areas on the progress so far made in the implementation of the Treaty and other programmes of the Community.

### 6.2.3. Outreach Programmes

Under the provisions of Article 49(2)(a) of the Treaty; the EALA is required to liaise with National Assemblies of Partner States on matters relating to the Community. Pursuant to the provisions of this Article, the Assembly undertook the activities enumerated below.

- (a) The Assembly held its second Inter - Parliamentary relations Seminar in Entebbe, Uganda on January 26<sup>th</sup> - 30<sup>th</sup>, 2005. The seminar brought together over 120 participants who included Members of Parliament from the three Partner States; Members of EALA; Members of the Pan African Parliament; Ministers from the three Partner States; representatives of the business Community and of various diplomatic missions in Uganda;
- (b) The theme of the seminar was "Enhancing the East African Integration: Application and Implications", with the aim of assessing progress made in implementation of the action plan and resolutions adopted at the first seminar held in Nanyuki in June 2004. During the seminar, emphasis was placed on the integration process, with participants analyzing both long term and short-term implications and what was required to be done by the various stakeholders to facilitate the process of integration.
- (c) The Speaker of the Assembly together with the Secretary General of the Community held a one day briefing session to all Members of Parliament of Uganda on the progress so far made by the Community; the operations and functions of the different organs of the Community and the role of National Assemblies in the integration process. The briefing was done at Parliament of Uganda on February 25<sup>th</sup>, 2005.
- (d) In accordance with the calendar of activities of the EAC; the meeting of the Inter-Parliamentary Committee for East Africa was convened in



- (iii) The Chairperson of Council re-submitted a revised budget at the fourth meeting of the fourth session held from September 19<sup>th</sup> - October 2<sup>nd</sup>, 2005. The revised budget included a provision for the new office of Deputy Secretary General (Federation) as the only new item. There was no consensus in the Assembly as to whether the budget should be approved or not. As a result, in an unprecedented action since its inception, the Assembly only approved the budget through a Vote Count.

(c) **Adoption of Reports**

The Assembly considered and adopted the following reports: the Committee on Accounts on the Audited Accounts of EAC for the Years ended June 30<sup>th</sup>, 2003 and 2004 respectively; the Joint Report of the Committees on Regional Affairs and Conflict Resolution and Agriculture, Tourism and Natural Resources on resource-based conflicts in East Africa; and the Report of the Committee on General Purpose on the Annual Reports of the EAC for the years 2002 and 2003.

**6.2.2. Committee Activities**

As provided for under its Rules of Procedure and in conformity with global parliamentary practice; EALA undertakes detailed consideration of business through its Committees. In the period under review, the most notable business transacted by Committees was as follows.

- (a) The Committee on Communication, Trade and Investments convened in February to consider the EAC Competition Bill; under the auspices of the East African Parliamentary Liaison Committee on Trade, the Committee held a consultative workshop with some Members of Parliament from National Assemblies on the EAC Joint Negotiations Bill; and in September held a seminar in Nairobi on aspects of Common Market and Monetary Union whose participants included members of the Trade Committees of the National Assemblies of Partner States.
- (b). The Committee on Accounts convened in March to consider the Audited Accounts of EAC for the Year ended June 30<sup>th</sup>, 2003, and in August to consider the Audited Accounts of EAC for the year ended June 30<sup>th</sup>, 2004.

Appropriation Bill 2005 and the East African Community Appropriation Bill, 2005. The two Bills were assented to by the three Heads of State and are now laws of the Community.

- (iii) The East African Community Standardization, Quality Assurance and Testing Bill, 2005 was read for the First Time in September 2005. The Bill was referred to the Committee on Communications, Trade and Investment who would have reported on the Bill during the meeting of the Assembly held in November/December 2005 but could not do so due to the absence of the Council of Ministers during the plenary session of the Assembly.
  - (iv) With regard to the Bills that were initially introduced as Private Members' Bills but were subsequently taken over by Council, the Assembly was later on informed by Council as follows: The Inter-University Council for East Africa and the East African Community Immunities and Privileges Bills had, on the advice of the Sectoral Council on Judicial and Legal Affairs, been dropped on the premise that the Protocols relating to the two issues were sufficient. On the other hand, a decision on the East African Trade Negotiations Bill awaited the recommendations of the Consultant who had been engaged to study the best way of handling the matter of EAC joint trade negotiations.
- (b) The EAC Budget
- (i) The EALA held its third meeting of the fourth session from May 23<sup>rd</sup> - June 3<sup>rd</sup>, 2005. The purpose of the meeting was to consider and approve the budget of EAC for the Financial Year 2005 / 2006.
  - (ii) Upon receipt and consideration of the report of the Committee on General Purpose on the budget, the Assembly withheld its approval of the budget of EAC for the year 2005/2006 on the grounds that the budgetary proposals as presented by the Council were not in tandem with the dictates of the EAC Development Plan and other standing decisions of the Summit and Council. But in order not to paralyze the operations of the Community, the Assembly approved a Vote-on-Account of the budget of EAC covering a period of only six months.



The EALA is the one of the seven EAC organs established under Article 9 of the Treaty. EALA is the legislative arm of the Community and has a five year life span; which will end in November 2006. This is therefore EALA's fifth year in existence.

The EALA operates within the overall purview and strategic goals of East African Community. Under the Provisions of Article 49 of the Treaty, the EALA is mandated to exercise both legislative and oversight functions on all matters related to the Community. The mission of EALA therefore is to support, through legislation and oversight roles, the overall mission of the EAC which aims at widening and deepening cooperation among Partner States in political, economic, social, cultural, defense etc. for their mutual benefit.

The activities of EALA for the period under review were carried out in conformity with the overall mission of EAC and in fulfillment of its functions as stipulated under Article 49 of the Treaty.

#### 6.2.1. Legislative Business

The Assembly held four main meetings in the period under review as follows: February 28<sup>th</sup> - March 11<sup>th</sup>, 2005; May 23<sup>rd</sup> - June 3<sup>rd</sup>, 2005; September 19<sup>th</sup> - October 2<sup>nd</sup> 2005 and November 28<sup>th</sup> - December 8<sup>th</sup>, 2005.

##### (a) Bills

The following Bills were considered and the outcome is as reported on each Bill.

- (i) The EAC Competition Bill, 2004 was introduced in the House by Council on December 1<sup>st</sup>, 2004 and was referred to the Committee on Communications, Trade and Investment for scrutiny. The Committee presented its report to the Assembly on March 8<sup>th</sup>, 2005. Upon receipt of the report of the Committee, the Assembly deferred debate on the Bill until such time as the recommendations of the Assembly had been thoroughly considered by Council. By the time of this report, (more than one year after the Bill had been presented to the House) Council had not yet re-tabled the Bill.
- (ii) Upon the approval of the EAC budget in September, the Assembly subsequently passed the East African Community Supplementary

### 6.1.3 Extension of the Court's Jurisdiction

The Sectoral Council on Legal and Judicial Affairs directed the Secretariat to start preparing a protocol for the enhancement extension of the Court's jurisdiction in an attempt to create business for the Court. The process to enhance the jurisdiction of the Court is at consultation level with stakeholders about the protocol, and the Court met in August 2005 to consider the said draft protocol and has already submitted its comments on it.

### 6.1.4 Capacity Building

In recognition of the importance for capacity building and in a bid to prepare itself in advance for effective execution of its mandate, in May and August 2005 the Court in corroboration with the United Nations Environmental Programme (UNEP) conducted a tailored course for the Judges in order to enable them familiarise with environmental issues in the region.

The Court has also taken seriously the role of Kiswahili language and computer literacy as important tools for integration and promotion of efficiency at work respectively. This seriousness is clearly reflected in the step taken by the Judges on in January 2005 and May 2005 when they attended phase two of specially tailored courses in Kiswahili language and Computer knowledge at MS Training Centre for Development.

The Co-ordination Committee recommends to the Council to take note of this report.

## 6.2 ACTIVITIES OF THE EAST AFRICAN LEGISLATIVE ASSEMBLY



## PART VI

### REPORT ON THE ACTIVITIES OF OTHER ORGANS

#### 6.1 ACTIVITIES OF THE EAST AFRICAN COURT OF JUSTICE

##### 6.1.1 Filing of Cases

The situation has somehow improved as far as filing of cases in the East African Court of Justice's Registry is concerned. One case was filed on December 6<sup>th</sup>, 2006 and the matter is still at pleading level pending hearing when pleadings will be completed. This has ended the drought season of cases in the Court registry, which lasted for four years without any case being filed even with Operationalisation of Customs Union. It is important to note that if Partner States start using the Court's arbitral jurisdiction to settle disputes where Partner States Governments are involved, the Court could have business to transact.

##### 6.1.2 Publicising the Court

The Court has carried out programmed promotional activities during this transitional period by using the major regional media (radio programmes and TV interviews), and also by buying space in the newspapers for serialised articles about the Court and its activities. This somewhat unusual but bold initiative was adopted by the Court following the Council of Ministers concern over lack of publicity which could have been one of the possible reasons for the Court not receiving cases in its registry. The Court feels that this is the best approach whose effect may not compromise the independence and integrity of the Court in future.



The Session noted a report by the Secretariat on the process of the construction of the EAC Headquarters. The Committee was informed that the contract was awarded to M/s GAUFF Ingenieure with LAAP Associates in December 2005.

The first meeting of the Project Management Team (PMT), which is composed of the Chief Architects and Chief Structural Engineers from Partner States and EAC officers was held in Arusha on February 7<sup>th</sup> - 8<sup>th</sup>, 2006. The Project Management Consultants and members of the PMT are currently preparing the Terms of Reference (TOR) for the procurement of the services of the General Building Consultant (GBC). This stage will be followed by the preparation of detailed Architectural designs and drawings which will be used for the preparations of Bills of Quantities and tendering for the Contractor. The construction is expected to begin during the last quarter of 2006 and to last two and a half years.

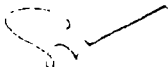
**The Co-ordination Committee recommends to the Council to take note of the above developments.**

### **5.3.3. IMPLEMENTATION OF ELECTRONIC INFORMATION EXCHANGE BETWEEN EAC AND PARTNER STATES**

The Secretariat reported that the Partner States' Needs Assessment report had been completed in preparation for implementing for phase one of the Electronic Information Exchange project. Partner States were requested to comment on the report which has already been distributed.

The Session thanked the Secretariat for the progress so far and recommended that the budgetary provision of US \$ 110,000 in financial year 2006/07 be supported in order to facilitate implementation of phase two of the project.

**The Co-ordination Committee recommends to the Council to take note of this development.**



- (i) The Judge President and the Speaker must put in a request in writing before a vehicle is sent for service or repair at the designated dealer for that make of vehicle. The letter should enclose the proforma for the costs that are expected to be incurred;
- (ii) Once the Secretary General or his designate approves the request, an LPO will be issued;
- (iii) Once the vehicle has been repaired, the Judge President and the Speaker will certify the invoice after which the payment can be effected;
- (iv) Taking note of the fact that the Judge President and the Speaker are involved with the affairs of the Community on a daily basis, and that efficient transport is essential in undertaking those functions, fuel allowance of US \$ 300 can be paid to each one of them on a monthly basis; and
- (v) For minor repairs amounting to US \$ 100 and below and not exceeding US \$ 600 for the whole year, the Judge President and the Speaker can submit for refund, cash sales for payments made for minor repairs.

The Co-ordination Committee recommends to the Council to:

- (a) consider the provision of full-time chauffer driven vehicles for the Judge President of the East African Court of Justice and the Speaker of East African Legislative Assembly;
- (b) consider and adopt the proposed modalities for the maintenance of official vehicles used by the EACJ Judge President and the EALA Speaker; and
- (c) refer the recommendation in (a) above to the Summit for consideration and adoption.

### 5.3.2. CONSTRUCTION OF THE EAC HEADQUARTERS

East African Court of Justice is extended, the current arrangement in which Judges are serving on ad hoc basis and paid allowances is sufficient..

**The Co-ordination Committee recommends to the Council to:**

- (a) note the above developments; and
- (b) decide that the current arrangement in which Judges are serving on an ad hoc basis be maintained.

### **5.3 ADMINISTRATIVE MATTERS**

#### **5.3.1. FACILITATION OF REGULAR TRANSPORT TO THE JUDGE PRESIDENT OF THE COURT AND SPEAKER OF THE ASSEMBLY WHEN NOT IN SESSION**

##### **5.3.1.1 Transport facilitation**

At its 11<sup>th</sup> Extraordinary meeting held on May 23<sup>rd</sup>, 2005, while considering the Management audit report for the financial year 2003/04 on the allocation of Community vehicles, the Council decided that the Speaker of the East African Legislative Assembly and the Judge President of the East African Court of Justice be facilitated with chauffer-driven vehicles on a full time basis. Further, it directed the Secretariat to submit proposals to the Council, including budgetary implications and modalities of vehicle maintenance. The budgetary implications are attached herewith as **Annex XXIX**.

##### **5.3.1.2 Modalities of vehicle maintenance**

In conformity with the Financial Rules and Regulations, the following process must be adhered to before the Secretariat can approve any repairs beyond US \$ 100 for the vehicles used by the Judge President and the Speaker:

- (a) take note of the above developments;
- (b) direct the Secretariat to ensure that the Consultant completes the job evaluation exercise as soon as possible;
- (c) direct that the revised report by the Consultant be subjected to further comments and analysis by the Partner States' Experts; and
- (d) direct the Secretariat to ensure that in future Partner States' reports in the relevant fields are, as much as possible, involved in the process of selecting consultants, development of Terms of Reference and review of Consultants' reports.

#### 5.2.7. TERMS AND CONDITIONS OF SERVICE FOR THE JUDGES OF THE EAST AFRICAN COURT OF JUSTICE

At its 10<sup>th</sup> Extraordinary Meeting held on January 22<sup>nd</sup> 2005 the Council of Ministers, after considering the report of the Eminent Persons on the Structure and terms and conditions of service for the staff of the Community, directed the Secretariat to make specific recommendations for consideration by the Council on the terms and conditions of service for the Judges of the East African Court of Justice.

The Secretariat, has prepared specific recommendations for two scenarios on the basis of three studies that were conducted earlier on i.e. when the Judges serve on ad hoc basis and when the Judges will serve a fully operational Court. It is important to put in place the terms and conditions of service for the Judges serving a fully operational Court so that when the Council exercises its power under Article 140(4) of the Treaty to determine that the Court be fully operational, these terms become immediately applicable.

The Session considered a detailed background paper spelling out the terms and conditions of service for the Judges of the East African Court of Justice attached hereto as Annex XVIII. The Session agreed that until the Jurisdiction of the

The Session recalled that at its 10<sup>th</sup> Extraordinary Meeting held in January 2005, the Council of Ministers directed that a job evaluation exercise of all posts of the Community be undertaken. In addition, at its 11<sup>th</sup> Extraordinary Meeting held in May 2005, Council directed the Secretariat to engage professional consultants to undertake the exercise and report at its next Ordinary Meeting. The Council further directed that Partner States Experts should make comments on the Consultants report before finally submitting it to the Council.

Consequently, the Experts met on March, 14<sup>th</sup> - 15<sup>th</sup>, 2006 to consider the Job Evaluation Report prepared by PricewaterhouseCoopers. The Session considered the report of the Experts and noted that there is need to subject it for further deliberations and consultations. The Session, therefore, agreed that the Secretariat should convene a meeting between the Consultants, Partner States Experts and the Secretariat to ensure that all the issues raised by the Partner States Experts are fully addressed by the Consultants. This latter meeting held on March 24<sup>th</sup> - 27<sup>th</sup>, 2006 and submitted its report to the Session on March 29<sup>th</sup>, 2006.

The Session considered the latter report. It observed that the report submitted by the Consultants was only a draft which did not address all the issues intended to guide the Council in job evaluation. It noted the need for the Consultants' conclusion of the process. In this regard there is need the Secretariat to:

- (a) prepare a matrix highlighting the terms of reference and the expected outcome taking into account the Partner States' observations;
- (b) avail the Consultants with all relevant documentation including the draft reports and all the comments made thereon; and
- (c) to ensure the Consultant finalises the job evaluation study as soon as possible..

**The Co-ordination Committee recommends to the Council to:**



- (b) consider and approve renewal of employment contracts for professional staff whose names are listed above with the existing terms and conditions of service for a period of five (5) years with effect from the due date.

#### 5.2.5. TERMS AND CONDITIONS OF SERVICE FOR TEMPORARY EMPLOYMENT

The Secretariat informed the meeting that given the ever increasing scope of EAC activities, the Secretariat has often found it necessary to employ people on a temporary basis to facilitate smooth running of the day to day activities of the Community and effective implementation of Council decisions. In this regard, there is a need to include a regulation on Terms and Conditions of Service for Temporary Employees in the new Staff Rules and Regulations. The Secretariat has proposed the terms and conditions attached hereto as **Annex XXVII**:

The Finance and Administration Committee agreed on the need to make provision for temporary employees in the proposed Staff Rules and Regulations. It noted that since the Sectoral Council on Legal and Judicial Affairs had already approved the Proposed Staff Rules and Regulations any amendment would have to be considered and approved by the same Sectoral Council.

The Co-ordination Committee recommends to the Council to:

- (a) consider and approve the proposed Terms and Conditions of Service for Temporary Employees attached hereto as Annex XXVII;
- (b) refer the above terms to the Sectoral Council on Legal and Judicial Affairs for appropriate action; and
- (c) decide that once approved by the Sectoral Council on Legal and Judicial Affairs, the Terms and Conditions of Temporary Employees be incorporated into the Staff Rules and Regulations.

#### 5.2.6 JOB EVALUATION EXERCISE

At its 2<sup>nd</sup> Meeting held on April 23<sup>rd</sup>, 2001, the Council of Ministers approved appointment on contract for Staff who had previously served under the Tripartite Commission on permanent and pensionable terms. The letters of appointment were issued with effect from July 1<sup>st</sup>, 2001.

The following members of Staff have served their term satisfactorily and their current contracts expire on June 30<sup>th</sup>, 2006. A performance evaluation has been undertaken and their performance rated satisfactory. They have been graded as hard working, disciplined and professional and their contribution to the Community commendable.

It is therefore recommended that the service contracts of the following Professional Staff be renewed for another five - year period:

- |     |                         |   |
|-----|-------------------------|---|
| (a) | Hon Wilbert T K. Kaahwa | Counsel to the Community (P1);                |
| (b) | Dr. John E. Ruhangisa   | Registrar/EACJ (P1);                          |
| (c) | Mrs. Ghaniya M. Kadu    | Accountant (P2);                              |
| (d) | Mrs. Sarah K. Batuwa    | Librarian (P2);                               |
| (e) | Mr. Aggrey Nkondola     | Information Technology Officer (P2);          |
| (f) | Mr. Charles Mukiri      | Internal Auditor (P2);                        |
| (g) | Mr. Francis Kisero      | Statistician (P2);                            |
| (h) | Dr. Caleb N. Weggoro    | Economist (Sectoral) (P2); and                |
| (i) | Mr. Magaga A lot        | Information and Public Relations Officer (P2) |

**The Co-ordination Committee recommends to the Council to:**

- (a) take note of the above development;

Following a Staff Evaluation Exercise, their performance was considered satisfactory for purposes of confirmation.

- (a) Mr. Peter Kiguta, Director - General (Customs and Trade) w.e.f. December 6<sup>th</sup>, 2004;
- (b) Mr. Kenneth A. Bagamuhunda, Director (Customs) w.e.f. December 15<sup>th</sup>, 2004;
- (c) Dr. Flora Musonda, Director (Trade) w.e.f. February 20<sup>th</sup>, 2005;
- (d) Mr. Abdul Katabaro, Administrative Officer w.e.f. March 1<sup>st</sup>, 2004;
- (e) Mr. Richard Othieno Owora, Public Relations Officer w.e.f. February 24<sup>th</sup>, 2004;
- (f) Dr. Stanley Sonoiya, Health Coordinator w.e.f. October 1<sup>st</sup>, 2004;
- (g) Mr. Hosea Nyangweso, Civil Engineer w.e.f. November 7<sup>th</sup>, 2004;
- (h) Mr. Jacob M. Ikilenya, Systems Analyst w.e.f. February 27<sup>th</sup>, 2005
- (i) Mr. Tareto Salay, Budget Officer w.e.f. February 28<sup>th</sup>, 2005;
- (j) Ms. Stella N. Mutuku, Court Administrator w.e.f. January 17<sup>th</sup>, 2005; and
- (k) Mr. Robert Okusam, Records Officer w.e.f. January 16<sup>th</sup>, 2005..

The Co-ordination Committee recommends to the Council to confirm the above-named professional Staff in their respective positions with effect from the dates indicated.

#### 5.2.4. RENEWAL OF EMPLOYMENT CONTRACTS FOR PROFESSIONAL STAFF

In the context of the EAC - GTZ cooperation project, GTZ will provide long-term as well as short-term expertise to EAC, funds for training measures and the purchase of equipment. The project will be operating in close cooperation with the Nairobi Secretariat responsible for the implementation of the Nairobi Protocol on Small Arms, the East African Police Chiefs Cooperation Organisation (EAPCCO) and civil society organisations engaged in conflict prevention. The Small Arms Expert will be a national of one of the EAC Partner States.

**The Co-Ordination Committee recommends to the Council to approve the recruitment of a suitably qualified East African national to fill the post of a Small Arms Expert to be funded by GTZ.**

### **5.2.2. SECONDMENT OF DEFENCE LIAISON OFFICERS**

Col. Daniel Matiku was appointed DLO (T) and he reported for duty in September 2005 replacing Col. Z.B. Urrio whose tour ended in June 2005.

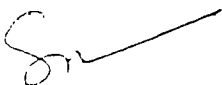
Brig. Fred Tolit reported for duty on December 8<sup>th</sup>, 2005 as the new DLO (U) replacing Brig. Robert Rusoke who was promoted and appointed Joint Chief of Staff for the UPDF in October 2005.

Col. Hilary K. Kioko reported for duty on February 1<sup>st</sup>, 2006 as the new DLO (K) replacing Col. Henry R. Nyambok whose tour ended on January 31<sup>st</sup>, 2006.

**The Co-ordination Committee recommends to the Council to take note of the above developments.**

### **5.2.3. CONFIRMATION OF STAFF**

In accordance with Article 19 of the East African Community Staff Rules and Regulations (1996), the following Professional Staff have completed their probationary period and are therefore eligible for confirmation in their posts with effect from the dates they were appointed.



- (e) Prepare and distribute monthly budget performance schedules for budget users; and
- (f) Carry out any other duties that may be assigned by the Head of Budget section.

In view of this, the Council is requested to approve the position of the Project Accountant and Budget Assistant to be financed by EU for four years effective July 2006.

The Co-ordination Committee recommends to the Council to approve the recruitment of a Project Accountant and a Budget Assistant during the lifespan of the project.

#### 5.2.1.6. RECRUITMENT OF A SMALL ARMS EXPERT

Both the European Union and the German Government have offered EAC support in the area of conflict prevention. The objective of the cooperation is to strengthen EAC in coordinating Partner States' policies on conflict prevention in general, and in curbing the proliferation of small arms and light weapons in particular.

AU, COMESA, EAC and IGAD have been negotiating a programme in the area of conflict prevention for the subregion covering Partner States of COMESA, EAC and IGAD. In the context of that programme, IGAD is responsible for coordination of the three RECs' conflict prevention strategy; the AU is responsible for institutional capacity and programme implementation; COMESA is responsible for war economy; and EAC is responsible for curbing illicit small arms proliferation.

Germany supports EAC in coordinating policies to curb the illicit circulation and proliferation of small arms and light weapons, flowing into the Region from surrounding conflict areas in the Great Lakes region, Sudan, DR Congo and Somalia. The cooperation project is expected to assist EAC in preparing to assume the wider responsibility of coordinating efforts to curb small arms proliferation in the areas of COMESA, EAC and IGAD in the context of the AU - EU programme.

in terms of account allocation, preparing reports to the donors and bank reconciliations. Some of the Development Partners who have provided funds to the Secretariat are GTZ; Rockefeller Foundation; Sida (Sweden); - (Power Master Plan Projects); Government of France -(Lake Victoria Safety of Navigation); World Bank (Customs Union Projects); International Labour Organisation; CIDA; Austrian Government; Government of Finland ; and UNEP. Although many donors channel their support through the Consultancy fund, quite a number of them still want their funds administered separately.

Recently, the EU under EDF 9 resources has made available 30 million Euros to EAC, COMESA, IOC and IGAD for five years to support programs in those regional organizations. In view of the current heavy workload in the Accounts Section, and the stringent accounting and reporting requirements of EU together with our donors, there is need to have a Project Accountant who will, in addition to handling the EU funds, will also administer other Donor funds including the Consultancy fund. The EU has agreed to finance this position that will be at the level of Senior Accountant. The Project Accountant will, among other duties:

- (a) Prepare donor funded accounts;
- (b) Ensure timely replenishment of donor funds;
- (c) Be responsible for disbursements in regard to goods and services purchased through donor funds;
- (d) Prepare monthly and annual financial reports for donors including the bank reconciliations, imprest;
- (e) Co-ordinate audits, monitoring and evaluation of donor funds;
- (f) Monitor cash flows of the donor funds; and
- (g) Any other duties assigned by EAC Accountant.

In addition to the Project Accountant, the EU has agreed to finance the position of Budget Assistant, at the General Staff level (G4 category) who will be in charge of monitoring the budget of EU funds as well as other donor funds. The Budget Assistant will:

- (a) Work out cost consumptions, rate and unit cost projections;
- (b) Develop budget preparation templates and update budget guidelines;
- (c) Post payment vouchers into the system;
- (d) Update budget performance schedules on a daily basis;

Taking into account the acute shortage of staff, the Council Ministers, at its 11<sup>th</sup> Extraordinary Meeting held on May 23<sup>rd</sup>, 2005, approved recruitment of eighteen (18) priority positions for the Secretariat, two (2) for the Legislative Assembly, two (2) for the Court of Justice and one (1) for the Lake Victoria Basin Commission.

The posts were advertised in the major newspapers in East Africa with a closing date of October 7<sup>th</sup>, 2005. The Secretariat reported that shortlisted candidates had been invited for interviews, but the process was halted due to concerns by a Partner State that recruitment should await completion of the Job Evaluation exercise.

The Co-ordination Committee recommends to the Council to direct the Secretariat to finalize the recruitment of the Priority Staff as soon as the Job Evaluation Report is adopted by the Council.

#### 5.2.1.5 RECRUITMENT OF A PROJECT ACCOUNTANT AND BUDGET ASSISTANT

The current manpower strength of the Accounts section at the Secretariat is four, made up of an Accountant, two Accounts Assistants and a cashier who is due to be recruited soon. The Secretariat has about 85 positions, 67 filled and 18 due to be filled shortly. By next year the Secretariat will also recruit personnel to fill new positions and it is expected that the staff complement will go beyond 100.

The payroll function, as well as other accounting functions like valuation, payments, bank reconciliations, preparation of monthly reports, (currently there are 24 bank accounts), as well as staff reconciliations, issuance of LPOs are all done by the current staff. Monthly payments amount to more than 300 involving those made to suppliers, staff like education and dependency allowances, imprest etc and delegates who attend meetings at EAC as well as out of station. Donor funded budget is increasing with more donors supporting projects. In accordance with the requirement of the donors, each donor wants a different database and sometimes there is a mix up of the transactions related to EAC and those of donors because the same staff handle both transactions.

The 2005/06 budget shows that donor funded budget is US \$ 8.4 million which is almost 45% of the total budget of the Community. This budget is financing diverse projects numbering to over 35, hence creating cumbersome accounting procedures

#### **5.2.1.3.2 Recruitment of the Project Officer and Maritime Safety Officer**

The Council of Ministers, at its 11<sup>th</sup> Extra-ordinary Meeting held on May 23<sup>rd</sup>, 2005 (EAC/CME/11/2005) directed that the contracts of the Projects Officer and Maritime Safety Officer for the Lake Victoria Development Programme be a period of six (6) months with effect from July 1<sup>st</sup> 2005 and thereafter the positions be advertised.

Consequently, an advertisement announcing the vacancies was placed in the major newspapers in the Partner States during the month of January 2006 with a closing date of February 10<sup>th</sup>, 2006. The recruitment process is underway.

The Co-ordination Committee recommends to the Council to note the progress made in the process of filling in the positions of Projects Development Officer and Maritime Safety Officer.

#### **5.2.1.3.3 Extension of Contract of Operations Officer – Ms Hawa Mshan (Tanzania)**

The coordination committee for Lake Victoria Basin at their meeting of 11<sup>th</sup> March, 2006 noted the delay by over one year in the preparation of Lake Victoria Environment Project phase II due to procurement delays in Partner States. This has necessitated the extension of employment period of staff coordinating the preparation process. Funding is available from SIDA – LVEMP's support project.

The Co-ordination Committee recommends to the Council to extend the contract of the LVEMP II Regional Operations Officer for a period of 18 months w.e.f. January 1<sup>st</sup>, 2006.

#### **5.2.1.4 RECRUITMENT OF PRIORITY STAFF FOR 2005/2006**



- (a) Executive Secretary (D2)
- (b) Deputy Executive Secretary (P1)
- (c) Senior Programme Officer (P2)
- (d) Programme Officer (P3)
- (e) Projects Development Officer (P3)
- (f) Maritime Safety Officer (P3)
- (g) Personal Secretary (G1)
- (h) Driver/Messenger (G2)

The Protocol on the Sustainable Development of the Lake Victoria Basin was ratified in November 2004 and the process of recruiting suitable persons to fill in the positions of Executive Secretary (D2, now D1) and Deputy Executive Secretary (P1, now P5) is now complete.

The persons mentioned in the following table having been interviewed by a selection Panel composed of the Executive Staff and Partner State representatives are recommended for appointment:

**Table XIV**  
**Candidates for appointment to Lake Victoria Basin Commission Executive posts**

Executive Secretary	D1	Dr. Tom Okia Okurut	Uganda	Male
Deputy Executive Secretary	P5	Dr. Kapyas Kipkore	Kenya	Male

The Curriculum Vitae of the above persons are attached hereto under **Annex XXVI**.

The Co-ordination Committee recommends to the Council to appoint Dr Tom Okia Okurut and Dr. Kapyas Kipkore to the positions of Executive Secretary and Deputy Executive Secretary of the Lake Victoria Basin Commission respectively.

## 5.2 STAFF MATTERS

The Session considered the following staff matters:

### 5.2.1. Staff Appointments

#### 5.2.1.1 Appointment of Economist (Sectoral) for the Secretariat

At its Eleventh Extraordinary Meeting held on 23 May 2005, the Council, after the position had been declined by Dr. Moses Muriira Ikiara of Kenya, appointed Mr. Wandera Abu - Baker S. (Uganda) to the position of Economist (Sectoral), (P3). However, he too has declined to take up the offer.

The Co-ordination Committee recommends to the Council to take note of the above development and direct the Secretariat to re-advertise the post.

#### 5.2.1.2. Appointment of Research Officer for the East African Legislative Assembly

In accordance with Article 49 (2) (f) of the Treaty, the East African Legislative Assembly at its 66th Sitting held on September 27<sup>th</sup>, 2005, recommended the appointment of Mr. Charles Kadonya (Tanzania) to the position of Research Officer. His Curriculum Vitae is attached hereto as Annex XXV.

The Co-ordination Committee recommends to the Council to appoint Mr. Charles Kadonya to the position of Research Officer at P3 level.

#### 5.2.1.3. Recruitment of staff for the Lake Victoria Basin Commission

##### 5.2.1.3.1 Appointment of the Executive Secretary and Deputy Executive Secretary

At its Sixth Extraordinary Meeting held in Arusha on April 7<sup>th</sup>, 2004, the Council of Ministers approved a budget for the Lake Victoria Basin Commission totalling US \$ 950,193 with the following positions:

The Co-ordination Committee recommends to the Council to:

- (a) consider and approve the re-allocation proposals as enumerated above; and
- (b) approve the creation of a budget line for Outreach Programme Activities.

#### 5.1.7. AUDITED ACCOUNTS FOR FINANCIAL YEAR 2004/2005

The Session considered the Report of the Audited Financial Statements of the East African Community for the Financial Year 2004/05 which is attached hereto as Annex XIV(a). The Session commended the Community for having been awarded, once again, a clean Audit Certificate.

The meeting considered the Audit Report, the Audit Commission observations and recommendations, the Management responses and made recommendations as reflected in the last column of the Matrix attached hereto as Annex XIV(b).

The Co-ordination Committee recommends to the Council to:

- (a) adopt the Audited Accounts of the East African Community for the Financial Year 2004/05;
- (b) consider the responses of the Community on the issues raised and to note the recommendations made by the Audit Commission;
- (c) adopt the recommendations contained in the last column of the Matrix attached hereto as Annex XIV(b); and
- (d) refer the Audited Accounts to the East African Legislative Assembly for debate.

The Session further agreed that the proposed re-allocation of US \$. 63,255 in the budget of the East African Court of Justice to cater for additional expenses in respect of the case filed by some members of the Legislative Assembly against the East African Community could be made.

**Table XIII -Re-allocation for the East African Court of Justice**

Budget Item	Balance to June'06	To Travel and Subsistence	To Consultancy	Remaining balance- June,06
Salaries	20,430	20,430	-	-
Education	6,806	6,806	-	-
Gratuity	6,874	6,874	-	-
Housing	6,000	4,800	-	1,200
Overtime	9,851	9,851	-	-
Transport	2,400	2,400	-	-
Medical Expenses	727	727	-	-
Training	4,000	4,000	-	-
Recruitment	1,680	1,680	-	-
Staff Welfare	300	300	-	-
Dependency Allowance	600	-	600	-
Leave Fare	500	-	500	-
Postage	195	195	-	-
Rent and Utilities	192	192	-	-
Vehicle running	2,560	-	500	2,060
Insurance	997	-	997	-
External Hire of Cars	300	-	300	-
Office Expenses	1,003	-	1,003	-
Maintenance and Repairs	1,000	-	1,000	-
Finance Expenses	100	-	100	-
<b>Total</b>	<b>66,515</b>	<b>58,255</b>	<b>5,000</b>	<b>3,260</b>

Table XII-Re-allocation-Secretariat

S/NO:	From		To	
	Budget Line	Amount	Budget Line	Amount
1	Salaries	13,500	Settlement Allowance	13,500
2	Salaries	60,000	Recruitment costs	60,000
3	Consultancy(Polit. Fed. Dept)	30,000	Outreach Programme	30,000
4	Computer Equipment (Polit. Fed. Dept)	18,107	Outreach Programme	18,107
5	Postage & Courier(Polit. Fed. Dept)	29,000	Outreach Programme	29,000
6	Staff Retreats(Polit. Fed. Dept)	5,200	Outreach Programme	5,200
7	Insurance	12,000	Travel & Subsistence	12,000
8	Stationery & Printing	20,000	=	20,000
9	Rent	20,000	=	20,000
10	Postage & Courier	25,000	=	25,000
11	Office Expenses	10,000	=	10,000
12	Medical Expenses	30,000	=	30,000
13	Training(Polit. Fed. Dept)	18,000	=	18,000
14	Subscription and Legal Fees	8,476	Consultancy-Workshop	8,476
15	Telephone/Fax(Pol Fed. Dept)	30,000	Consultancy-Kiswahili Council	30,000
16	Vehicle Expenses (Pol Fed. Dep)	3,700	Consultancy-Kiswahili Council	3,700
17	Salaries	33,950	Consultancy-Kiswahili Council	33,950
18	Leave Fare	4,000	Consultancy-Kiswahili Council	4,000
	<b>Total</b>	<b>370,933</b>	<b>Total</b>	<b>370,933</b>

Following a review of the budget performance for the period July 2005 up to February 2006 the Session agreed that re-allocations could be made as proposed.

support of these governance and democracy issues. Re-allocation in respect of this activity is being proposed.

**(d) Travel and Subsistence**

The Budget item was underestimated. As a result in some provision for travel and subsistence was inadvertently omitted resulting in inability for the officers to travel on duty. The Sections are Health, Public Relations, Planning, Monitoring and Evaluation, Procurement, Documentation and Records Management Systems, Gender, Community Development and Civil Society Section, Agriculture and Food Security, Energy and Natural Resources and Environment. In addition, some donors do not provide travel and subsistence budget in respective projects and programmes. It therefore requires the Secretariat to facilitate staff in order to ensure smooth implementation of programmes.

In view of the above, the current travel and subsistence vote needs to be increased by US \$ 135,000, to cater for official travel between now and June 2006. The Secretariat is requesting for re-allocation accordingly.

- (e) The Committee on Education, Culture and Sports met on 7<sup>th</sup> -8<sup>th</sup> November 2005. The Committee considered the report of the Task Force to fast track the formation of the East African Kiswahili Council and it noted that Uganda had reported that little progress had been made and as such the roadmap was amended to take care of the need to carry the process forward. Key consideration centered on the establishment of the country chapters and the Draft Protocol on the establishment of the East Africa Kiswahili Council. The road map was review and activities rescheduled and also the budget (\$ 71,560) was developed. Since this activity was not provided for in the budget FY 2005/06, the Secretariat was urged to present the budget proposal for re-allocation to be able to raise funds and facilitate the implementation of the activity

- (d) urge the Secretariat to follow the prescribed format while preparing budget proposals and projections in future.

#### 5.1.6.2. BUDGET RE-ALLOCATION

The Session considered the Secretariat's proposal for re-allocation for the Financial Year 2005/06 as explained below:

##### (a) Settlement Allowance

The settlement allowance that was provided for in the Defense Liaison Unit Budget for FY 2005/06 was to cater for the DLO (Kenya) who was expected to complete his contract this financial year. However, in December 2005 Uganda assigned new duties to Col.(now Brig) Robert Rusoke and replaced him with Brig Fred Tolit. As a result of the change US \$ 13,500 is required as installation allowance for the new DLO-Uganda. For this reason re-allocation for the installation allowance is being proposed to cater for the expense.

##### (b) Recruitment Expenses

The Secretariat provided for US \$ 26,100 as costs related to the recruitment of staff in FY 2005/06. Recruitment costs include among other things advertising, interviewing and travel and accommodation for those shortlisted for interviews. The total cost for this activity is expected to be more than the provision and in view of this, re-allocation is requested to accommodate this expenditure.

##### (c) Outreach Programmes

During the Elections that took place in the United Republic of Tanzania, and the Republic of Uganda and the Referendum in the Republic of Kenya held between October 2005 and February 2006, EAC was invited by Partner States as an Observer. To the Community, this was a new item that was not provided for in budget for FY 2005/06. However, since the Treaty provides among others, that the EAC Partner States shall cooperate in a political matters it was decided that EAC participates in

The meeting noted that given the urgent need to start on the negotiations of a Protocol on the Common Market, a recommendation be made to the Council that funding for items (i) and (ii) above may be sourced from the Float.

While considering the budget proposals for Lake Victoria Basin Commission, the Session noted that some costs associated with re-location to Kisumu could not be accommodated within the 10% increase. The Committee therefore agreed that a recommendation be made to the Council that the shortfall of US\$ 83,660 be funded using the Revenue Float.

Regarding the increment in the number of sitting days for the East African Legislative Assembly, the Committee noted the fact that National Assemblies of the respective Partner States sit for about 100 days, and considering the volume of business they transact, the East African Legislative Assembly may need to justify the proposed increment in the number of days. The Committee also recalled an earlier Council decision that the East African Legislative Assembly should sit for 60 days. The Secretariat was urged to explore alternative sources of funding for the remaining items from the Development Partners.

The recommended EAC Budget for the Financial Year 2006/07 and Projections for the Financial Years 2007/08 and 2008/09 are attached as **Annex XXIII**.

**The Co-ordination Committee recommends to the Council to:**

- (a) consider the budget estimates of the Community totalling to US \$ 20,609,962 of which US \$ 12,164,919 will be contributions by Partner States, US \$ 29,563 is expected miscellaneous income, US \$ 662,180 from the Revenue Float, and U \$ 7,753,300 is expected from the Development Partners for the Financial Year 2006/07;
- (b) decide that funds from the Float totalling US \$ 662,180 be utilized for partial funding of the negotiations of a Protocol on the Common Market, Avian Influenza (Bird Flu), Public awareness diseases and relocation cost for Lake Victoria Basin Commission;
- (c) refer the budget proposals to the East African Legislative Assembly for debate and approval; and



The meeting also noted an earlier Council decision limiting the budgetary increase to 10%.

The Session reviewed the budget proposals of the Community for the Financial Year 2006/07 taking into account priority activities and the capacity of the Partner States to finance the budget.

Following the review, the Secretariat prepared a revised budget incorporating a 10% increase. The Secretariat informed the meeting that the activities shown in the table below could not be fully accommodated in the revised budget:

**TABLE XI**  
**Activities not fully accommodated in the revised budget**

ITEM	COST (US\$)
(i) Common Market related issues	330,000
(ii) Negotiation on Free Movement of Persons	209,520
(iii) Civil Society - Mobilization	91,000
(iv) Extension of the Jurisdiction of EACJ	75,000
(v) Good Governance and Democracy	27,500
(vi) Marketing and promoting EA as Single destination	41,000
Avian Influenza (Bird Flu) - East Africa	27,000
(viii) Public Awareness on Diseases	12,000
(ix) Monitoring and Evaluation - Diseases Control	8,000
(x) Planning Meetings for the 1 <sup>st</sup> EAC - Health & Scientific Conference	20,000
(xi) Railway Development Plan Study: Consultancy Fees	50,000
(xii) Meteorological Development Plan and Investment Study	50,000
(xiii) Regional Communications Regulatory Strategy - Harmonisation of Regulatory Regime	80,000
<b>Sub-Total</b>	<b>1,021,010</b>

The Session commended the Secretariat for preparing a budget in line with MTEF principles. The Session recommended a format for the Secretariat to follow in preparing future budget proposals and projections as indicated below:

**Table X**  
**Format for budget proposals and projections**

Items of Expenditure	Revised Budget 2005/06	Actual 2006	Projected Expend. up to June 2006	Proposed Budget 2006/07	% Change	Projection for FY 2007/08	Projections for FY 2008/09

The meeting noted the Secretariat's explanation for the proposed increase of 47% above the budget for 2006/07 was due to:

- (a) General Increase in Administrative Costs;
- (b) Improved Terms and Conditions of Service;
- (c) Commencement of Negotiations on the Protocol on the Common Market and Free Movement of Persons;
- (d) Increase in the number of days for the sitting of the EALA from 60 to 80 days;
- (e) Good Governance and Democracy;
- (f) Engagement with the Civil Society;
- (g) High Level Mission Negotiations on the Applications of Burundi and Rwanda to join the East African Community; and
- (h) Filling of Approved Priority Positions.

While appreciating the reasons advanced by the Secretariat for the proposed increase, the Committee noted that the respective Partner States were facing financial constraints.

- (d) There was need to include a provision that the Council will determine the date of establishment and operationalisation of the Competition Authority.

The Co-ordination Committee recommends to the Council to:

- (a) consider and adopt the proposal to establish a Competition Authority comprising of three Commissioners on ad hoc basis for a transitional period of five years; and
- (b) direct that a provision be made that Council will determine the date for the establishment and operationalisation of the Competition Authority.

#### 5.1.6 BUDGET

##### 5.1.6.1 EAST AFRICAN COMMUNITY BUDGET FOR THE THE FINANCIAL YEAR 2006/07

The Session considered the proposed Budget Estimates of the Community for the Financial Year 2006/07 presented by the Secretariat. These include budget estimates for the East African Court of Justice, the East African Legislative Assembly, the Defence Liaison Unit, the Directorate of Customs and Trade, the Lake Victoria Basin Commission and the East African Community Secretariat.

The Session discussed the budget performance for the period June 2005 to February 2006 and proposals for the Financial year 2006/07 and projections for 2007/08 and 2008/2009 in line with Medium Term Expenditure Framework (MTEF) requirements.

The Co-ordination Committee recommends to the Council to:

- (a) take note of proposal on alternative sources of funding the Community attached hereto as Annex XXI; and
- (b) allow Partner States more time to consult on the proposals while maintaining the status quo (equal contributions) in the meantime.

#### 5.1.5. BUDGETARY IMPLICATIONS OF THE INSTITUTIONAL FRAMEWORK FOR THE COMPETITION BILL

The Legislative Assembly while considering the Competition Bill recommended that a Competition Authority be established to administer the Competition Bill instead of a Committee as provided for in the draft Bill.

At its meeting held on August 30<sup>th</sup>, 2005, the Sectoral Council on Trade, Finance and Investment decided that a meeting of the Finance and Administration Committee, Competition and Trade Experts be held to carry out further work on affordable budget scenarios for an appropriate institutional framework.

A meeting of Trade Experts was held on March, 9<sup>th</sup> – 10<sup>th</sup>, 2006 on the Competition Bill and made recommendations as contained in the report attached hereto as Annex XXII. The Session considered the report by the Trade Experts and agreed that:

- (a) There may not be much business for the Authority for the time being since it will only deal with cross border issues;
- (b) The proposal to establish a Competition Authority comprising of three Commissioners one from each Partner State on ad hoc basis during a transitional period of 5 years was appropriate;
- (c) The budgetary implication of US\$ 521,560 per annum as proposed was affordable; and

with the earlier proposed development fund, the Secretariat felt that there was need to provide a different title for the proposed fund.

During the EAC Development Partners' consultative meeting held on August 31<sup>st</sup>, 2005, between EAC Secretariat, Development Partners and Partner States, to pre-empt any further confusion on the title of "EAC Development Fund" it was agreed that "EAC Development Fund" be renamed as "EAC Partnership Fund". The Consultative Meeting approved the Rules and Regulations governing the fund and agreed that the Fund be launched at the next Summit.

The Secretariat presented the draft Rules and Regulations of the EAC Partnership fund. The Session considered the draft Rules and Regulations and made some amendments. The amended Rules and Regulations are attached hereto as **Annex XX**.

**The Co-ordination Committee recommends to the Council to consider and approve the draft Rules and Regulations on the administration of EAC Partnership Fund.**

#### **5.1.4 FINANCING OPTIONS FOR THE COMMUNITY**

At its 11<sup>th</sup> Extraordinary Meeting held on 23<sup>rd</sup> May 2005 while considering the Management Audit Report for the financial year 2003/04 on the Auditors recommendation that management identifies the possibilities of securing funds from other reliable sources, the Council noted that the Secretariat was preparing proposals on alternative sources of funding the Community.

The Session considered the proposals by the Secretariat and commended the Secretariat, which are attached hereto as **Annex XXI**, for a well researched paper. The meeting welcomed the proposals as useful for funding the EAC budget and projects and programmes of the Community. The meeting agreed that there was need to undertake further consultations at national level. The meeting further noted that the Secretariat needed to carry out a further study on the utilization and benefits of the enhanced funding in consultation with the Partner States.

budget. Once Partner States have remitted adequate funds, the amount withdrawn shall be deposited back into the General Reserve account;

- (c) Adequate funds as provided for in item (ii) above would mean any outstanding contributions of previous quarters plus the funds required for the following quarter. Funds required for the following quarter would be equal to  $\frac{1}{4}$  of the budget contributions by Partner States;
- (e) Where the General Reserve fund is more than one third of the annual budget for the year, any supplementary budget that has been approved by the Legislative Assembly shall first draw its funds from the General Reserve account to an extent that the balance remaining is not less than one third of the total budget for the year;
- (f) An approval mechanism by the Council will be determined;
- (g) The Secretariat will provide regular reporting on the status of the float;
- (h) When funds in the Float exceed 25% of the EAC budget, any excess will be credited to Partner States contributions; and
- (i) The above Rules and Regulations are subject to review.

**The Co-ordination Committee recommends to the Council to consider and adopt the proposed Rules and Regulations on the management of the Revenue Float.**

### **5.1.3 EAC PARTNERSHIP FUND**

At its 10<sup>th</sup> meeting, the Council considered the draft Rules and Regulations (guidelines) of the proposed EAC Development Fund and observed that the title of the proposed fund gave the impression that it was the same as the one mooted earlier during the negotiations on the Protocol for the Establishment of the EAC Customs Union. The Secretariat clarified that the development fund in question was not the one considered during the negotiations of the Protocol for establishment of the EAC Customs Union. However, in order to avoid confusion

The meeting noted the status of Partner States contributions. Uganda reported that she had already deposited a cheque of U.Shs 1.3 billion to the EAC Account in Kampala.

Tanzania reported that arrangements were underway to remit T.Shs 1 billion to the EAC account in the near future.

The Co-ordination Committee recommends to the Council to:

- (a) take note of the report of the Partner States contributions; and
- (b) urge the Partner States to fulfill their commitment to pay before the end of the Financial Year 2005/06.

#### 5.1.2. RULES AND REGULATIONS FOR THE MANAGEMENT OF REVENUE FLOAT

The Session recalled that the 6<sup>th</sup> Extraordinary Meeting of Council directed the Secretariat to make a proposal on Rules and Regulations governing the management of Revenue Float. The proposal was submitted to the 10<sup>th</sup> Meeting of the Council whereby the Council directed the Secretariat to refer the proposal to the Finance and Administration Committee with a view to presenting it to the next ordinary meeting of the Council.

The Secretariat presented a proposal attached hereto as **Annex XIX** detailing how the revenue float arises and how it is managed in other international and regional organisations. Recommendations provided will, upon approval, be part and parcel of Financial Rules and Regulations of the Community.

Following deliberations on the proposal the Meeting agreed on the following proposed Rules and Regulations for the management of the Float:

- (a) EAC to establish a General Reserve Fund bank account where any cash surplus will be deposited;
- (b) In case budgetary contributions from Partner States are delayed, funds from the General Reserve Fund account may be utilised to administer the current

Table VIII

**EAST AFRICAN LEGISLATIVE ASSEMBLY**

Country	Contribution Due 2005/06 (US\$)	Contribution Paid (US\$)	Balance Outstanding (US\$)	%paid
Republic of Kenya	884,416	663,201	221,215	75
The United Republic of Tanzania	884,416	389,679	494,737	44
Republic of Uganda	884,416	542,561	341,855	61
<b>Total</b>	<b>2,653,248</b>	<b>1,595,441</b>	<b>1,057,807</b>	<b>60</b>

Table IX

**CONSOLIDATED - EAST AFRICAN COMMUNITY**

Country	Contribution Due 2005/06 (US\$)	Contribution Paid (US\$)	Balance Outstanding (US\$)	%paid
Republic of Kenya	3,690,997	2,942,382	748,615	80
The United Republic of Tanzania	3,690,997	1,625,428	2,065,569	44
Republic of Uganda	3,690,997	2,219,390	1,471,607	60
<b>Total</b>	<b>11,072,991</b>	<b>6,787,200</b>	<b>4,285,791</b>	<b>61</b>



**Table VI**

**DIRECTORATE OF CUSTOMS AND TRADE**

Country	Contribution Due 2005/06 (US\$)	Contribution Paid (US\$)	Balance Outstanding (US\$)	%paid
Republic of Kenya	369,286	365,614	3,672	99
The United Republic of Tanzania	369,286	163,051	206,235	44
Republic of Uganda	369,286	226,587	142,699	61
<b>Total</b>	<b>1,107,858</b>	<b>755,252</b>	<b>352,606</b>	<b>68</b>

**Table VII**

**EAST AFRICAN COURT OF JUSTICE**

Country	Contribution Due 2005/06 (US\$)	Contribution Paid (US\$)	Balance Outstanding (US\$)	%paid
Republic of Kenya	221,649	135,535	86,114	61
The United Republic of Tanzania	221,649	97,770	123,879	44
Republic of Uganda	221,649	136,002	85,647	61
<b>Total</b>	<b>664,947</b>	<b>369,307</b>	<b>295,640</b>	<b>56</b>

**Table IV**

**DEFENCE LIAISON OFFICE**

Country	Contribution Due 2005/06 (US\$)	Contribution Paid (US\$)	Balance Outstanding (US\$)	%paid
Republic of Kenya	129,068	132,901	(3833)	103
The United Republic of Tanzania	129,068	56,892	72,176	44
Republic of Uganda	129,068	79,185	49,883	61
<b>Total</b>	<b>387,204</b>	<b>268,978</b>	<b>118,226</b>	<b>69</b>

**Table V**

**LAKE VICTORIA BASIN COMMISSION**

Country	Contribution Due 2005/06 (US\$)	Contribution Paid (US\$)	Balance Outstanding (US\$)	%paid
Republic of Kenya	224,392	224,352	40	100
The United Republic of Tanzania	224,392	98,930	125,462	44
Republic of Uganda	224,392	137,672	86,720	61
<b>Total</b>	<b>673,176</b>	<b>460,954</b>	<b>212,222</b>	<b>68</b>

## PART V

### FINANCE AND ADMINISTRATION REPORT

#### 5.1 FINANCE MATTERS

##### 5.1.1 Status of Partner States' Contributions as at March 11<sup>th</sup>, 2006

Table III

#### SECRETARIAT

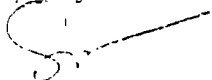
Country	Contribution Due 2005/06 (US\$)	Contribution Paid (US\$)	Balance Outstanding (US\$)	%paid
Republic of Kenya	1,862,186	1,420,779	441,407	76
The United Republic of Tanzania	1,862,186	819,106	1,043,080	44
Republic of Uganda	1,862,186	1,097,383	764,803	59
<b>Total</b>	<b>5,586,558</b>	<b>3,337,268</b>	<b>2,249,290</b>	<b>60</b>

- (b) the imported Maize and Rice under the facility will exclusively be for consumption in Tanzania.
- (c) During the period of the exemption, Tanzania's exports of rice and maize to the other Partner States would attract the ordinary Common External Tariff rates.

The Meeting further noted that its necessary to have in place a sustainable facility catering for importation of relief goods in times of emergencies arising from natural calamities to avoid the long processes of addressing such issues on case by case basis.

**The Co-ordination Committee recommends to Council:**

- (a) **Retrospectively approve importation by Tanzania of specified quantity of Maize and Rice at duty rates of 0% and 25% respectively for the period 1<sup>st</sup> March, 2006 to 31<sup>st</sup> May, 2006;**
- (b) **An amendment be made to the exemption schedule of the East African Community Customs Management Act 2004 to cater for imports of emergency relief goods in times of natural calamities that may occur in a Partner State.**



- (e) Outstanding issues on Non-Tariff Barriers
- (f) The implementation of the Common External Tariff and Elimination of Internal Tariff on some products.

The meeting noted that a meeting of the Sectoral Council on Trade Finance and Investment be convened by the end of April to address the pending issues.

The meeting also noted that there are issues relating to customs union implementation which should be covered during the pre-budget consultation meetings.


**The Co-ordination Committee recommends to the Council that:**

- (a) A meeting of the Sectoral Council on Trade, Finance and Investment be convened by end of April 2006 to address and finalise among others the above outstanding issues;
- (b) Technical meetings of experts be convened prior to the Sectoral Council meetings to make necessary preparations for the Sectoral Council;
- (c) The Secretariat in consultation with the Partner States arranges pre-budget consultation meetings in May, 2006.

#### **4.5 Drought in East Africa**

The meeting took note of the request by Tanzania that due to the persistent drought affecting the region, the Council reviews the duty rates of maize from 50% to 0% and rice from 75% to 25% to alleviate the crisis. This request will be for a period of 3 months and for a given quantity which will be provided by Tanzania. Kenya and Uganda recognized the legitimacy of the request made by Tanzania provided that

- (a) a mechanism is put in place to ensure that the facility is not abused by unscrupulous traders;



#### 4.3 Draft Regulations and Forms

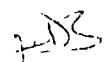
The 1<sup>st</sup> phase of the draft regulations and forms to the EAC CMA have been finalized and are pending legal refinement by the Sectoral Council on legal and Judicial Affairs and finally be submitted for adoption by Council. Work on the second phase of the regulations covering the Duty Remission Scheme will commence in May, 2006 by experts from Partner States.

**The Coordination Committee recommends to Council to take note of the above developments.**

#### 4.4 Sectoral Council on Trade, Finance and Investment

The meeting noted that the following issues pertaining to implementation of the Customs Union were still outstanding:

- (a) Uganda list of raw materials/industrial inputs. The Verification Committee had finalized the exercise and awaits the Sectoral Council on Trade, Finance and Investment to consider the report and make appropriate decision;
- (b) New Motor Vehicles imported by returning Diplomats accredited to countries that use left-hand cars. Kenya had submitted a request to exempt Motor Vehicles for this category of Diplomats. The Secretariat circulated the request by Kenya to the other two Partner States and Tanzania had submitted comments while Uganda's comments are still awaited. The meeting agreed to have the issue considered along with other issues under the exemption regime of the EAC CMA;
- (c) Issues pertaining to the implementation of the Common External Tariff, the EAC CMA 2004, the Internal tariff elimination programme and Rules of Origin;
- (d) Technical meetings of experts to review the criteria on Rules of Origin relating to Change in Tariff Heading to enable firms such as General Motors to have market access in the Partner States.



		<p>competence.</p> <p>(ii) Training of Testing Trainers be undertaken as a way of enhancing training in the region in particularly the following areas:</p>		
The Competition Bill	<p>The Sectoral Council at their meeting in August 2005 considered the report of the Secretariat on the different budget scenarios and noted that the:</p> <p>(a) The proposed cost implications of establishing either the Authority or the Committee were quite high and may be unaffordable to the Partner States;</p> <p>(b) There is need to consider the issue of effectiveness of a Committee as compared to a full-fledged Authority.</p> <p>(c) The EAC Competition Act will cover cross border issues while the Partner states will deal with national issues</p> <p>It was decided that:</p> <p>(a) A meeting of the Finance and Administration Committee, competition and trade experts be held to carry out further work on affordable budget scenarios for an appropriate institutional framework.</p> <p>(b) The Bill will be amended after an appropriate institutional framework has been agreed upon.</p> <p>(d) The Chairman of the Council should request the Speaker of the East African Legislative Assembly to suspend discussion of the Bill at the next Session in view of continuing consultations by the Council.</p>	<p>A meeting of Trade Experts was held on 9<sup>th</sup> - 10<sup>th</sup> March, 2006 on the Competition. The Finance and Administration Committee considered the report by the Trade Experts and recommended that:</p> <p>(b) A Competition Authority comprising of three Commissioners one from each Partner State on ad hoc basis during a transitional period of 5 years is appropriate;</p> <p>(c) The budgetary implication of US\$ 521,560 per annum was affordable; and</p> <p>(d) There was need to include a provision that the Council will determine the date of establishment and operationalisation of the Competition Authority.</p>	<p>The Co-ordination Committee recommends to the Council to:</p> <p>(a) consider and adopt the proposal to establish a Competition Authority comprising of three Commissioners on ad hoc basis for a transitional period of five years; and</p> <p>(b) direct that a provision be made that Council will determine the date for the establishment and operationalisation of the Competition Authority.</p>	

		negotiating positions		
2.	The joint export and investment promotion strategies for The East African Community;	A team of experts be constituted by the Partner States to consider the study report and come up with concise, clear and focused strategies in accordance with the Terms of Reference	The experts met in October and worked on the study but further work is to be done. A meeting is scheduled in mid April 2006	The Co-ordination Committee recommends to the Council to take note of the development
3.	Jua Kali/Nguvu Kazi	Report of the Jua Kali/Nguvu Kazi Steering Committee Meeting	The Jua kali/Nguvu Kazi held an exhibitions in Kampala Uganda in November 2005.	The Co-ordination Committee recommends to the Council to take note of the development
4.	Private Sector Development Strategy for EAC	The team of experts undertake their work in accordance with the Terms of Reference adopted by the Committee,	The experts met in October 2005 but the work was not finalised. A meeting is scheduled in mid April 2006..	The Co-ordination Committee recommends to the Council to take note of the development
5.	Standardisation, Quality Assurance, Metrology and Testing Bill	<p>The Standardisation, Quality Assurance, Metrology and Testing Bill, 2005 which will be submitted to the Legislative Assembly for enactment at Assembly's next sitting.</p> <p>(i) The EAC Secretariat forwards the 149 Standards to the Council for approval and subsequent gazetting as East African Standards;</p> <p>(ii) The revised procedures be adopted as Community procedures for the Development of East African Standard;</p> <p>(iii) The EAC Secretariat assist in publication of the procedures; and</p> <p>(iv) The work programme be implemented by the sub-committee.</p>	First reading of the SQMT Bill by EALA took place in September 2005. The publications of EAC standards and procedures are underway	The Co-ordination Committee recommends to the Council to take note of the development
7.	Metrology Technical Sub-Committee	The Technical Sub-committee on Metrology initiate a process for approximating the Weights and Measures Act and the Standards Act so that these Acts are in line with the SQMT Bill.	The Sub committee is scheduled to meet in May 2006	The Co-ordination Committee recommends to the Council to take note of the development
8.	Quality Assurance and Accreditation	<p>The Sub-Committee of Quality Assurance and Accreditation develops rules related to the sub-committee operations in relation to their meeting; and</p> <p>(i) The Sub-Committee develops the curriculum for assessors' course so as to enhance recognition of</p>	The Sub Committee is scheduled to meet in May 2006	The Co-ordination Committee recommends to the Council to take note of the development



		implementation mechanism after the Verification Committee completes its work.		
3	Issuance of EAC Certificates of Origin	The Sectoral Council on Trade, Finance and Investment to consider Tanzania requested for a review of the earlier decision restricting issuance of Certificates of Origin only to the Partner States' Customs Authorities. The Sectoral Council took note of the above positions and directed that a meeting of technical experts be convened to consider this matter and make recommendations taking into account the regulatory framework and international best practices.	A diagnostic research was undertaken and the Technical committee will convene to consider the report and recommend to the Sectoral Council on Trade, Finance and Investment at their next meeting.	The Co-ordination Committee recommends to the Council to take note of the development.
4	Importation of Scrap Motor Vehicles Batteries as Raw Materials	This request be considered by the Sectoral Council on Trade, Finance and Investment at its meeting to be scheduled before August 31 <sup>st</sup> 2005. The Sectoral Council decided : (a) to Set up a Committee to carry out the verification exercise on the quality and production process of YUASA Battery Company, and report to the next meeting of the Sectoral Council; and (b) that YUASA Battery Company be allowed to import scrap batteries under a duty remission scheme;	A verification exercise was undertaken by experts on 4-6 <sup>th</sup> October and the report is to be considered by the Sectoral Council on Trade, Finance and Investment	The Co-ordination Committee recommends to the Council to take note of the development
5	Harmonisation Of Excise Duty Structures	(i) Secretariat to reconvene the task force of experts meetings by end October 2005 to harmonise excise duty structures of the Partner States; (ii) Partner States to ensure that they are adequately represented at the next meeting on the harmonisation of excise duty structures.	The meeting was arranged for 17 <sup>th</sup> -18 <sup>th</sup> October but did not materialise because of lack of representation by Uganda. Another meeting is scheduled for April 2005	The Co-ordination Committee recommends to the Council to take note and urged Partner States to ensure adequate representation in the meeting

### 4.3 Trade, Industry and Investment

The East African Trade Negotiations Bill, 2004	The Sectoral Council on Trade, Finance and Investment met and decided that: (a) The development of legislation on trade negotiations be stayed pending the conclusion of a consultancy study; (b) The Secretariat to expedite the preparation of a proposal for the setting up a mechanism for harmonising Partner States'	An interim report has been presented and circulated for comments	The Co-ordination Committee recommends to the Council to take note of the development
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10	Sensitisation on Customs Union and training of Customs officers and Agents	<p>(a) Sensitisation workshops on Customs union will to be held particularly in major border towns targeting the business communities of all categories, clearing agents, civil society, government officials and local leaders.</p> <p>(b) Training of trainers on Customs union was undertaken in June 2005</p>	The Directorate held Sensitisation seminars at Busia, Malaba/Tororo, Mbale/Lwakhaka, Namanga, Mwanza, Isebania/Serari, Kisumu, Taveta/Holili, and Lunga Lunga/Horo Horo. More seminars will cover inland and coastal towns	The Co-ordination Committee recommends to the Council to take note.
11	Non Tariff barriers	The Secretariat to convene an extraordinary meeting of the Sectoral Committee on Trade, Industry and Investment by August 31 <sup>st</sup> , 2005 to comprehensively deal with non-tariff barrier issues;	The Sectoral Council on Trade, Industry and Investment met and considered the identified NTBs. Partner states undertook to address the issues raised and report back at the next meeting of the Sectoral Council	The Co-ordination Committee recommends to the Council to take note of the development
12	Verification Of Uganda's List Of Raw Materials	<p>Secretariat convenes the meeting of Sectoral Council on Trade, Finance and Investment to consider the Report of the Verification Committee and decide appropriately.</p> <p>The meeting of the Sectoral Council was held and decided among others that:</p> <p>(a) 80 companies that were found to import and use the raw materials/industrial inputs should be allowed to import them duty free, subject to the cleaning up exercise;</p> <p>(b) the Verification Committee should carry out the cleaning up exercise referred to above</p> <p>(c) Uganda be allowed a period of two weeks within which to provide the clarification provided that no new companies outside the submitted list will be considered</p> <p>(d) The verification Committee should verify the clarification provided by Uganda, and report to the Sectoral Council.</p> <p>(e) The Sectoral Council directed the Secretariat to set up technical committee to work out an</p>	The Verification Committee reconvened on 4 <sup>th</sup> to 9 <sup>th</sup> October and finalised the exercise and the report is ready for consideration by the Sectoral Council at its next meeting	The Co-ordination Committee recommends to the Council to take note of the development

	<p>second schedule of the EAC Rules of Origin;</p> <p>(h) Directorate initiate training programmes on the EAC Rules of origin;</p> <p>(i) Established a sub-committee on Customs.</p>	<p>Council after the further review of the 2<sup>nd</sup> schedule of Rules of Origin is completed by the Experts. Meetings of Experts for the review exercise will take place in the 2<sup>nd</sup> and 3<sup>rd</sup> week of April 2006</p> <p>(h) Training of trainers in Rules of origin have been undertaken and a training programme is to be implemented in May and June 2006</p> <p>(i) Sub Committee was established and is functioning</p>	
Customs Regulations and Forms	The work on Customs regulations and forms is on course and the draft on the 1 <sup>st</sup> phase of regulations and forms has been finalised by the Working Group.	The Draft Regulations and forms are ready for refinement by the Sectoral Council on Legal and Judicial before adoption by Council	The Co-ordination Committee recommends to the Council to take note of the development
Confidentiality in pre budget consultations	To seek guidance from the Sectoral Council on Legal and Judicial Affairs on how the Ministers of Finance should hold pre-budget consultations in confidence without compromising national and community laws	The Sectoral Council on Legal and Judicial decided to refer the case back for clarification on background for this guidance	The Co-ordination Committee recommends to the Council to take note of the development.
High Level Task Force	<p>(a) dissolved the HLTF as an organ of EAC and related activities be mainstreamed under the relevant Committee of EAC</p> <p>(b) commended the HLTF for the good work and directed the Secretariat to make arrangements for the official recognition of the members of the HLTF; and</p>	<p>HLTF was dissolved</p> <p>Awarding of the Certificates to be done during this 12<sup>th</sup> Council meeting</p>	The Co-ordination Committee recommends to the Council to take note of the decision of the Sectoral Council on Trade, Finance and Investment,

Rules of Origin	Partner States and an EAC Customs Union seal,	<p>(b) A simplified certificate of origin be developed for cross border trade based on a criteria under the regulations;</p> <p>(c) The Partner States print the certificates of origin in accordance with the specifications;</p> <p>(d) Customs be the issuing authority of the EAC Certificates of Origin;</p> <p>(e) The layout of boxes 6-9 of the Certificate of origin be in a vertical format ;</p> <p>(f) The word 'or' be inserted at the end of Rule 4 (1) (b) (i) and (ii), and the word 'and' at the end of Rule 4 (1) (b) (ii) be deleted.</p> <p>(g) Stay the application of Rule 4 (1) (b) (iii) up to 31<sup>st</sup> December 2005, pending completion of training and further review of Rule 4 (1) (b) (iii) and the</p>	<p>under the draft regulations due for adoption</p> <p>(b) A simplified Certificate of origin hereby appended as Annex XI for adoption by Council</p> <p>(c) Awaiting decision on Issuing authority by the Sectoral Council on Trade and Finance</p> <p>(d) Sectoral Council to decide on the appropriate issuing authority based on the recommendation of the Technical committee.</p> <p>(e) The Sectoral Council considered and adopted the new layout and requires approval by Summit (see Annex XII)</p> <p>(f) The Sectoral Council considered and adopted the amendments which require approval by Summit</p> <p>(g) A review on application of Rule 4(1) (b) (iii) is to be made by the sectoral</p>	<p>to the Council to take note of the Sectoral Council decision on use of Customs Union Seal as security marks</p> <p>(b) The Co-ordination Committee recommends to the Council to approve and adopt the simplified certificate of origin attached hereto as Annex XI.</p> <p>(c) The Co-ordination Committee recommends to the Council to take note of the decisions (c), (d), (g), (h), (i) and (j) of the Sectoral Council on Trade, Industry and Investment.</p> <p>(d) The Co-ordination Committee recommends to the Council to request Summit to approve (e) and (f)</p>
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	<p>been outside the Partner State for a period in excess of 24 hours.</p> <p>(f) Imported inputs for use in the horticulture, agriculture or floriculture sector.</p> <p>(g) Hotel Equipment engraved or printed or marked with the hotel logo imported by a licensed hotel for its use.</p> <p>(h) Refrigerated trucks.</p> <p>(i) Diapers, Urine bags and hygienic bags for medical use in such quantities as the Commissioner may allow.</p> <p>(j) Speed Governors.</p> <p>(k) Any media containing computer software.</p> <p>(l) Packaging Material for Medicaments.</p> <p>(m) Packaging materials and raw materials for manufacture of medicaments</p>		
Amendments to remove inconsistencies in the CET	<p>a) Deleted HS Codes 3307.49.00 and inserted 3307.90.00</p> <p>b) Motor vehicles diesel and petrol engines attract the same duty rate of 25%.</p> <p>c) Duty rate on HS Code 3302.10.00 to read 10% in line with HS Code 2106.90.20.</p> <p>d) Word "disassembled" be deleted wherever it appears in chapter 87;</p> <p>e) A meeting of experts be convened to address any other inconsistencies in the CET and take appropriate action</p>	<p>Decision (a)-(c) have been gazetted and implemented. For noting</p> <p>Decision (d) awaits summit approval to implement the decision</p> <p>Decision (e) was implemented</p>	<p>The Co-ordination Committee recommends to the Council to take note of the decisions (a)-(c) and (e) of the Sectoral Council on Trade, industry and Investment.</p> <p>The Coordination Committee recommend to the Co. request Summit approval on recommendation (d)</p>
Review of the above amendments	Ministers of Finance may review the decisions during their post-budget consultations	Post budget meetings are scheduled for early May 2006	The Co-ordination Committee recommends to the Council to take note of the decisions of the Sectoral Council on Trade, industry and Investment.
East African Community - Common External Tariff	<p>The tariff handbook should have two schedules:</p> <p>(i).Schedule 1 - Common External Tariff with the three tariff band;</p> <p>(ii).Schedule 2 - the Sensitive list.</p>	Decision is awaiting approval by Summit as per the as provided in the Protocol	The Coordination Committee recommend to the Council to request Summit for approval on the recommendation by Sectoral Council
Amendments to the EAC	(a) The security mark should be in form of the specimen signatures circulated to	(a) The seal of Customs union is covered	(a) The Coordination Committee recommend

## 4. 2 Council decisions and Implementation Status

**Table II**

A: Customs				
S/N	Area	Decision by the Sectoral Council on Trade, Finance and Investment	Status of implementation	Recommendation
1	Amendments of import duty rates in the CET	<p>(a) CET rate on rice remain in force, and Kenya will stay the application of the CET rate on Pakistan rice for a period of twenty four months, after which this decision will be reviewed</p> <p>(b) Tanzania and Uganda stay application of CET rate on wheat grain for a period of twenty-four months, after which this decision will be reviewed</p> <p>(c) Tanzania imports one time quantity of 6,000 m.t of barley free of duty in order to sustain production of beer</p> <p>(d) Amended rates on pharmaceuticals - 0%, sanitary towels and tampons - 0%, , liquefied petroleum gas - 0%, coal - 0%, aluminium wire of cross sectional dimension exceeding 7mm- 0%, palm stearine fractions - 0%, safety belts - 0% coffee makers or tea makers - 10%, toasters - 10%, worn clothing</p>	All the issues indicated have been gazetted and implemented.	The Co-ordination Committee recommends to the Council to take note of the decisions (a)-(d) of the Sectoral Council on Trade, Finance and Investment.
2	Amendments to the Exemption regime under EAC-CMA Act 2004	<p>The following items are exempted under the Exemption regime under EAC CMA 2004</p> <p>(a) Armed Forces Canteen Organisation continues to operate under exemption in Kenya and Tanzania for the period of one year and that the arrangement be phased out during financial year 2006/7.</p> <p>(b) Splints imported by a manufacturer for use in the manufacture of matches.</p> <p>(c) Inputs imported by a manufacturer for use in the manufacture of agricultural equipment..</p> <p>(d) Goods may be exempted when imported as baggage by a person on first arrival or a returning resident of a Partner State whom the proper officer is satisfied is bona fide changing residence from a place outside a Partner State to a place within a Partner State.</p> <p>(e) Goods up to the value of 300 dollars for each traveller who has</p>	All the decisions indicated have been gazetted and are being implemented in Partner States	The Co-ordination Committee recommends to the Council to take note of the decisions (a)-(m) of the Sectoral Council on Trade, industry and investment.

## PART IV

### REPORT OF THE DIRECTORATE OF CUSTOMS AND TRADE

#### 4.1 PROGRESS REPORT ON THE IMPLEMENTATION OF THE CUSTOMS UNION

The implementation of the Customs Union commenced on January 1<sup>st</sup>, 2005. The Directorate of Customs and Trade together with the Customs administrations of the Partner States, other agencies responsible for implementation of the EAC Customs Union Protocol and stakeholders have been working jointly to:

- (a) coordinate and direct the implementation process;
- (b) identify setbacks to the process;
- (c) sensitise the public;
- (d) train customs staff and agents;
- (e) develop and harmonise requisite instruments for smooth implementation; and
- (f) design mechanisms to promote intra and inter regional trade

Policy areas that require redress or improvement have been presented to the Sectoral Council on Trade, Finance and Investment and decided upon. There is pending work at different stages of finalisation by the various committees which will be presented to Council for consideration and adoption on completion.

This report contains a tabulated summary on the progress of implementation of the Customs Union covering both work done and work still in progress.



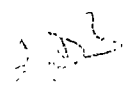
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The Co-ordination Committee recommends to the Council to take note of the consultative, experts, and task force activities that will form the basis of future Council decisions.



*Report of the Session of the Senior Officials*

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- (b) Meetings of the Coordinating Team of the Arusha - Namanga Road Project:
- (i) November 2<sup>nd</sup> - 4<sup>th</sup>, 2005, in Namanga to review the Final Reports for Phase I prior to submission to the Bank.
  - (ii) March 1<sup>st</sup> - 3<sup>rd</sup>, 2006, in Arusha; to review progress of Phase 2 (Detailed Design), to consider comments from ADB on the Final Reports for Phase I and to initiate the process of sourcing for funds for construction.
- (c) Meeting of the Task Force on the East African Road Network Project:
- vi. October 4<sup>th</sup> - 6<sup>th</sup>, 2005 to implement the decisions of the Sectoral Council on Transport, Communications and Meteorology of 9<sup>th</sup> September 2005. The main issues were the compilation of a detailed report on the implementation of the road network project and preparations for a mid-term review of the Project.
  - (ii) February 8<sup>th</sup> - 10<sup>th</sup>, 2006, in Arusha; to update detailed project profiles and implementation matrices and to prepare framework actions required for holding the mid-term review.
- (d) Meeting of the Heads of Railways Corporations - October 19<sup>th</sup> - 21<sup>st</sup> 2005 held in Kampala to review the implementation of projects and programmes in the sub sector and in particular the funding of the Master Plan Study.
- (e) Meeting of the experts on the evaluation of the bids on the feasibility study on the Upper Flight Information Region, November 10<sup>th</sup> - 11<sup>th</sup> 2005. Three bids for the Study were received and evaluated. The Secretariat is processing the award of the contract to the winning bidder, DORS International of the United States.
- (f) Meeting of the experts on the prioritisation of regional airport projects - November 10<sup>th</sup> - 11<sup>th</sup> 2005 in Arusha. The Meeting developed a list of priority airport projects for implementation in the short and medium term.

- (i) Joint meeting of GTZ Consultants and EAC Regional Experts Task Force on Emergency Preparedness against Avian Influenza (Bird Flu) in East Africa

An EAC joint meeting of the EAC Partner States' Ministries responsible for Agriculture, Health, Tourism and Wildlife was held on November 8<sup>th</sup> - 9<sup>th</sup>, 2005 in Arusha, Tanzania in order to discuss and formulate a regional East African epidemic preparedness and response to Avian Influenza (Bird Flu). As part of the implementation of the recommendations of this joint meeting, the East African Community Secretariat obtained technical assistance from the German Federal Ministry of Economic Cooperation and Development (BMZ) through the German Technical Cooperation Agency (GTZ) in order to undertake a one-month needs assessment Consultancy study on the East African Regional Avian Influenza Emergency Preparedness and Response.

Consequently, a joint meeting of the GTZ Consultants and the East African Regional Multi-sectoral Expert Task Force on Avian Influenza was held in Arusha, Tanzania on February 13<sup>th</sup> - 14<sup>th</sup>, 2006 in Arusha, Tanzania. The meeting discussed national and regional level activities as regards AI emergency preparedness and response in East Africa.

### 3.6.6 Transport, Communications and Meteorology

- (a) Meetings of Experts on the harmonisation of the civil aviation regulations October 10<sup>th</sup> - 29<sup>th</sup> 2005; November 7<sup>th</sup> - 25<sup>th</sup> 2005; December 5<sup>th</sup> - 16<sup>th</sup> 2005 and January 17<sup>th</sup> - 27<sup>th</sup> 2006 in Arusha to continue with the review and compile the differences between the revised Partner States Regulations. Harmonised drafts of the regulations are expected to be promulgated by June 2006. A meeting of the experts on the development of the technical guidance materials to implement the harmonised regulations took place in Arusha on January 30<sup>th</sup> - February 10<sup>th</sup> 2006.



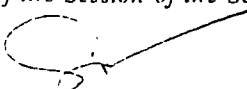
(g) Collaboration in the prevention and control of Communicable Diseases and Epidemics in East Africa

As part of the implementation of the programmed activities of EAIDSNet for the year 2005, a meeting of EAC Partner States' Experts on Integrated Disease Surveillance and Response (IDSR) and Geographic Information System (GIS) was held on October 5<sup>th</sup> -6<sup>th</sup>,2005. The purpose of the meeting was to review and install Integrated Disease Surveillance Data for EAIDSNet target diseases for the period January to September 2005 from the three EAC Partner States' into a computer server at the EAC Headquarters which will then serve as a regional IDSR and GIS database. Subsequent to this, a technical meeting of the EAC Partner States' National IDSR and GIS experts was held on February 14<sup>th</sup> - 15<sup>th</sup>,2006 in Arusha, Tanzania. The main purpose of this meeting was to update the regional East African Integrated Disease Surveillance Database using the EAIDSNet EPIINFO data entry software. The next step is to develop and strengthen similar systems at National level within the three EAC Countries as part of cross-border communicable disease prevention and control activities in East Africa.

(h) Harmonization and Strengthening of the regulatory framework of the East African Health Professional Boards, Councils and Associations

The 2<sup>nd</sup> joint meeting of East African Health Professional Boards/Councils and Associations was held in Arusha, Tanzania on August 24<sup>th</sup> - 26<sup>th</sup> 2005. During the meeting, technical recommendations were made and general discussions were held on the way forward for the harmonization of standards for regulation, training and registration of all health professionals and other allied health professional staff within the EAC Partner States.

Meanwhile, the EAC Secretariat is looking for funds to commission a regional consultancy based on the Terms of Reference (ToRs) as approved by the 10<sup>th</sup> Meeting of the Council of Ministers for a "Regional Level Consultancy/Expert Working Group on the strengthening of the East African Health Professional Boards, Councils and Associations and the way forward for the establishment of Regional Level "Health Professions Authority (EAHPA)" in East Africa".



- (e) 1<sup>st</sup> Meeting of the High Level Task Force on the Negotiations of the Draft Protocol on the Free Movement of Persons, Labour, Services, Right of Establishment and Residence

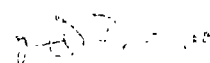
The 1<sup>st</sup> Meeting on the HLTF on the implementation of Article 104 (2) of the Treaty was held on March 9<sup>th</sup> -10<sup>th</sup>, 2005. The purpose of the meeting was discuss and agree on the HLTF Terms of Reference, new time frame for the negotiation period, and to discuss and agree on the activities to be initiated in support of the negotiation process.

- (f) Development of the Final Protocol of the “East African Health Research Council (EAHRC)

The 10<sup>th</sup> meeting of the Council of Ministers directed that National Stakeholders meetings be convened in each of the EAC Partner States on or before August 31<sup>st</sup>, 2005 to deliberate on the draft Final Protocol for the Establishment of the EAHRC and thereafter collate the recommendations into the final protocol before September 30<sup>th</sup>,2005.

The three EAC Partner States’ have now convened and concluded their National Stakeholders’ meetings on the draft EAHRC protocol, the National Nodes for the Regional East African Community (REACH) Policy Initiative Project and the convening of the first East African Health and Scientific Conference in year 2006.

The recommendations of the National Stakeholders meetings on the draft EAHRC protocol were collated and incorporated into the Draft Final EAHRC protocol during an East African regional stakeholders meeting that was held on November 14<sup>th</sup> - 16<sup>th</sup>,2005 at the Uganda National Health Research Organization (UNHRO) headquarters in Entebbe, Uganda. This Draft Final EAHRC protocol will be further subjected to policy review by the forthcoming 2<sup>nd</sup> meeting of the Sectoral Council on Health and will thereafter be forwarded to the Sectoral Council on Legal and Judicial Affairs for legal input.



(d) Meeting of the Directors of Culture, Composers, and Adjudicators:

The meeting of the Directors of Culture, Composers, and Adjudicators was held on October 27<sup>th</sup> -29<sup>th</sup>, 2005. The aim of the meeting was to refine/finalise the developed EAC Anthem and prepare a technical report and the final audio version of the Anthem for presentation to the Sectoral Committee on Education, Culture and Sports.

(e) Meeting of the Commissioners of Labour and Directors of Employment:

The meeting was held on the December 1<sup>st</sup> - 3<sup>rd</sup>, 2005. The objectives of the meeting were to:-

- (i) discuss and review the national activities undertaken in line with the Zanzibar Ministers of Labour meeting recommendations;
- (ii) discuss the formalisation of an annual Ministerial Forum on employment creation and poverty reduction in the EAC;
- (iii) receive and discuss the Draft Study Finding of the EAC studies on the Harmonisation of Labour Laws and Employment policies;
- (iv) discuss and recommend strategies on the Youth unemployment challenge in the Region;
- (v) develop a Road Map on the convening of the first Extra-ordinary EAC Summit focused on Poverty alleviation and Employment creation.

(d) Meeting of the Chiefs of Immigration

The Chiefs of Immigration met on February 13<sup>th</sup>-14<sup>th</sup>, 2006. They reviewed implementation of previous Council decisions, planned for border inspection visits and discussed on how to ensure effective participation of the Immigration Departments in the negotiations of a draft protocol on the Free Movement of Persons, Labour, Services, Right of Establishment and Residence.

### 3.6.5 Social Sectors

During the period under review, the following Expert/Technical meetings were held under the Education, Culture and Sports docket

- (a) The regional Science and Technology Stakeholders Workshop to review and validate the draft protocol on the Establishment of the Science and Technology Council.

The Stakeholders meeting was held on August 25<sup>th</sup> - 27<sup>th</sup>, 2005. The main objective of the workshop was to provide a forum for the stakeholders in Science, Technology and Research to review and Validate the draft protocol on the establishment of the Science and Technology Council.

- (b) The EAC Regional Competition on the Development of the EAC Anthem

The regional event to select the EAC Anthem was held on the September 24<sup>th</sup> - 27<sup>th</sup>, 2005 in Arusha at National History Museum grounds. The event was attended by the 9 composers who had been selected at National level, Adjudicators, 3 national Choirs composed of 21 participants per Partner State and the Directors of Culture, Members of the East African Legislative Assembly, EAC Secretariat, Regional Commissioner's office and members of the public.

- c) 2<sup>nd</sup> Meeting of the Task Force to Fast Track the Formation of the East Africa Kiswahili Council.

The 2<sup>nd</sup> Meeting of the Task Force to fast track the formation of the East African Kiswahili Council was held on October 28<sup>th</sup> -29<sup>th</sup>, 2005. The Task Force revised the road map which they had prepared in March, prepared a budget for implementation of activities to facilitate the establishment of National Chapters in Kenya and Uganda and the regional Kiswahili Council.

