EAC

JUMUIYA YA AFRIKA MASHARIKI

East African Community Annual Report 1998/99 - 1999/2000

EAC

Contents

MESSAGE FROM THE CHAIRMAN

Hon. Eriya Kategaya

The major pre-occupation of the Permanent Tripartite Commission for East African Co-operation in 1999 was with the finalisation of the Treaty-making process. The period set aside for the public debate of the draft Treaty continued into the first quarter of the year. The Commission held two extraordinary meetings, the first extra-ordinary meetings in its seven-year history, devoted entirely to the Treaty negotiations.

The signing of the Treaty for the Establishment of the East African Community on 30 November 1999 was, with great justification, a much-heralded event. As the East African Heads of State signed the Treaty in front of a record turnout at the Sheikh Amri Abeid Stadium in Arusha on that bright November afternoon, the joy of the historic occasion reverberated across the region and beyond.

The Treaty seeks to enhance the Partner States' economic, social, cultural political and other ties for their balanced and sustainable development. The new East African Community that it brings forth will be the region's bulwark for much needed expansion of trade and investments; development of regional infrastructure, human resources, science and technology; and co-operation in many areas of political, social and cultural interest.

Apart from the poignant Treaty Signing, the year was marked by sustained activity and steady progress made in regional integration. Among the highlights were:

- The 3rd Summit Meeting of the East African Heads of State held in Arusha in January during which, among other landmarks, the EAC Memorandum of Understanding on Foreign Policy was signed;

- The successful EAC Ministerial Delegation to London in continuation of the programme of promoting the EAC in the major world centres;

- The first Ministerial Seminar on East African Co-operation held in Arusha in March;

- The holding of two Extra-ordinary Meetings of the Permanent Tripartite Commission, on the Treaty-making process;

- Commencement of Issuance of the East African Passport;

- Implementation of the EAC Postal Automation Project; and

- Establishment of a Committee to spearhead the preparations for and implementation of the Lake Victoria Development Programme.

These significant developments augured well for the future of regional integration.

They showed that the regional integration and development being pursued were on the right track. Above all, they reaffirmed that regional integration would be assured and sustained through dedicated and objective approach to regional issues; genuine, deep involvement of the people in the regional projects and programmes, right from the decision making to the implementation stages; and continued positive engagement with our development partners.

With the achievements of the year, the stage is now set for the entry into force of the Treaty and coming into being of the new regional organisation, the East African Community. In the period ahead, the regional organisation will be challenged to translate the letter and spirit of the Treaty into activities and programmes of tangible benefits to the people, and to realise this in the most effective and timely manner.

Hon. Eriya Kategaya, MP, Chairman of the Permanent Tripartite Commission for East African Co-operation, and First Deputy Prime Minister and Minister of Foreign Affairs of the Republic of Uganda

MESSAGE FROM THE SECRETARY GENERAL

Amb. Francis Muthaura

The Event of the Year was the Signing of the Treaty for the Establishment of the East African Community on 30 November 1999. The Treaty provides wide ranging opportunities for deepening regional co-operation for faster socio-economic development in East Africa.

This is the last Annual Report of the Permanent Tripartite Commission for East African Co-operation, which will be superseded by the Council of Ministers of the East African Community in accordance with the provisions of the Treaty. During its tenure of seven years, the Permanent Tripartite Commission discharged its mandate well, successfully identifying the areas of co-operation and formulating an appropriate new regional integration arrangement, starting with the EAC Development Strategy for 1997 to 2000 and institutionalised by the Treaty for the Establishment of the East African Community.

The Commission's defining act was the establishment of the EAC Secretariat in 1996, which has provided effective facilitation of the regional integration process. Consequently, over the past four years, the East African Heads of State met regularly at their Annual Summits; the Commission met 14 times in their regular sessions and in two extraordinary sessions; and over 200 technical and task force meetings were held on various aspects of the regional integration.

These confidence and consensus building activities, inspired by the unflinching commitment, which the Heads of State continued to demonstrate to regional integration, led to positive results among which was, the signing of the tripartite agreements on: Avoidance of Double Taxation; Road Transport; and Inland Waterways; as well as Memoranda of Understanding on: Foreign Policy Co-ordination; Defence Co-operation; and Environmental Management.

Regional projects initiated by the Commission during its tenure include those on the Road Network; Digital Transmission Project; Postal Automation; Safety of Civil Aviation; Power Masterplan; Lake Victoria Development Programme; Private Sector Development; Revitalisation of the Inter-University Council for East Africa; and Compilation of a Directory of East African Research Institutions.

In addition, achievement was made in the area of facilitation of movement of people and vehicles across the national boundaries within East Africa. Introduction of the East African Passports, removal of border charges for private passenger vehicles and easing border cross formalities were some of the significant accomlishments in this area.

During the year under review, the Commission continued to build on its success to consolidate the gains of regional integration. While steady progress was made in all the areas of co-operation, activities during the year focussed mainly on the finalisation of the Treaty and continued harmonisation of policies and regulations towards the realisation of a single market and investment area for East Africa.

Due emphasis was placed on the development of regional infrastructure, human resource, science and technology; rational management and utilisation of natural resources and protection of the environment; raising public awareness and promoting participation of the civil society and the private sector, including mainstreaming gender in the regional integration and development process; as well as cultivating dynamic and constructive relations with our development partners. Besides, the Commission adopted towards, the end of the year, an Indicative Plan of Action for the Implementation of the Treaty.

In the coming period, the regional organisation will focus on the implementation of the Indicative Plan of Action in giving life to the provisions of the Treaty. In particular, attention will be given to the establishment of the various organs of the Community, including the East African Legislative Assembly and the East African Court of Justice; the conclusion of the Protocol on the envisaged East African Customs Union; the adoption of the new East African Community Development Strategy for the years 2001 - 2005; and the strengthening and restructuring of the Secretariat.

The achievements so far made, and the measures in place, give confidence for the future. The regional organisation is geared to making a difference, in delivering the benefits of regional integration within the shortest time possible, thus making a positive impact on the living standards and welfare of the people of our region.

Ambassador Francis Kirimi Muthaura,
MBS, Executive Secretary of the East African Co-operation

PERFORMANCE OF THE ECONOMIES OF THE PARTNER STATES

3.1 Tanzania

3.1.1 Overview of the Economy

Overall, the economy performed better in 1999 than in 1998. GDP in real terms grew at the rate of 4.8 per cent, which was higher than the rate of 4.0 per cent recorded in 1998. The good economic performance in 1999 is attributed to the good performance of the agriculture, trade and tourism sectors. Growth in other sectors was below that recorded in 1998.

The agriculture sector contributed 48.9 per cent to total GDP and grew by 4.1 per cent in 1999. The mining sector recorded a lower growth rate of 9.1 per cent in 1999, compared to the growth rate of 27.4 per cent recorded in 1998. This slow down is attributed to lack of expansion in the existing mines, or opening of new ones. The contribution of the sector to total GDP was 2.1 in 1999 compared to 2.0 per cent in 1998.

In 1999, inflation fell to around 7.8 per cent, compared to 12.9 per cent in 1998. The control of inflation is attributed to controlled Government expenditure and improved distribution of food, following repairs to infrastructure earlier damaged by the El-Nino weather conditions.

3.1.2 Sectoral Performance

i Agriculture

The Agricultural sector contributes 50 percent of GDP, and accounts for more than 55 percent of foreign exchange earnings. The sector also provides employment to 85 percent of the population and is a source of food and raw materials to the Industrial Sector and a market for the manufactured goods.

Crop production in 1998 was fairly poor due to various problems including drought arising from lack of short rains which normally contributes about 30 percent of the total food production. Late arrival of the long rains and the out break of pests which destroyed crops, such as paddy, maize, sorghum, sugar canes and banana plantations in Lindi, Dodoma, Morogoro, Mtwara, Mwanza and Mbeya regions hampered crop production.

There was a decline in food crop production in 1998. The total production was 7,326 million tons while in 1997 it was 6,556.9 million tons. The expected production for the 1999/2000 is 6,310 million tons.

During the 1998 season, cash crop production was unsatisfactory. Production of cotton and tobacco declined by 25.85 percent, of sisal and tea by 25 percent and 16.55 percent respectively, while production of pyrethrum remained constant. There was a slight increase in coffee and cashewnut production of about 8.1 percent and 7.3 percent, respectively, compared to the 1997 production levels.

There were moderate achievements in the livestock sub-sector in the years 1998/1999 especially on the strengthening of extension services to livestock farmers, and controlling animal diseases by providing vaccination services to the affected areas. Furthermore, the mobilisation of livestock farmers to form associations and co-operative unions aimed at creating an enabling environment for private sector participation in the importation and distribution of veterinary drugs. The people were mobilised in the construction of water troughs for their livestock as well as construction and rehabilitation of cattle dips in Arusha, Singida, Mara and Mbeya regions.

ii Tourism

In the period under review, the Tanzania Tourist Board continued to perform its role of publicizing Tanzania's tourist attractions locally and abroad, promoting, development and diversification of tourism products and sensitising the operators and potential investors to invest in the tourism sector.

The interests of tourists can be categorised in terms of those interested in game viewing, beach and coastal zone, small islands, historical sites as well as those interested in traditional and cultural tourism.

In 1998, most of the foreign visitors to Tanzania were hunters and game viewing tourists. Overall, the number of tourist inflow increased by 34.3 percent from a total of 359,096 tourists in 1997 to 482,331 tourists in 1998. A total of foreign exchange earnings generated were US$570 million, reflecting an increase of 45.3 percent compared with US$392.4 million generated in 1997. With regard to employment opportunities in the tourist industry, the number increased from 110,000 employees in 1997 to 132,000 in 1998.

In 1999 earnings rose to US$733 million compared to US$ 570 million of 1998, an increase of 29 percent. The number of tourists also increased from 482,331 in 1998 to 627,325 in 1999, an appreciation of 30 percent.

iii Manufacturing Sector

The manufacturing sector in Tanzania recorded a growth rate of 3.6 per cent in 1999, compared to the growth rate of 8.1 per cent recorded in 1998. The decline is attributed to the lack of competitiveness of locally manufactured goods in the domestic market and poor performance of some of the industries, such as those producing cigarettes, batteries, fishing nets and steel products.

iv Energy

It is estimated that Tanzania has a potential hydropower capacity of 4,780 megawatts but only about 375 megawatts is presently harnessed. There are abundant natural gas reserves at Songosongo in Kilwa and Mazi bay in Mtwara regions. Coal reserves estimated at 1,000 million tons are located at Mchuchuma and Songwe-Kiwira. On the other hand, geological surveys indicated that some areas have potentials for oil reserves. These include Lake Tanganyika basin, Madawa, Pemba and Zanzibar, Dar es Salaam, Kisangire, Mafia and Kimbiji. Fuel wood consumption is estimated at 60-150 million cubic feet.

Current demand and supply of energy reflect low levels of commercial energy such as petroleum products, electricity and coal constitute only 10 percent of total energy consumption. Consumption of petroleum products accounts for 82 percent of total commercial energy. Electricity and coal account for 15 percent and 3 percent respectively. While the transport sector consumed 15 percent of total commercial energy, manufacturing consumes 30 percent and domestic use accounts for 19 percent.

v Mining

During the period under review, the government continued with its efforts to strengthen the mining sector by introducing changes in the Mining Act. The measures were aimed at simplifying procedures related to processing of requests for mineral licences, allocation of mineral rights and creation of a more conducive environment for investors. The number of prospecting licences issued increased from 375 in 1997 to 389 in 1998.

The Mining Policy of 1997 and the new Mining Act of 1998 continued to be the main guide in promoting the sector. Future contribution of the sector is expected to be higher, following implementation of the existing programmes and investment incentives. In 1998 and 1999, the mining sector grew by 27.4 and 9.1 percent, respectively, compared to 17.1 percent in 1997. The sector's contribution to GDP was 2.0 percent (at 1992 prices) compared to 1.7 percent in 1997. There was an average increase in mineral exports of 11.0 percent compared to 7.4 percent in 1997. The value of minerals exported also increased from US Dollars 92.81 million in 1997 to US Dollars 103.0 million in 1998. Decline in the price of gold in the world market and the effects of El-Nino rains, which flooded many of the mining sites, contributed to the small volume and value of minerals exported.

vi Transport and Communications

The main objective of the Tanzania Government in this sector is to enhance the transportation and communications capacity through collaboration with the private sector and other external donors and financiers.

During the 1997/98 the sector grew by 6.2% from TShs.75.099 million in 1997 to TShs.79.755 million in 1998 (1992 prices).

In 1998/99 most of the funded emergency rehabilitation following the El Nino rains were completed. These projects included those in the roads and the railways sub sectors.

Constraints recorded for the incomplete projects were the lack of counterpart funding; inadequate skilled local manpower in the roads sub-sector management and inadequacies in the long term programming for the sub-sector. The constraints noted above are being addressed under the newly formed Tanzania National Roads Agency (TANROADS).

The restructuring of the railways progressed during 1999. Out of the 61 projects earmarked towards the restructuring of the Tanzania Railways Corporation (TRC), 9 were finalised in 1999, 18 are ongoing and 34 were yet to begin by end of 1999. In addition, the implementation of the El Nino emergency rehabilitation for the damaged bridges and permanent way, which started in 1998 went on in 1999.

The restructuring of the Tanzania Harbours Authority went on in 1999. 5 major programmes towards this end were still ongoing at the end of 1999. These programmes were in the area of marketing the ports and its facilities, enhancement of customer services, and the expansion of the ports storage capacities.

In the communications sub sector, the main aim has been the restructuring/privatisation of the state run corporations in the sub-sector. The major programme in the sub-sector was the restructuring of the Tanzania Telephone Company Limited (TTCL). The restructuring of TTCL was substantially completed in 1999. The privatisation process of TTCL is under consideration.

In the Civil Aviation sub-sector, plans to make the Tanzania Civil Aviation Authority an autonomous entity were finalised in 1999.

vii International Trade and Balance of Payments

Total exports in 1999 fell by 8.8 per cent, compared to 1998. The value of total exports in 1999 was US$541.0 million compared to US$588.5 million in 1998. The decline in the value of exports is attributed to the fall in agricultural exports and loss of export market due to reduced competitiveness of local products.

The value of imports into Tanzania in 1999 was US$1,418.6 million, which was an increase of 4.0 per cent above imports of US$1,366.0 in 1998. The Trade balance recorded a deficit of US$877.6 million in 1999. The improvement is attributed mainly to reduced capital outflows.

3.1.3 Economic Prospects for 2000

In 1999, the Tanzanian economy continued its recovery and recorded a growth rate of 4.8 percent, which was higher than that of 4.0 percent registered in 1998. The high economic growth in 1999 is attributable to good performance of the agriculture, trade and tourism sectors. The agriculture sector benefited from the good weather. Other sectors grew at rates lower than those recorded in 1998.

The economic recovery is expected to continue in 2000, with the economy projected to grow at a rate of around 5 per cent. However, this will depend on the performance of the agriculture sector, which in some regions has been affected by poor rains. The economy is expected to benefit from the low capital outflow, as a result of the debt relief under the HIPCI. The terms of trade are expected to worsen in year 2000, due to the fall in the price of commodity exports particularly coffee, and the rise in oil prices. This may affect economic performance in 2000.

Table 2.1 Economic Structure - Tanzania

Macro-economic Indicator	Units	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP at Factor Cost Current Prices	Million USD	3,846	4,445	4,226	3,879	4,170	4,866	5,953	7,043	7,719	7,879
Real GDP Growth	%	6.2	2.8	1.8	0.4	1.4	3.6	4.2	3.3	4.0	4.8
Consumer Price Inflation (underlying)	%	35.8	28.7	21.8	24.0	33.5	27.4	21.0	16.1	12.9	7.8
Population	Millions	23.9	24.6	25.3	26.0	26.7	27.5	28.3	29.1	30.0	30.9
Export FOB	Million USD	328	341	397	439	519	683	763.8	752.6	588.5	543.3
Imports CIF	Million USD	1,353	1,401	1,494	1,482	1,502	1,541	1,411	1,320	1,570	1,538
Current Account	Million USD	-558.9	-736.0	-800.1	-1022.0	-711.0	-646.6	-461.2	-555.1	-946.6	-862.0
Reserves excl. gold	Million USD	52.7	56.9	81.8	69.6	113.0	148.7	480.0	622.0	644.0	776.0
Total external debt	Million USD	-	6,689	6,781	8,011	8,441	7,793	8,034	7,847	7,973	7,268
External-debt-service ratio	%	23.2	31.6	40.9	21.9	16.5	17.3	17.5	18.4	17.4	15.8
Marketed Coffee	`000 Tons	44.1	48.0	57.4	38.4	44.0	55.0	34.1	30.8	37.1	48.0
Marketed Cotton (lint)	`000 Tons	-	-	-	61.1	60.0	70.9	81.9	86.3	37.3	27.9
Marketed Cashew	`000 Tons	28.9	42.2	39.1	46.6	60.0	81.6	63.0	99.9	110.0	130.0
Electricity Sold	KWH Million	1,251	1,400	1,383	1,349	1,406	1,547	1,743	1,663	1,807	1,693
Tourism Earnings	Millions USD	65.0	94.7	120.0	146.8	192.1	258.1	322.0	392.4	570.0	733.30
Manufacturing Index	1995=100	-	-	110	110	101	104	105	111	120	124
Market Determined Exchange Rate	TShs.: 1 USD	197.5	222.61	301.91	414.53	509.63	572.00	579.98	609.90	664.70	752.00

Origins of Gross Domestic Product	(% of GDP)					
	1994	1995	1996	1997	1998	1999
Agriculture, Forestry and Fishing	49.6	50.7	50.6	50.1	49.1	48.9
Manufacturing	8.1	7.9	8.0	8.1	8.4	8.3
Trade, Restaurants & Hotels	15.7	15.7	15.6	15.8	15.9	16.1
Transport and Communication	5.1	5.3	5.1	5.2	5.3	5.4
Electricity and Water	1.6	1.6	1.7	1.7	1.7	1.7
Public Admin. and other Services	8.7	8.2	8.0	7.9	7.8	7.7
Mining and Quarying	1.3	1.4	1.5	1.7	2.0	2.1
Others	9.9	9.2	9.5	9.5	9.8	9.8

Principal Imports	(% of Total Imports)					
	1994	1995	1996	1997	1998	1999
Machinery, Transport & Equipment	36.5	32.8	32.9	36.3	40.3	39.1
Industrial Raw Materials	8.6	26.2	25.1	14.2	9.8	12.2
Petroleum Products	19.8	12.6	11.4	13.1	6.5	5.8
Consumer Goods	23.9	24.5	26.0	28.3	34.2	33.9
Others	11.2	3.9	4.6	8.1	9.2	9.0

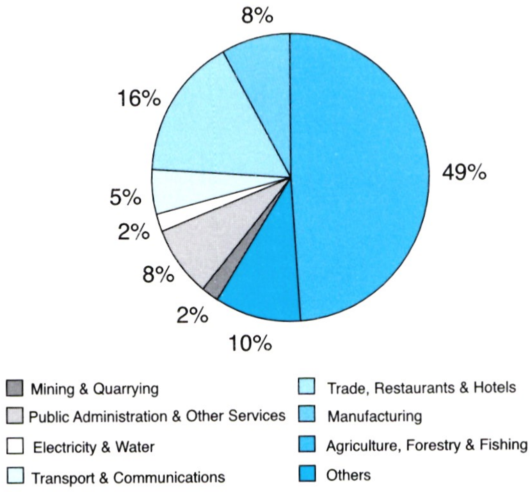
Principal Exports	(% of Total Exports)					
	1994	1995	1996	1997	1998	1999
Coffee	22.2	20.6	17.7	16.3	17.0	14.2
Cotton	20.2	17.4	16.3	16.2	8.0	5.2
Manufactured Products	14.8	16.0	14.5	15.0	10.7	6.0
Cashew nuts	9.9	9.2	12.7	10.5	16.6	18.3
Minerals	5.8	6.5	7.3	12.9	15.2	13.2
Tobacco	4.0	3.9	6.4	1.8	3.8	8.0
Tea	7.6	3.4	3.5	4.2	4.8	4.5
Others	15.5	23.0	21.6	23.1	23.9	30.6

Main Sources of Imports	(% of Total Imports)					
	1994	1995	1996	1997	1998	1999
United Kingdom	8.4	9.4	9.2	9.3	7.8	7.8
Germany	4.9	3.4	3.2	3.8	4.9	3.8
Italy	4.0	3.6	4.6	2.9	4.3	3.0
United States of America	3.3	4.3	3.6	4.0	5.2	6.1
Japan	5.5	7.0	5.5	5.6	8.3	10.9
China* (Hong Kong inclusive)	6.6	7.1	6.4	5.2	3.3	3.7
India	4.6	4.6	7.7	5.9	5.7	5.8
United Arab Emirates	-	6.1	6.5	7.1	3.8	3.1
Kenya	7.4	8.9	11.6	7.2	6.7	5.8
Other COMESA	2.7	3.0	2.8	3.7	3.2	3.1
Others	52.6	42.6	38.9	45.3	46.8	46.9

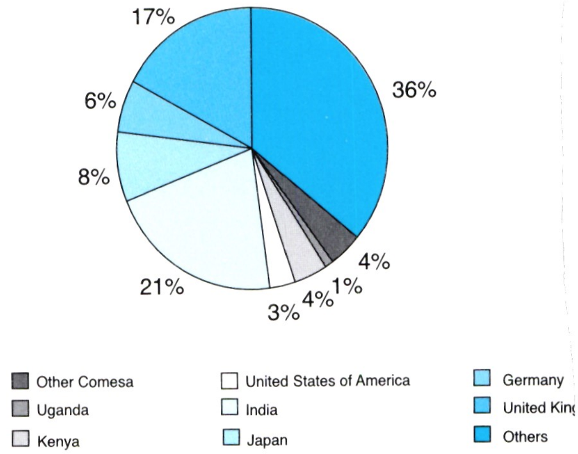
Main Destinations of Exports	(% of Total Exports)					
	1994	1995	1996	1997	1998	1999
United Kingdom	6.0	5.9	5.2	5.0	9.9	17.0
Germany	10.6	10.6	9.5	9.0	8.1	6.4
Japan	9.4	9.6	8.4	8.0	7.6	8.0
India	10.2	8.5	9.3	8.9	19.1	20.6
USA	3.1	3.5	3.0	2.8	2.1	3.3
Kenya	1.9	1.8	1.8	1.7	3.3	3.8
Uganda	1.5	1.4	1.6	1.5	1.1	0.8
Other Comesa	10.2	10.8	9.9	9.4	11.1	3.9
Others	47.1	47.8	51.3	53.6	37.7	36.2

EAST AFRICAN COMMUNITY DATABASE, MAY 2001
Sources. Bank of Tanzania Publications (1999)
Tanzania Economic Survey, 1999
National Bureau of Statistics
"-" means data not available

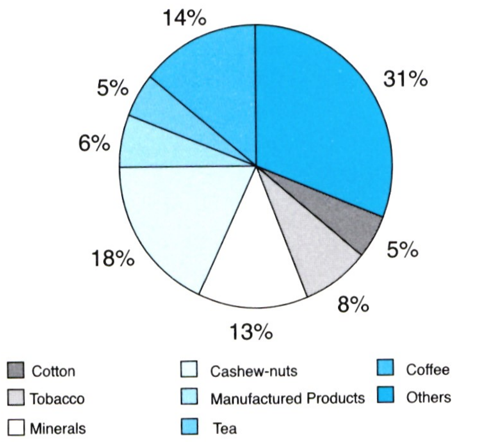
Origins of Gross Domestic Product (% of GDP) 1999



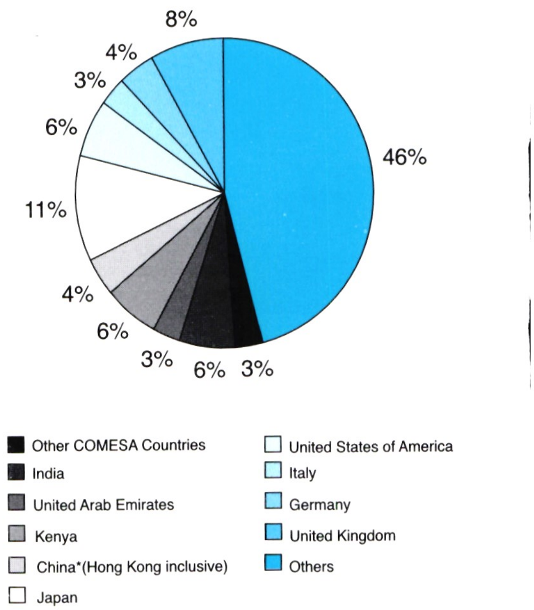
Main Destination of Exports (% of of Total Exports) 1999



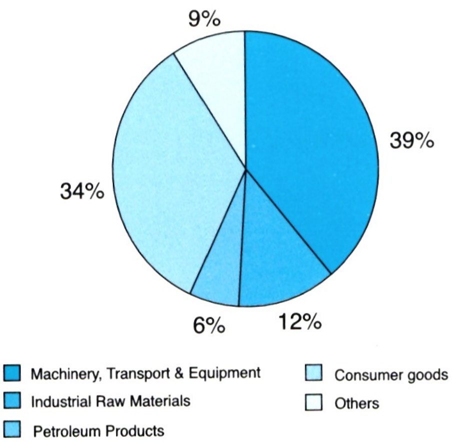
Principal Exports (% of Total Exports) 1999



Main Sources of Imports (% of Total Imports) 1999



Principal Imports (% of Total Imports) 1999



3.2 Kenya

3.2.1 Overview of the Economy

Generally, the Kenyan economy declined further in 1999, with GDP in real terms growing at 1.4 per cent, which was a decline from the 1.8 per cent growth rate recorded in 1998. Lower growth rates were recorded in almost all sectors, except for the transport sector which recorded a growth rate of 1.4 per cent, compared to the 1.2 percent growth rate recorded in 1998. Agriculture, which contributes 25 percent to GDP, recorded a decline in real growth from 1.5 percent in 1998 to 1.2 percent in 1999. The poor performance of the agriculture and manufacturing sectors accounted for the overall decline of the economy.

Kenya's fiscal deficit widened on account of increased expenditures on repair of infrastructure. Nevertheless, inflation was contained at around 3.5 percent in 1999. Due to significant slow down of the economy, growth of wage employment in the modern sector decelerated and marginally increased by 0.5 percent.

3.2.2 Sectoral Performance

i Agriculture

Gross Domestic Product growth in the agricultural sector decreased from 1.5 percent in 1998 to 1.2 percent in 1999. Overall output at current prices declined from US$2090.9 million recorded in 1998 to US$1994.5 million in 1999. At constant prices, total value agricultural output increased mainly due to higher production of coffee, pyrethrum, sisal, rice and dairy produce. In 1999, the value of marketed production declined partly as a result of declines in prices of tea and coffee, while those of sugarcane, pyrethrum, seed, cotton and sisal remained virtually static.

Poor wheat producer prices in 1998 impacted negatively on wheat production in 1999. In addition, the army worms invasion on the wheat farms in 1999 resulted in massive on- farm crop losses. As a result, recorded wheat production declined by 68.7 percent from 177.1 tonnes in 1998 to 55.4 thousand tonnes in 1999.

Coffee production increased by 27.5 percent to 68.1 thousand tonnes in 1998/99 crop year inspite of the internal wrangles in the coffee co-operatives sector which dominated for the better part of 1999, culminating in the splitting of giant coffee societies into smaller units. Tea production declined in 1999 due to lower precipitation when compared to 1998 when the 'EL-nino' weather phenomenon was experienced. The quantity of horticultural exports rose by 26.4 percent from 78.4 thousand tonnes in 1998 to 99.1 thousand tonnes in 1999. The value of horticultural exports rose by 48.8 percent from US$124.7 million in 1998 to US$185.6 million in 1999.

Varied weather patterns in 1999 resulted in mixed performance of the agricultural sector. This led to increased production of some crops while others declined. Prices of tea and coffee declined while those of sugar cane, pyrethrum, seed cotton and sisal remained virtually static.

ii Tourism

The tourism sector, which is one of Kenya's leading forex earners and source of employment, started to show strong recovery signs in 1999. The number of visitor arrivals, which declined by 10.6 percent in 1998, went up by 8.4 percent in 1999 and stood at 969.3 thousand. Similarly, there was an increase in tourism earnings of 22.1 per cent fromUS$224.4 million in 1998 to US$273.9 million in 1999. However, the average length of stay dropped, marginally from 9.6 days in 1998 to 9.4 days in 1999.

The number of hotel bed-nights available expanded by 9.2 percent in 1999 compared to 1998. On the other hand, the number of bed nights occupied went up by 4.9 percent over the same period. This scenario translated into a decline in bed occupancy rate from 435.3 per cent in 1998 to 33.9 percent in 1999. The total number of visitors to game parks and game reserves in 1999 went up significantly by 42.1 per cent. Similarly the number of visitors to Museums, Snake Park and other historical sites went up by 16.0 per cent over the same period.

iii Manufacturing Sector

In 1999, the manufacturing sector grew by 1.0 percent in real terms, a rate of growth below that of the average growth rate of 2.4 per cent between 1990 to 1999. The poor performance was attributed to a number of factors among which was the general slow down in the economy which led to depressed effective demand for manufactured products. Other factors were high product prices as a result of high input prices, decline in investments, power rationing and infrastructure bottlenecks.

The textile sector was affected by the quota allocation for Kenya garments to USA market, while the ban on fish exports to the European Union market curtailed growth in the fish industry. Employment in the manufacturing sector slowed further to 0.9 percent growth rate in 1999, from the 1.0 per cent growth rate recorded in 1998.

iv Energy

For much of the 1998/1999, Kenya experienced higher prices of petroleum products mainly as a result of crude petroleum prices hike and weakening of the Kenya shilling against major currencies. The total consumption of fossil fuels (oil, coal and coke), hydro and geothermal energy rose by 3.7 per cent in 1999 compared to 0.7 percent decline 1998. Imports of crude petroleum declined by 26.3 percent attributable to liberalisation of petroleum sub-sector where some oil-marketing firms prefer importing refined products to crude petroleum.

The government has also extended exemption of duty for power generation plants and equipment through December 2000. This is expected to encourage private sector to invest in power generation and distribution aimed at achieving self-sufficiency in power. The domestic total electricity generation went up by 2.9 percent in 1999 to record 4,566.0 GWH. This was mainly due to increase in generation by Independent Power Producers (IPP). Total installed capacity on the other hand recorded a marginal increase of 1.0 percent compared with 7.6 percent increase recorded in 1998. Due to power shortage as a result of drought, the country has experienced power rationing which in turn has adversely affected the economy.

v Mining

The Mining sector in Kenya is not as broad based as other key economic sectors like Tourism, Agriculture and Manufacturing. Its output fluctuated over a period between 1995 and 1997. However, the year 1999 registered a growth of 3.4 percent attributed to substantial increase in salt and fluorspar recorded in 1999. The production of salt increased from 21,742 tonnes in 1998 to 44,886 tonnes in 1999 while that of fluorspar increased from 60,854 tonnes in 1998 to 93,602 tonnes in 1999. This positive growth in output was attributed to the increased demand of the two commodities in both domestic and export markets.

The value of total mineral production also fluctuated over the last five years due to changes in demand in both domestic and export markets and fluctuation of the Kenya Shilling against the major currencies. The total value declined from US$ 33847.7 thousand in 1997 to US$28986.7 thousand in 1998 and then rose sharply to US$ 44139 thousand in 1999. This impressive growth in value arose from improved prices of salt and fluorspar recorded in 1999.

vi Transport and Communications

The main objective of the Kenya Government is to ensure that this sector provides the basis for effective exploitation of existing resources through the provision of basis economic infrastructure such as roads, railways, airport, pipelines, telecommunications, etc.

In 1998/99 the sector registered an output growth of 9.7% compared to 3.9% in 1997/98. The sector's real GDP growth was 1.4% in 1998/99 compared to 1.2% in 1997/98.

The improvements in the real GDP in the sector is attributable to the improved economic performance of the telecommunications, pipeline and the air transport industries.

Growth in the road transport industry was hampered by the poor state of the national road system.

In 1998/99 air transport sub-sector posted a 46.7% growth compared to 1997/98. In value terms, the receipt in the sub-sector grew from K£ 701.3 million ion 1997/98 to K£1000.1 million in 1998/99.

In 1998/99 the railways sub-sector posted a 27.1% growth compared to 1997/98. In value terms, the receipts in the sub-sector grew from K£204.8 million in 1997/98 to K£260.3 million in 1998/99.

Receipts from the roads sub-sector declined by 0.6% in 1998/99 compared to 1997/98 due to the poor state of the roads.

The volume of cargo handled at the Mombasa harbour decreased by 3.2% in 1998/99 as compared to 1997/98. The decline has been attributed to the declining share of the port in handling transit goods into the neighbouring countries.

The volume of White Petroleum products pumped by Kenya Pipeline Company rose by 8.7% to reach 2.8 million cubic metres.

The telecommunication and postal sub-sector underwent extensive restructing through 1998/99 in readiness towards the privatisation of TelKom Kenya.

vii International Trade and Balance of Payments

In 1999, Kenya registered a mixed performance in the key indicators of international trade and balance of payments. Total imports declined while exports stagnated, resulting in the narrowing of trade deficit. Due to significant reductions in the export prices, the unfavourable terms of trade recorded in 1998 deteriorated further in 1999.

The overall balance of payments deteriorated further from a surplus of US$58.6 million recorded in 1998 to, US$54.4 million in 1999. The current account balance recorded a surplus of US$10.0 million in 1999, compared to a deficit of US$369.3 million in 1998. This reflected a narrowing of the trade deficit and improved performance of the service sector arising mainly from increased earnings from the tourism sector. The surplus in the Capital and financial accounts dropped to US$162.5 million in 1999 from a surplus of US$500.3 million in 1998.

3.2.3 Economic Prospects for 2000

The economic recession which has affected the Kenyan economy for the last three years continued in 2000. During the last three years, GDP growth rates have continued to fall from 2.8 per cent in 1997 to 1.8 in 1998 and 1.4 in 1999. The economic slow down continued in 2000, fueled by the drought which has affected economic performance in virtually all sectors, particularly agriculture, industry and electricity, and water sectors. The Manufacturing sector has been negatively affected by power rationing necessitated by the low electricity generation, and lack of effective demand.

GDP growth rate in 2000 is, therefore, expected to remain at the same level or fall below the growth rate of 1999. The terms of trade are expected to deteriorate further on account of the escalating international oil prices and falling prices of coffee. Therefore, when GDP is adjusted for effects of terms of trade, the per capita incomes can be expected to decline below the 1999 level. In the same vein, the deteriorating terms of trade can be expected to impact negatively on the exchange rate, leading to the depreciation of the Kenya Shilling.

Table 2.1 Economic Structure - Kenya

Macro-economic Indicator	Units	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP at Factor Cost Current Prices	Million USD	6,995	6,904	6,296	4,162	7,539	7,039	8,172	8,557	9,595	8,812
Real GDP Growth	%	4.2	2.1	0.5	0.2	3.0	4.8	4.6	2.4	1.8	1.4
Consumer Price Inflation (underlying)	% Annual Average	15.8	19.6	27.3	46.0	28.8	1.6	9.0	11.2	6.6	3.5
Population	Millions	22.2	22.9	23.7	24.5	25.4	25.2	26.3	27.1	27.9	28.7
Export FOB	Million USD	1,017	1,106	962	1,079	1,910	1,740	2,148	1,922	1,967	1,674
Imports CIF	Million USD	2,114	1,885	1,632	1,484	2,566	2,774	3,062	3,042	3,210	2,674
Current Account	Million USD	-494.8	-210.5	-86.8	84.5	129.8	-368.6	-76.8	-428.0	-465.0	10.7
Reserves excl. gold	Million USD	273	191	175	450	630	443	839	763	777	789
Total external debt	Million USD	2,840	3,177	3,375	3,992	4,640	4,398	4,266	3,480	3,742	4,254
External-debt-service ratio	%	14.6	20.3	17.3	7.0	20.7	18.6	17.2	15.1	17.0	16.7
Coffee Marketed Production	`000 Tons	104	86	85	75	80	96	103	68	51	64
Tea Marketed Production	`000 Tons	197	204	188	211	209	245	257	221	294	249
Electricity Sold	KWH Million	2,732	2,854	2,915	3,074	3,205	3,289	3,478	3,625	3,714	3,787
Tourist Earnings	Millions USD	443	423	394	359	627	447	465	361	283	293
Manufacturing Index	1976=100	233.4	242.3	245.4	249.9	254.6	263.9	272.9	278.2	282.2	285.1
Market Determined Exchange Rate	KShs.: 1 USD	24.08	28.07	36.22	68.16	44.84	55.94	55.02	62.68	61.91	72.93

Origins of Gross Domestic Product	(% of GDP)					
	1994	1995	1996	1997	1998	1999
Agriculture, Forestry and Fishing	27.4	27.4	27.3	27.0	27.0	26.9
Manufacturing	13.6	13.5	13.4	13.3	13.3	13.2
Trade, Restaurants & Hotels	11.4	11.8	12.2	12.3	12.4	12.5
Transport Storage and Communication	6.1	6.1	6.0	6.0	6.0	6.0
Others	41.5	41.2	41.1	41.4	41.3	41.4

Principal Exports	(% of Total Exports)					
	1994	1995	1996	1997	1998	1999
Tea	19.7	18.5	19.2	20.0	28.8	28.6
Horticulture	9.7	10.9	11.5	11.4	13.1	15.4
Petroleum Products	5.9	4.5	5.9	5.9	8.0	7.9
Iron and Steel	4.6	5.1	4.5	4.3	3.3	2.4
Coffee	15.2	14.8	13.9	14.0	11.2	10.4
Fish and Fish Products	2.2	1.7	2.9	2.6	2.0	2.0
Others	42.6	44.5	42.0	41.7	33.6	33.3

Main Destinations of Exports	(% of Total Exports)					
	1994	1995	1996	1997	1998	1999
United Kingdom	11.6	9.3	9.9	11.0	13.4	13.9
Germany	7.8	7.1	7.5	6.0	4.6	4.7
Netherlands	1.8	4.4	5.4	4.7	4.4	5.1
France	1.9	2.7	2.7	2.8	2.5	2.2
USA	3.4	2.5	2.6	2.7	1.34	13.3
Uganda	12.6	14.7	15.4	14.3	16.1	17.3
Congo (DRC)	3.0	2.8	3.5	2.4	1.5	1.7
Tanzania	10.7	12.1	12.2	13.0	13.3	11.2
Rwanda	5.8	3.1	2.0	3.0	2.3	2.6
Pakistan	6.9	6.1	4.2	4.3	6.8	7.4
Others	34.5	35.2	34.6	35.8	21.7	20.6

Principal Imports	(% of Total Imports)					
	1994	1995	1996	1997	1998	1999
Industrial Machines	14.1	16.8	15.7	14.7	15.8	15.6
Motor Vehicle and Chasis	8.3	12.0	9.4	7.5	7.4	6.1
Crude Petroleum	12.5	7.5	8.0	8.8	7.6	5.7
Iron and Steel	5.4	6.6	5.7	5.6	4.0	4.7
Artificial Resins & Plastic Materials	3.7	6.0	4.3	3.8	3.6	3.6
Refined Petroleum Products	3.4	5.4	7.7	6.4	8.3	9.5
Vegetable oils & fats	4.3	4.5	4.4	3.9	4.0	4.2
Wheat	2.2	1.5	3.8	2.2	2.4	3.0
Paper & Paper Products	1.4	3.0	2.4	2.1	1.7	1.7
Pharmaceuticals	3.0	3.1	3.1	2.9	3.3	3.3
Insecticides, Fungicides etc	1.1	1.3	1.3	1.3	1.7	1.5
Fertilizers	3.0	1.6	2.9	2.3	1.8	2.8
Others	37.6	30.7	31.3	38.5	38.4	38.3

Main Origins of Imports	(% of Total Imports)					
	1994	1995	1996	1997	1998	1999
United Kingdom	13.1	12.2	13.2	10.8	12.3	11.9
Netherlands	2.8	2.9	2.8	2.5	2.7	2.6
Germany	6.2	6.6	6.1	6.4	5.6	5.7
Italy	3.0	5.9	3.3	2.4	2.6	2.5
France	4.0	4.5	4.9	3.7	4.1	3.4
USA	6.6	4.0	5.2	7.0	8.3	6.8
Japan	8.6	10.6	7.4	7.2	7.9	7.8
China	1.3	2.1	1.7	1.9	2.1	2.2
India	3.8	5.4	5.7	4.3	4.4	4.6
South Africa	10.8	7.5	7.6	11.0	6.2	8.8
Saudi Arabia	2.4	3.5	5.0	5.1	6.3	5.7
United Arab Emirates	11.2	6.5	8.2	9.5	9.0	7.5
Others	26.1	28.3	28.9	28.2	28.5	30.5

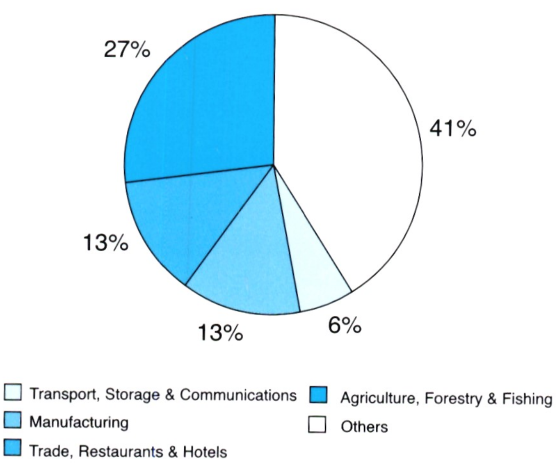
EAST AFRICAN COMMUNITY DATABASE, MAY 2001

Sources. Central Bank of Kenya Monthly Economic Review, August 2001
Kenya Economic Survey, 2001
Central Bureau of Statistics, Nairobi

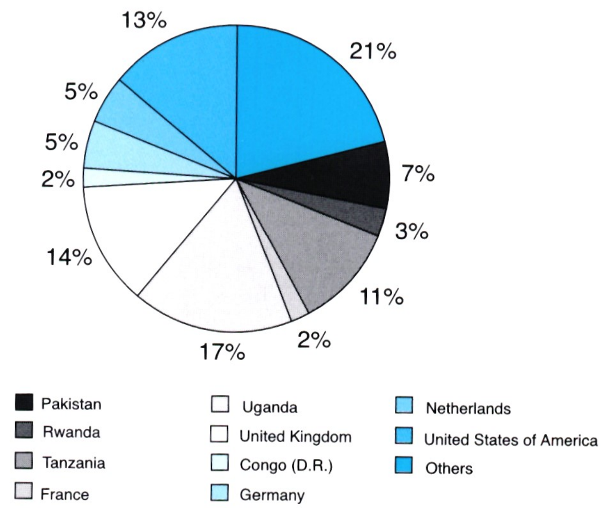
"-" means data not available

Economic Structure- Kenya

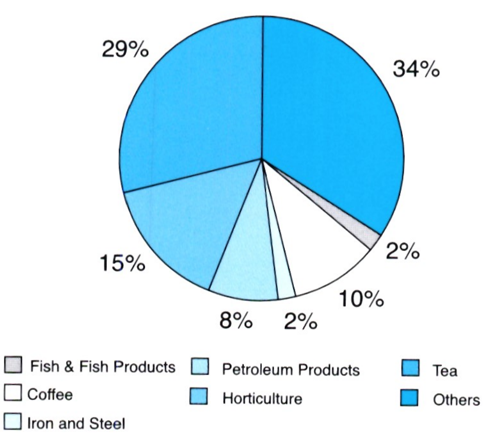
Origins of Gross Domestic Product (% of GDP) 1999



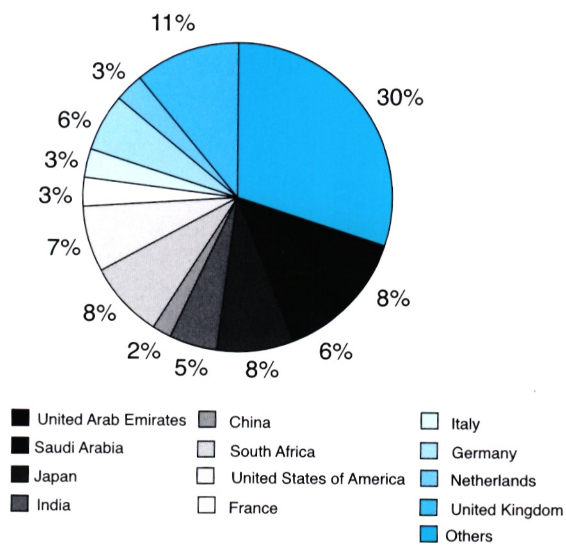
Main Destinations of Exports (% of Total Exports) 1999



Principal Exports (% of Total Exports) 1999



Main Sources of Imports (% of Total Imports) 1999



Principal Imports (% of Total Imports) 1999

3.3 Uganda

3.3.1 Overview of the Economy

The Uganda economy recorded a GDP growth rate estimated at 5.1 percent in 1999. However, the GDP growth rate was lower than the target growth rate of 7.0 percent. The decline is attributed to prolonged drought in the second half of 1999 leading to a smaller increase in agricultural output of 3.0 percent. Expansion in the manufacturing sector also slowed down compared to the previous six years. Per capita GDP in 1999 grew by 3.0 percent, which was 1.7 percent lower than in 1998.

Inflationary pressures emerged in second half of 1999 with headline inflation reaching a peak of 10.6 percent in November 1999. The increase in inflationary pressures was attributed mainly to the rise in prices of food crops as a result of the drought. However, tighter monetary policy and improved food supply have made inflation pressures to decline. On another front, the nominal exchange rate depreciated by 5.4 percent from a monthly average of UShs. 1447.22 per US$ in June 1999, to UShs. 1525.9 in April 2000. This depreciation is attributed mainly to falling international prices of coffee, the main export, and rising prices of oil.

3.3.2 Sectoral Performance

i Agriculture

Agricultural production grew at 3.0 percent in real terms during 1998/1999. In the monetary sector, agricultural production increased by 8.4 percent in 1998/1999. Cash crop production registered a growth of 14.4 percent while food crops grew by 10.3 percent in the same period.

In the non-monetary sector, the trends in agricultural production were similar to those in the monetary sector although the decline in production was less pronounced.

According to data provided by Uganda Coffee Development Authority (UCDA), a total of 251,881 tonnes of coffee were traded in the domestic market in calendar year 1999. This compares with 205,056 tonnes traded in calendar year 1998, representing an increase of 22.8 percent between 1998 and 1999.

Tea production fell by 6.4 percent from 26,400 tonnes in 1998 to 24,700 tonnes in 1999. This contrasts to the increase in acreage which rose by 6.0 per cent in the same period from 20,570 hectares in 1998 to 21,807 hectares in 1999. On the other hand, the tea industry exported 22,100 metric tonnes of made tea during 1999 compared to 23,355 metric tonnes in 1998.

Cotton output has recovered and showed strong signs of growth. Projections by the Cotton Development Organisation indicate that cotton production increased from 85,000 bales in 1998 to 144,520 bales in 1999.

In the livestock sub-sector, the number of cattle has increased by about 3.0 percent from 5,651 thousand in 1998 to 5,820 thousand in 1999.

ii Tourism

The tourism sector in Uganda has continued to register an average growth rate of more than 10 percent in the period between 1995 and 1998 despite disruptions due to insecurity in the tourist regions of Kasese, Kabarole, and Bundibugyo districts and in the North. This growth rate is much higher than the global rate of 5.5 percent and 2.9 percent for 1996 and 1997, respectively. However, Uganda's tourism still represents a very insignificant share of the international and regional tourist market. The diversification of the country's tourism product and the improvement in the supply and standards of tourist facilities in general, have had a positive impact on the attractiveness of the destination although a lot remains to be done if the sector is to achieve its potential.

The Uganda Tourist Board has been active in promoting Uganda as an international tourist destination through participation in trade fairs and other fora. The image of the country has consequently tremendously improved. The Crested Crane Hotel & Tourism Training Institute in Jinja has moved from offering only short refresher courses, for in-service personnel, to a more diversified programme, including long term courses for the award of Certificates and diplomas in Travel, Tourism and Hotel Management and Administration.

iii Manufacturing Sector

The manufacturing sector remained buoyant during 1999. The all items index of industrial production rose by 6.2 per cent in the period March 1999 to March 2000. This increase is mainly on the account of food processing, chemical products and soap, and steel products.

The manufacturing sector is expected to benefit from the increased electricity generation resulting from the current refurbishment and the ongoing upgrading of the Owen Falls Dam. On completion, the capacity will be 180 MW.

iv Energy

After the commissioning of unit II of the Owen Falls Extension (OFE), Uganda would have an installed capacity of 243 MW (with 23 MW installed by the private sector), while total estimated peak demand on the system is 280 MW. This indicates a power deficit of 60 MW, leading to load shedding, which is a constraint to investment and economic diversification. Domestic power demand is estimated to be growing at a rate of 2 percent per month.

While load shedding is in part due to shortage of generation capacity, it is also due to heavy technical losses on the distribution network besides poor billing and collection. Government is, therefore, committed to the privatisation of UEB distribution.

Given the capital intensity of the power investments and in line with Government's commitment to attract private capital and expertise in the provision of utilities, the sector has been opened to private investment. Government concluded a Power Purchase agreement (PPA) with AES Nile Power, (potential developers at Bujagali Hydro-Power Site, expected to generate 250 MW), while Norpak Power is holding negotiations with Government for the development of a 150 MW station at Karuma.

v Mining

The value of mineral production was estimated at Ushs.13.1 billion in 1999 compared to Ushs.12.1 billion in 1998. The three minerals that contributed over 90 percent of the production in 1999 were limestone (121,521.4 tonnes), volcanic ash (19,726.8 tonnes) and limonite (3,169.2 tonnes). With the exception of the large companies engaged in mining and mineral processing such as Hima Cement, Tororo Cement, Kilembe Mines and Kasese Cobalt Company Ltd, most mineral production in the country was carried out by small scale operators and artisanal workers. Kasese Cobalt Company Ltd commenced the production of cobalt cathode towards the end of 1999 and production is projected to reach 1,000 tonnes per annum in 2000.

The expenditure on mineral exploration by the private sector is estimated at US$ 1.0 million in 1999 compared to US$ 3.5 million in 1998. The main reasons for this low performance were:

- The continued fall in the price of gold on the world market. Most exploration companies were engaged in gold exploration at the grassroot stages and had to suspend/abandon activities awaiting upturn of the market.

- The investment climate in the mining sector which is not attractive to private sector.

- The investment such as the out of date mining law – Mining Act of 1964 – which is not internationally competitive.

A proposed new mining law will be enacted soon, which will create a more favourable environment for mineral exploration and development resulting into increased activity in the sector. The new law will also enable the regulation and monitoring of commercial stone and aggregate quarrying, sand and clay exploration.

vi Transport and Communications

The main objective of the Uganda Government under this sector, is to promote cheaper, efficient and reliable transport and communications services in order to provide effective support to increased agricultural, industrial, trade, tourism, social and administrative services to ultimately promote growth in accordance with the Government's strategy of poverty eradication and the economic integration of the country.

In the roads sub sector, the implementation of the first Phase of the US$1.5 billion Ten Year Road Sector Development Programme, (RSDP) 1997/2006 continued during the year 1999. In the Fiscal Year 1998/99 US$28 million was budgeted.

Construction and the rehabilitation of main roads and bridges continued in 1999. Several projects such as the reconstruction of the Entebbe – Kampala road, and Mbarara - Ibanda were completed in 1999. Sironko - Kapchorwa and Mubende - Kyegegwa upgrading commenced in 1999.

Good progress towards the formation of the Roads Agency was recorded in 1999, following the formation of the Roads Agency Formation Unit in 1998.

The World Bank funded Road Development Programme (RDP) estimated to cost US$357 million was negotiated in May 1999. The main objective of the programme is to improve access to rural areas, economically productive areas and to gradually build up road sector planning and management capability.

In the railways sub-sector, the objective of the Uganda Government is to restructure the Uganda Railways Corporation (URC) to include fundamental reforms that would encourage greater involvement of the private sector in its management and operations. The foregoing is with the aim of improving efficiency, and reducing on Government expenditure in supporting the weak corporation.

In September 1998, a Memorandum of Understanding (MOU) between the Uganda Railways Corporation (URC) and the Trans-Africa Railways Corporation (T) Ltd was agreed upon in order to boost the traffic volume of URC on the Southern route.

In the aviation sub sector, international traffic at Entebbe Airport declined in 1999, mainly attributed to the instability in the Great Lakes region. Domestic traffic however grew marginally over the same period.

The draft national aviation policy document was discussed by the stakeholders, in 1999. When adopted, the document will guide the Uganda Civil Aviation Authority in developing the sub- sector.

In the communications sub-sector, the privatisation process began with the split of the former Uganda Posts and Telecommunications Corporation into four entities - Uganda Posts Limited (UPL), Uganda Telcom Ltd (UTL), Post Bank Uganda, and Uganda Communications Commission. The process of privatising UTL is proposed for completion during the 1999/2000 Fiscal Year.

vii International Trade and Balance of Payments

Total exports of goods and services are estimated at US$638 million in 1999/00, representing a decline of 12.0 percent from 1998/99 level. As a percentage of GDP, exports of goods dropped from 9.6 percent in 1998/99 to 7.9 per cent of GDP in 1999/00.

On the other hand, imports, excluding non factor services, remained almost at previous year's level. Imports of goods as a per cent of GDP are estimated at 24.6 percent of GDP in 1999/00.

The deterioration in the terms of trade, coupled with slight increase in imports resulted in a widening of a trade deficit from 19.3 per cent of GDP in 1998/99 to a deficit of 21.6 percent that was projected by June 2000.

Overall balance of payments is projected at a surplus of US$108 million by end of June 2000. In real terms, the overall balance of payments was equivalent to 1.9 per cent of GDP in the fiscal year 1999/2000.

3.3.3 Economic Prospects for 2000

The Uganda economy slowed down in 1999, resulting in a GDP growth rate of 5.1 percent, which was below the projected growth rate of 7.0 percent. The escalating international oil prices, falling prices of coffee and drought being experienced in various regions, could affect economic performance in 2000. The falling international prices of coffee and the rising oil prices have adversely impacted on the terms of trade, thereby making the Uganda Shilling to continue the depreciating trend in 2000.

While the depreciation of the exchange rate would normally make the exports cheaper and imports more expensive, it can be expected to adversely affect the industrial sector in Uganda, due to its high import content in intermediate and finished products, thereby making manufacturing more expensive. Therefore, the continued depreciation of the exchange rate could affect the expansion of the industrial sector in 2000. In view of the foregoing, economic growth may not pick up in 2000 as much as expected.

Table 2.1 Economic Structure - Uganda

Macro-economic Indicator	Units	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP at Factor Cost Current Prices	Million USD	3,488	2,881	3,047	3,117	4,901	5,660	5,700	6,067	6,124	5,837
Real GDP Growth	%	5.5	5.2	4.5	6.3	10.4	8.4	4.7	5.3	7.5	5.0
Consumer Price Inflation	%	26.9	27.7	54.5	5.1	10.0	6.6	7.1	8.2	0.1	6.0
Population	Million	16.2	16.7	17.5	18.1	18.7	19.3	19.8	20.4	21.0	21.6
Export FOB	Million USD	190	196	171	222	478	576	711	595	537	479
Imports CIF	Million USD	551	523	524	403	716	1,048	1,315	1,308	1,634	1,363
Current Account	Million USD	-	-131.6	-141.7	-210.1	-137.4	-246.2	-200.1	-337.0	-402.0	-424.0
Reserves excl. gold	Million USD	23.8	56.1	73.3	111.9	219.3	388.2	479.7	623.1	748.1	733.4
Total external debt	Million USD	1,880	2,592	2,647	2,637	2,999	3,515	3,653	3,606	3,479	3,556
External-debt-service ratio	%	-	-	91	50.4	24.2	19.6	18.9	27.2	19.3	17.3
Coffee Production	`000 Tons	129	147	119	145	198	181	268	220	205	252
Cotton (lint) Production	`000 Tons	4	8	8	8	4	6	10	19	5	14
Electricity Sold	KWH Million	506.8	669.4	768.6	739.1	739.7	716.7	826.2	873.5	864.8	903
Tourism Earnings	Millions USD	-	-	-	-	-	-	-	88	95	102
Manufacturing Index	1991=100	79.91	100.00	146.6	159.78	172.84	186.76	194.80	209.36	-	-
Index of Industrial Production	1987=100	155.5	178.2	191.2	215.6	260.3	331.0	394.2	456.5	507.9	551.0
Market Determined Exchange Rate	UShs.: 1 USD	430.42	724.58	1,145.43	1,195.02	979.45	968.65	1,045.00	1,083.40	1,240.22	1,455.59

Origins of Gross Domestic Product	(% of GDP)					
	1994	1995	1996	1997	1998	1999
Agriculture, Forestry and Fishing	48.8	46.6	44.6	42.8	42.6	41.9
Manufacturing	6.9	7.5	8.2	9.0	9.5	9.9
Trade, Restaurants & Hotels	13.9	14.9	14.9	14.7	14.8	15.0
Transport, Storage and Communication	4.4	4.6	4.9	5.2	5.1	5.3
Community Services	15.4	15.2	15.3	15.5	15.2	15.2
Others	10.6	11.2	12.1	12.8	12.8	12.7

Principal Exports	(% of Total Exports)					
	1994	1995	1996	1997	1998	1999
Coffee	74.6	66.9	55.8	52.0	55.1	60.1
Maize	6.2	4.0	2.6	2.5	1.7	1.1
Tea	2.5	1.2	2.2	5.1	5.3	4.5
Gold and Gold Products	0.0	4.7	9.3	13.6	3.6	7.0
Fish and Fish Products	2.3	5.6	6.6	4.7	7.4	5.2
Others	14.3	17.6	23.5	22.1	26.9	22.1

Main Destinations of Exports	(% of Total Exports)				
	1995	1996	1997	1998	1999
United Kingdom	21.2	21.4	40.8	23.6	36.4
Germany	4.9	3.0	1.0	5.0	3.3
Belgium	5.0	3.2	2.2	3.7	5.0
Netherlands	3.8	3.1	1.3	6.2	5.9
Switzerland	31.7	29.1	7.4	6.2	6.2
France	2.8	2.4	0.8	2.6	1.2
Kenya	4.0	8.3	7.6	9.5	10.3
Rwanda	4.2	7.2	5.9	2.2	2.5
Other COMESA	13.4	12.5	8.7	9.5	6.1
Others	9.0	9.8	24.3	31.5	27.1

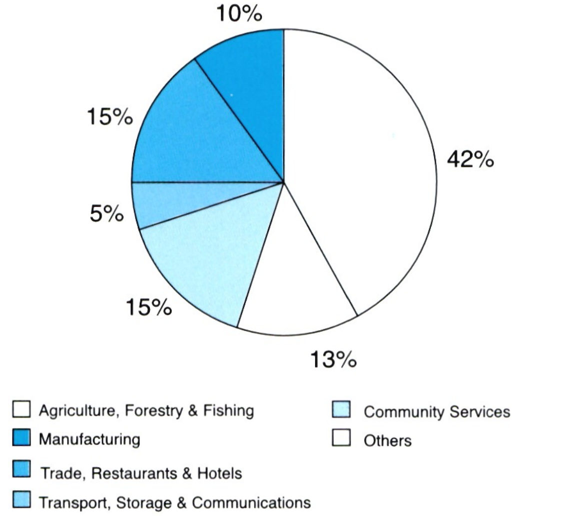
Principal Imports	(% of Total Imports)					
	1994	1995	1996	1997	1998	1999
Machinery and Transport Equipment	31.3	33.7	20.4	17.4	20.5	20.9
Manufactures Classified by Material	23.4	20.0	11.2	12.6	12.3	14.0
Minerals, Fuels and Related Products	7.6	8.0	7.8	8.9	6.9	9.0
Food and Live Animals	10.1	10.1	6.3	6.9	7.4	6.3
Medical Pharmaceuticals	-	5.1	4.6	4.2	4.4	4.3
Cereals and Cereal Preperations	-	4.1	3.6	5.9	4.4	4.3
Iron and Steel	-	5.1	3.5	3.5	2.9	3.6
Others	27.6	13.9	42.5	40.5	41.2	35.0

Main Origin of Imports	(% of Total Imports)					
	1994	1995	1996	1997	1998	1999
United Kingdom	12.7	12.1	8.9	7.6	8.2	7.6
Germany	4.3	3.6	2.6	2.1	1.8	2.1
Italy	3.1	4.5	2.5	2.4	2.8	1.6
USA	4.2	3.0	1.8	2.5	2.1	4.2
Japan	8.1	9.5	5.6	4.6	4.5	6.2
India	6.5	5.9	3.9	4.3	4.1	4.8
United Arab Emirates	5.0	5.9	3.6	3.9	3.6	3.8
Kenya	27.5	20.4	14.9	12.2	12.3	19.7
Other COMESA	2.6	2.5	1.3	2.2	2.2	1.9
Others	26.0	32.6	54.9	58.2	58.4	48.1

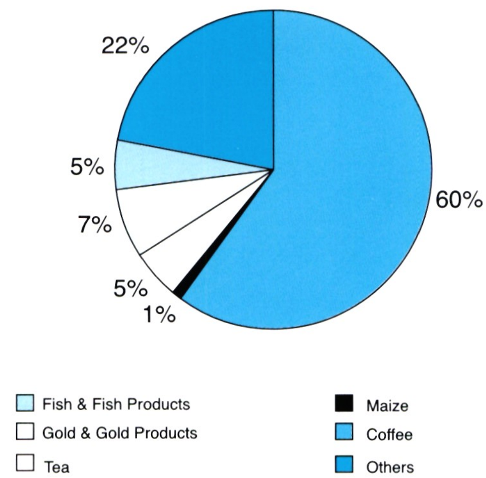
EAST AFRICAN COMMUNITY DATABASE, MAY 2001
Sources. Bank of Uganda
Uganda Bureau of Statistics
"-" means data not available

Economic Structure- Uganda

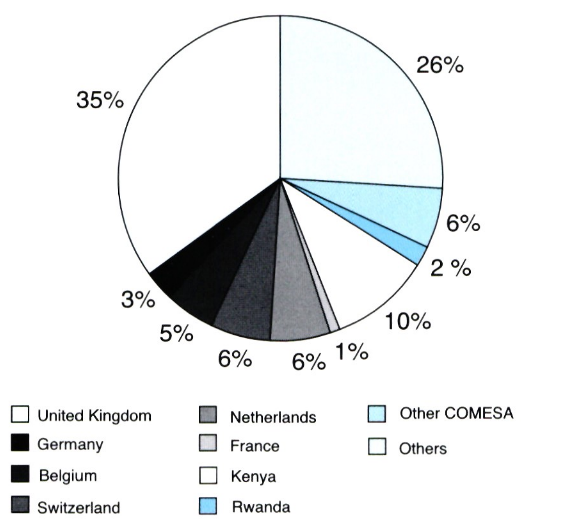
Origins of Gross Domestic Product (% of GDP) 1999



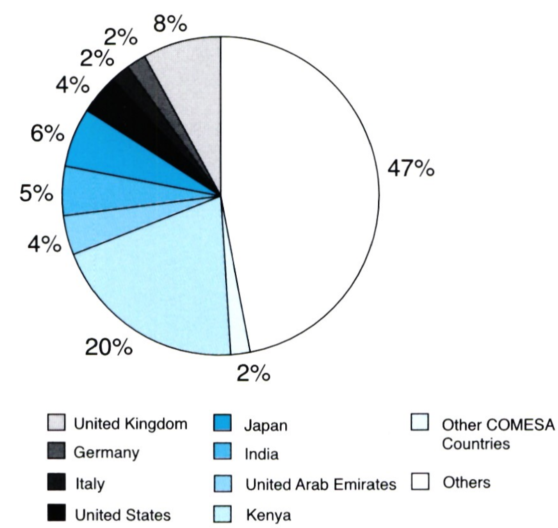
Principal Exports (% Total Exports) 1999



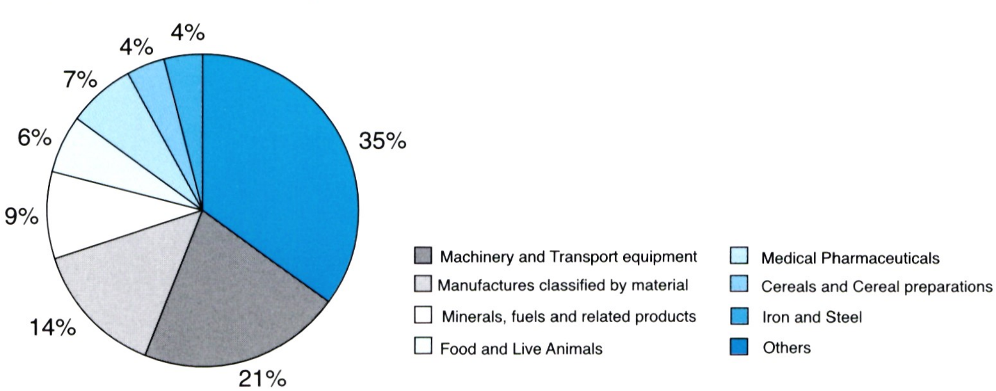
Main Destination of Exports (% of Total Exports) 1999



Main Sources of Imports (% Total Imports) 1999



Principal Imports (% of Total Imports) 1999



Policy Harmonisation

4.1 Activities of Sectoral Committees

4.1.1 Transport and Communications

A number of **studies** and programmes have been proposed in order to assist the Community in designing mechanisms that would enhance policy harmonisation across the region. These are reflected under item number 9.2 on **"Studies Funded by Donors."**

Ratification of Agreements

The ratification efforts for the Tripartite Agreements on Road Transport and Inland Waterways Transport, signed in April 1998, were intensified in 1999. It is expected that the two Agreements will be ratified during the Year 2000. The two Agreements are the backbone of co-operation in the transport activities in the respective sub-sectors.

4.1.2 Co-operation in Trade

The Treaty for the Establishment of the East African Community stipulates that, for the purposes of co-operation in trade, the entry point in the process of regional integration in East Africa would be a Customs Union. The Customs Union will be set up following finalisation of negotiations of a Protocol for the setting up of the Customs Union, as provided for under Article 75(7) of the Treaty. Therefore, due to the importance attached to the establishment of the Customs Union, a High Level Task Force was immediately set up following the signing of the Treaty, for the purpose of implementation of Article 75(7).

During the period under review, the Task Force has managed to reach consensus on various elements which will be contained in the Protocol. However, some work still remains to be undertaken, which borders on some of the most critical elements of a Customs Union, including the establishment of a Common External Tariff and the programme for elimination of internal tariffs and other charges of equivalent effect. According to the Treaty, the Protocol on the establishment of a Customs Union should be concluded within four years, following the signing of the Treaty.

4.1.3 EAC Gender Programme

In East Africa, women account for approximately 50% of the population and constitute 60-70% of the total labour force and the majority particularly in agricultural production.

The Treaty for the Establishment of the East African Community clearly outlines the important role women of East Africa play in the economic, social and political development of the region. Therefore, there is need for women to be accorded a high priority as partners in the regional development process.

Considerable ground has been covered within the respective Member States in addressing women's inequitable access to, and control of economic and social resources and benefits accruing from development. Despite this, deliberate efforts have to be made, nationally and regionally, to bridge the gaps which still exist.

One of the objectives of the Treaty for the Establishment of the East African Community is mainstreaming of gender in all its endeavours and the enhancement of the role of women in cultural, social, political, economic and technological development.

To achieve the Community objectives in this area, a process of establishing a Regional Gender Programme was started in 1998, with the aim of establishing a mechanism for ensuring the incorporation of gender dimensions in the EAC framework.

As a result of the initiative, a Gender and Community Development Committee was established during the period under review. Later, Sub-Committees on Gender and Community Development were also established.

A **study** is due to be carried out on the development of a Regional Framework for Gender and Community Development.

4.1.4 Development of an Institutional and Legal Framework

(a) The Treaty for the Establishment the East African Community

Following two years of negotiations during which the peoples of East Africa were also enabled to contribute to the Treaty-making process, the Treaty for the Establishment of the East African Community was signed on 30 November 1999 by the Heads of State of the Republic of Kenya and Uganda and the United Republic of Tanzania. The details on the Treaty are covered in Part 6 of this Report.

(b) Institutional Rationalisation

In order to more effectively focus on activities in some areas of co-operation, the Commission:

i. Established additional Sectoral Committees as follows:

- Committee on Energy;
- Committee on Lake Victoria Development Programme;
- Committee on Tourism and Wildlife Conservation;

- Inter-Parliamentary Committee for East Africa:
- Gender and Community Development Committee;
- Trade, Industry and Investment Committee; and
- Transport, Communications and Meteorology Committee;

ii. Proposed Committees awaiting approval by the Council are as follows:

- Committee on Agriculture and Food Security;
- Committee on Capital Markets Development;
- Committee on the Facilitation of Movement of Persons, Immigration, Labour/Employment and Refugees; and
- Committee on Legal and Judicial Affairs

(c) Legal Framework

The Commission has guided work on:

i. Approximation of Municipal Laws in the East African Co-operation context;

ii. Enhancement of judicial education in East Africa with target groups being Judges, Magistrates and Support Staff.

(d) Consensus and Confidence Building

The Commission has, with a view to further promoting consensus and confidence-building amongst the East African peoples, adopted mechanisms for increased co-ordination in the Political and Security areas of co-operation. These include:

i. The signing of a Memorandum of Understanding on Foreign Policy Co-ordination;

ii. The adoption of an operational Programme for combating Terrorism in the East African Region; and

iii. The adoption of Collaborative Mechanisms for enhancing Member States' capacities in Combating Security Challenges on Lake Victoria.

(e) Co-operation in Defence

The Commission has pursued its programmes on Inter-State Security and Inter-State Defence (including the operationalisation of the Defence Liaison Office) in accordance with the East African Co-operation Development Strategy.

4.1.5 Agriculture and Animal Husbandry

Due to the importance of this sector in terms of employment and provision of raw materials to the processing industries and as a base for sustainable economic growth and development, the Commission decided that a comprehensive Regional Agricultural and Rural Development Strategy should be developed. The decision is now being implemented. The Terms of Reference for the **study** have been prepared and identification of consultants to undertake the **study** has been made. The **study** will be financed by GTZ.

4.1.6 Health Sector

Member States have agreed to co-operate in health research; reproductive health; quality control of pharmaceuticals, food products and chemical substances; and exchange of health information.

In order to carry out activities in these identified areas, three Regional Working Groups (RWGs) have been established. The RWGs will be on:

i. Control and Prevention of Sexually Transmitted Infections (STIs) and HIV/AIDS;

ii. Control of Communicable Diseases; and

iii. Health Research, Policy and Health Systems Development.

4.1.7 Fisheries

Upon signing and ratification of the Treaty for the Establishment of the East African Community, the Lake Victoria Fisheries Organisation, which was established by the Convention (Final Act) for the Establishment of the Lake Victoria Fisheries Organisation, 1994, became an Institution of the Community and has been designated and will function as such.

The Organisation is now implementing a Collective Regional Strategy and Action Plan towards a sustainable Fisheries Industry in Lake Victoria.

4.1.8 Environment and Natural Resources

Under this area of co-operation, Member States have identified and agreed to collaborate in the following programmes/activities:

i Harmonisation of Environmental Regulations within the context of the Memorandum of Undestanding on Co-operation on Environmental Management;

ii Finalisation of Legal Frameworks on Environment;

iii Control of Water Hyacinth and other invasive weeds in the East African Inland Water Bodies; and

iv The conclusion of an Agreement/Protocol on the Management Protection and Development of Shared Fresh Water Resources.

4.2 Reports on Policy Harmonisation Seminars and Workshops

In the period under review, various seminars and workshops were organised, whose purpose was to facilitate the policy harmonisation process. The seminars/workshops held were as follows:

(a) *Seminar on the Harmonisation of the Investment Codes of the Partner States*

The medium term objective is to develop the East African region as a single market and investment area.

The purpose of this seminar was to define the way forward in the harmonisation process. The seminar recommended that a Working Group comprising of five officials from both the public and private sectors of the Partner States be set up, to develop a model Investment Code by the Partner States. The implementation of the recommendations is on-going.

(b) *Workshop on The Harmonisation of the Competition Policies and Laws of the Partner States*

With the expected establishment of a Customs Union, the need for a level playing field for all economic players in the region has become partinent. It was with this recognition that the Workshop was organised, to propose on how the harmonisation of the Competition Laws and Policies of the Partner States could be undertaken.

The Workshop made various recommendations, among which, there were recommendations for development of a Model EAC Competition Law and Policies and their adoption by the Partner States; and the setting up of an autonomous authority to oversee their implementation. Implementation of the recommendations is on-going.

(c) *Seminar on the EAC Private Sector Development Strategy*

The strategy for regional integration and development in East Africa is people-centred and private sector driven. It was with this recognition that the Seminar was organised, to deliberate on how this strategy could be interpreted into policies and programmes, to enable the people and the private sector to effectively play their role in the process of regional integration, as stipulated in the Treaty for the Establishment of the East African Community.

The Seminar came up with various recommendations on the way forward, towards formulation of a Private Sector Development Strategy for the EAC region. The World Bank has indicated its willingness to support the process towards development of the Strategy.

5.0 Development of Regional Infrastructure

The provision of physical infrastructure remains one of the main focuses of the re-launched Co-operation. Member States have realised the benefits of joint infrastructure development and hence the on-going regional projects in the roads, railways, civil aviation, posts, telecommunications and maritime sub-sectors.

The colossal amount of capital resources required and the donor conditionalities, have resulted into slow pace of implementation, for a number of very important regional projects.

The following summaries indicate the status of implementation of the regional infrastructure projects, as at the end of fiscal year 1999/2000.

5.1 Regional Projects (Completed, On-going and Planned)

5.1.1 Telecommunications

There are two projects in the telecommunications sub-sector, namely; the East African Digital Transmission Project (EADTP); and the Cross Border Connectivity Project.

The EADTP implementation progressed well in 1999 and 2000 for the Kenya and Uganda components. During the same period, the Government of the United Republic of Tanzania and Tanzania Telecommunications Company Limited were pursuing outstanding issues with the World Bank, in order to enable TTCL to participate in EADTP.

For the Kenya and Uganda components, tenders were floated in 1999 and then evaluation completed by end of January 2000. The most responsive bidder evaluated was SACEM SA of France.

The cost for the Kenya and Uganda component is estimated at Euro 45.2 million of which TKL portion is Euro 30 million and UTL portion is Euro 15.2.

It is expected that when implemented, this Project will lead to the improvement of regional telecommunication services by providing the necessary backbone capacities.

Preliminary financial analysis indicates an internal rate of return (IRR) of 40% for TKL and 27% for UTL.

5.1.2 Cross Border Connectivity Project

The main objective of this project was to directly connect East African border towns by telephone links. The following towns had already been connected by end of 1999/2000 fiscal year:

- Busia (Kenya)/Busia (Uganda);
- Malaba (Kenya)/Malaba (Uganda);
- Namanga (Kenya/Namanga (Tanzania);
- Horohoro (Tanzania)/Lungalunga (Kenya);
- Sirari(Tanzania)/Isebania(Kenya).

In 1999, the evaluation of the performance of the completed phases was undertaken by the telecommunications with a view to expanding the project to cover other border towns. The report of the evaluation is expected by the end of year 2000.

5.1.3 East African Road Network Project

This project was agreed upon during the East African Road Network Donors' Conference, in May 1998.

In 1999 and 2000, several meetings of the High Level Standing Committee on the Road Network Project took place. Some of the achievements by Partner States in the implementation of the project and towards compliance with the donor conditionalities are as hereunder.

i. The formation of the Roads Board/Agency in all the Partner States to oversee the development and maintenance of roads is at an advanced stage.

ii. The participation of the Private Sector in the roads sub-sector in all the Partner States received a boost through the restructuring of the Central Tender Boards, where the private sector representatives are the majority.

iii. The harmonisation of the regional policies in the roads sub-sector started with the signing of the Tripartite Agreement on Road Transport in April 1998. This Agreement is at an advanced stage towards ratification. In addition the **study** on harmonisation of road transit charges in East Africa commenced in November 1999, and was finalised in January 2000. The report of the **study** is under discussion by the Partner States, before forwarding the same to COMESA and SADC for comments.

iv. The implementation of the Axle Load Control in all the Partner States has received great attention, with each of them making substantial investments in the fixed and mobile weigh bridges and computerisation of the weigh scales, to reduce on axle load weight manipulation.

Compliance in all the Partner States has been reported at over 80% for the trunk roads.

v. Partner States have placed clear priorities on the Road Network Project with substantial budgetary allocations to the damaged sectors earmarked for works on the Project sectors.

vi. Several Project sectors whose preparations were incomplete - **studies**, designs and prioritisation have now been substantially prepared and ready for donors' consideration.

It is planned that a donors' review meeting will be held early next year to review the progress so far made in this project.

5.1.4 East African Postal Automation Project

By the end of 1999, the East African Development Bank (the Project Financiers) had completed the Project appraisal for the Postal Administrations and had indicated its willingness to finance the Project. The tendering for the First Phase – Supply, Installation and Commissioning of Computers, Software, Associated Computer and Network Peripherals and Consumables has already been done and each of the Postal Administrations has been identified the suppliers. It is expected that this phase of the Project shall be completed by the end of the year 2000.

When fully implemented, this Project will substantially automate postal mail management in the region.

5.1.5 Railways Sub-Sector

The Commission of the East African Co-operation accords the railways sub-sector due priority in consideration of the potential for the sub-sector to contribute to the transport capacity requirements for the region.

The earlier Terms of Reference, approved by the Commission, for the two **studies** in the railways sub- sector viz., the Tanga - Arusha - Musoma - Port bell - Jinja rail/marine transport corridor and the state of the East African Railways, were reviewed in 1999. The idea was to focus more sharply on the deliverables that would substantially impact on the efficiency of the East African Railways system, a requirement also supported by the potential donors.

5.1.6 The Civil Aviation Safety Project

In readiness for the anticipated growth of air transport in the East African airspace and in an effort to enhance the civil aviation management and safety in this region, good progress was registered in the implementation of the East African Civil Aviation Safety Project in 1999 and 2000.

In the year 1999 and 2000, three meetings of the Civil Aviation Safety Project took place. During these meetings, the criteria for the selection of the international experts; project budget and its split amongst Member States; Project supervisory, advisory and execution; Steering Committee; duration of the project components were considered. It is expected that the actual Project **study** implementation will take off in the early part of year 2001.

5.1.7 Inland Waterways

The implementation of the UNECA supported **study** on the Assessment of the Status of the Lake Victoria Ports progressed well in 1999 and 2000, with the finalisation of the draft final report. This report was discussed during the first half of the year 2000 by the Partner States and the comments forwarded to the **study** consultants.

The implementation of the proposed Project on the Safety of Navigation on Lake Victoria awaits confirmation of funding from IMO and France.

When implemented, this project will enhance the safety of navigation on Lake Victoria by addressing navigational problems on the Lake related to Navaids, hydrography, weather forecast, telecommunications and Search and Rescue capabilities.

5.1.8 Energy

Regional Co-operation in the development of the energy sector is well on course. A Committee on Energy has been established within the EAC institutional framework. Issues being addressed under this Sector include the Preparation of the East African Energy Master Plan covering the following key areas:

- Power;
- Fossil Fuels; and
- New and Renewable Sources of Energy.

Out of the three areas mentioned above, the power sub-sector has secured funding from the World Bank, to prepare an EAC Power Master Plan. The Tendering process for the **study** is underway.

6.0 The Treaty for the Establishment of the East African Community

As provided for by the Treaty, the East African Community has the following organs: the Summit of Heads of State; the Council of Ministers; the East African Court of Justice; the East African Legislative Assembly; the Co-ordination Committee; Sectoral Committees; the Secretariat; and such other organs as may be established by the Summit. Its autonomous institutions now include the East African Development Bank, the Lake Victoria Fisheries Organisation and the Inter-University Council for East Africa.

According to the Treaty, the East Africans seek to strengthen the Partner States' co-operation in Political, Economic, Social and Cultural fields, Research and Technology, Defence, Security, Legal and Judicial Affairs, for their mutual benefit and fast balanced and sustainable development. For that purpose, the Partner States undertake to establish among themselves and in accordance with the provisions of this Treaty, a Customs Union, Common Market, subsequently a Monetary Union and ultimately a Political Federation. To achieve the stated objectives, co-operation will focus on:

i Trade Liberalisation and Development;

ii Investment and Industrial Development;

iii Monetary and Financial Affairs;

iv Development of Regional Infrastructure and Services;

v Development of Human Resources, Science and Technology;

vi Facilitation of Free Movement of Persons, Labour, Services, Rights of Establishment and Residence;

vii Development of Agriculture and Provision of Food Security;

viii Environment and Natural Resource Management;

ix Development of Tourism and Wildlife Management;

x Development of Health, Social Services and Cultural Activities;

xi Enhancing the Role of Women in Socio-Economic Development;

xii Political, Legal and Judicial Affairs; and

xiii Development of the Private Sector and Promotion of Civil Society.

The Treaty provides for a progressive development process towards the conclusion within four years after its coming into force of a Protocol establishing a Customs Union details of which will include the following:

i The application of the principle of asymmetry;

ii The elimination of internal tariff and other charges of equivalent effect;

iii The elimination of non-tariff barriers;

iv Establishment of a common external tariff;

v Rules of origin;

vi Dumping;

vii Subsidies and Countervailing duties;

viii Security and other restrictions to trade Competition;

ix Duty drawback, refund and remission of duties and taxes;

x Customs Co-operation;

xi Re-exportation of goods; and

xii Simplification and harmonisation of trade documentation and procedures.

This is expected to be followed by a progressive establishment of the Customs Union over a transitional period and subject to such requirements as the Council of Ministers may determine.

The Treaty also provides for a progressive establishment of a Common Market and the taking of such measures that address imbalances arising from the application of the provisions for the establishment of both the Customs Union and the Common Market. It stipulates for the possibility of any of the Partner States to take necessary safeguard measures to cater for events of serious injury occurring to its economy, following the application of the provisions on co-operation in trade liberalisation and development.

Pending the establishment of the Customs Union, the Partner States commit themselves:

i Not, with effect from a date to be determined by the Council, to impose any new duties and taxes or increase existing ones in respect of products traded within the Community and to transmit to the Secretariat all information on any tariffs for **study** by the relevant institutions of the Community;

ii To remove all the existing non-tariff barriers on the importation into their territory of goods originating from the other Partner States and thereafter to refrain from imposing any further non-tariff barriers, except as may be provided for or permitted under the Treaty; and

iii To refrain from enacting legislation or applying administrative measures which directly discriminate against the same or similar products of other Partner States.

7.0 Development of Areas of Common Interest

7.1 Lake Victoria Development Programme

Lake Victoria has been designated as an area of common economic interest, and a regional economic growth zone to be developed jointly by the Partner States.
In this respect, the Treaty provides for establishment of a body for the overall management of Lake Victoria.

During the period under review, the measures taken to support development on the Lake and its Basin were as follows:

i Preparation of Studies and a Concept on the Development of the Lake:

a) Undertaking of the study on the Institutional and Legal Arrangements for the Sustainable Development of Lake Victoria and its Basin, started in 1999 and now in its third and final phase. The study will recommend appropriate multidisciplinary legal and institutional arrangements that will co-ordinate the activities of the different parties on Lake Victoria.

b) Drafting of Terms of Reference for a baseline study on the Economic Potential and Constraints of Sustainable Development of Lake Victoria. The conclusions of this study will be pivotal in the formulation of policies and strategies, and preparation of future development plans for the sustainable development of the lake basin. Sida is financing the two studies referred to above.

c) A Strategic Partnership Concept is being developed to involve all the current and future development partners on the Lake. Already, those involved include SIDA, NORAD and the World Bank.

ii Formation of a Committee for Lake Victoria Development Programme (CLVDP) by The Commission at its 13th Session held in September 1999. The Committee will consist of Permanent Secretaries from all relevant Ministries in the three countries;

iii Hiring of a Programme Officer to beef up the capacity of the Secretariat to co-ordinate the formulation of an integrated development Programme for Lake Victoria Basin.

7.2 Capacity for Research and Technology

7.2.1 Revitalisation of the Inter-University Council for East Africa

With the revival of the spirit of East African Co-operation, the Commission identified the Inter-University Council for East Africa (IUCEA) as one of the surviving organs for fostering future co-operation. It therefore decided to sponsor a study into ways of revitalising the IUCEA.

The study was undertaken between 1998 and 1999 and its report was adopted by the Inter-University Council for East Africa in March 1999, for implementation. The new structure of the Council is being put in place.

7.2.2 Framework for Scientific Research for East African Community

A **study** towards establishment of a strategy for reinforcement and improved Co-ordination of Scientific Research Capacities in East Africa was undertaken in two phases. The first phase was on compilation of an inventory of all the scientific capacities in the region, as a result of which a Directory of Research Institutions in East Africa was compiled.

The second phase, which was completed in October 1999, focused on policy matters with a view to the establishment of a regional policy for Science and Technology and a framework for co-ordination of Scientific Research in the region. The **study** identified priority areas for which regional Science and Technology policies have to be developed, research areas of common regional interests and constraints of the current Science and Technology systems of the Partner States, among other matters. There are plans to hold a Workshop of major stakeholders and interested parties, to deliberate on how the proposed strategy for regional scientific research could be operationalised.

7.3 Tourism

Phase I of the **study** on Liberalisation of Tourism Towards a Single Market in East Africa is yet to be completed. Plans to move to Phase II are in place and will take into account the omitted Terms of Reference in Phase I.

The Commission has already made decisions on some of the key issues of regional nature which were identified in the phase one of the study including the formation of an East African Tourism Council. Steps are being taken to constitute and operationalise the Council.

Other decisions include the need for Standardisation and Classification of Hotels and Catering Establishments and the establishment of Centres of Excellence at the Soroti Flying School, Mweka College of Wildlife Management and Kenya Utalii College of Hotel and Tourism Training.

8.0 Finance and Administration

8.1 Finance and Accounts

Audited Accounts for the Financial Year 1989/99

The Accounts of the Secretariat for the financial year ended 30th June 1999 were audited by representatives of the Auditors General of the three Member States who undertook the exercise during October 1999. The Secretariat of the Commission for East African Co-operation received an unqualified Audit Report.

The audited Income and Expenditure account for the year ended 1999 and the Balance Sheet as at 30th June 1999 are appended here below:

INCOME AND EXPENDITURE ACCOUNT FOR THE 12 MONTHS ENDED 30TH JUNE 1999

	1997/98	1998/99
INCOME	**US$**	**US$**
Contribution from Member States	1,755,679	1,919,579
Other Income		150,890
Miscellaneous Income	5,272	7,343
TOTAL	**1,760,951**	**2,077,812**
LESS RECURRING EXPENDITURE		
Staff Emoluments	947,961	1,001,295
Administrative Expenses	648,769	653,796
Financial Expenses	21,940	25,389
Depreciation Charged	64,396	101,076
TOTAL	**1,683,066**	**1,781,556**
EXCESS OF INCOME OVER EXPENDITURE	**77,885**	**296,256**

Amb. Francis K. Muthaura
Executive Secretary

SECRETARIAT OF THE COMMISSION FOR EAST AFRICAN COMMISION BALANCE SHEET AS AT 30TH JUNE 1999

	1997/98 US$	1998/99 US$
ASSETS		
CURRENT ASSETS		
Claims, Deposits, Prepayments	6,750	25,087
Debtors	167,913	416,691
Cash and bank Balance	300,066	331,726
TOTAL CURRENT ASSETS		
FIXED ASSETS		
Gross Value	423,874	504,391
Less : Accumulated Depreciation	110,182	183,127
Net Book Value	**313,692**	**321,264**
TOTAL ASSETS	**788,420**	**1,094,768**
CURRENT LIABILITIES		
Expenses Payable	34,984	52,418
Creditors		8,309
TOTAL CURRENT LIABILITIES	**34,984**	**60,727**
EXCESS OF INCOME OVER EXPENDITURE	**753,437**	**1,034,041**
TOTAL LIABILITIES	**788,420**	**1,094,768**

Amb. Francis K. Muthaura
Executive Secretary

8.2 Administrative Activities and Capacity Building

8.2.1 Staff Matters

Mr Enoch Mgbaki Dribidu was appointed Lake Victoria Programme Officer on a two year contract, effective as from 15 June 2000.

Arrangements are underway to recruit the Clerk of the East African Legislative Assembly and the Registrar of the East African Court of Justice.

8.2.2 Capacity Building

In the area of capacity building the activities undertaken were as follows:

A. Consultancy Studies

Consultancy **Studies** are on-going on the following matters:

- i Organisational Structure of the Secretariat and Terms and Conditions of Service for EAC Staff;
- ii Staff Rules and Regulations;
- iii Financial Rules and Regulations; and
- iv Staff Medical and Health Schemes.

B. Implementation of EAC Information and Communication Systems Project

The Information and Communication systems project funded by the UK Department for International Development (DfID) was successfully completed in May 2000, following implementation in two phases commencing from November 1998. The project covered improvement of the information and communication systems in the following areas: Registry; Library; Information Technology; Databases; Secretariat Documentation; and Information Security.

The aims of the project were:

- i To assist the EAC to enhance its internal information systems, documentation and records;

- ii To supply EAC staff with IT equipment and software, Electronic Mail and Internet access and to provide training;

- iii To enhance the EAC's capacity to promote and develop programmes aimed at strengthening co-operation among its Member States.

The Information and Communication Systems project has substantially achieved all what was required in the area covered. The project has therefore enhanced internal information systems, documentation and office automation infrastructures at the Secretariat.

The Secretariat has highly benefited from the Project by being able to perform its functions more effectively and efficiently.

9.0 Relations with Donors and Other Similar Organisations

9.1 Studies Funded by Donors

In addition to studies mentioned earlier as having been undertaken during the period under review, other studies completed or ongoing are as follows:

9.1.1 Study on the Harmonisation of Road Transit Charges in East Africa

This **study**, supported by the GTZ, aims at harmonising the per unit road transit charges in the East African region. The **study** commenced in November 1999 and is expected to be completed in January 2000. Once completed, the **study** report will be forwarded to COMESA and SADC for their comments and possible adoption.

9.1.2 Sustainable Development of Lake Victoria and its Basin

The **study** on the Institutional and Legal Arrangements for the Sustainable Development of Lake Victoria and its Basin, which was started in 1999, is now in its third and final phase. The **study** will recommend appropriate multidisciplinary legal and institutional arrangements that will co-ordinate the activities of the different parties on Lake Victoria. The **study** is being financed by Sida.

9.1.3 Cross-Border Trade in Agricultural Products

The **study** is being undertaken with financing from GTZ (Germany). The main objective of the **study** is to hasten the process of freeing cross-border trade in agricultural products.

9.1.4 Study on the EAC Industrial Development Strategy

The Study has been completed and was undertaken with support from GTZ. The study was undertaken in two phases. Phase one was a background study on areas of comparative advantages of the Partner States. Phase two was the formulation of the Strategy itself which has been completed and is expected to be adopted by the Council during its first meeting scheduled for 13 January 2001.

9.1.5 Study on the EAC Trade Regime

The study was undertaken with support from the European Union. It was completed in October 1999 and proposed the elements that could be included in an EAC Trade Regime. The final Report was adopted by the Committee on Trade, Industry and Investment as a working document.

9.1.6 Study on a Harmonised External Tariff for the EAC region

The **study** was supported and co-ordinated by the World Bank under the Cross Border Initiative. It was completed, presented and adopted by a meeting of the representatives of the Partner States in September 1999. The **study** proposed a harmonised external tariff for EAC region, on the basis of the tariff levels of the Partner States that prevailed in 1996, when the **study** was commissioned. Since then, Partner States have reformed the structure of their tariffs.

9.2 Outreach Activities with similar Regional Groupings

The East African Co-operation continued to make contacts with other regional organisations in Africa and the rest of the world, to strengthen its networking and co-ordination with them. During the year, significant contacts were made with the following organisations:

i United Nations Economic Commission for Africa (ECA), to exchange ideas and expertise in the development of EAC's statistical data base as well as capacity building in trade negotiation skills and handling of WTO matters;

ii COMESA, on matters of common interest, vis-à-vis the operations of the COMESA Clearing House; and the interface of the COMESA Free Trade Area, which will be established in October 2000, and the anticipated EAC Trade Regime.

iii SADC, to **study** the operations of the Southern African Transport Communications Commission (SATCC) in the process of the development of EAC's Transport sector and the need to harmonise with SADC; and

iv African Development Bank, to follow up matters in the ADB-EAC Memorandum of Understanding and to review future programmes of EAC-ADB co-operation.

10.0 Priority Programme for 2000

The priority programme on the Operationalisation of the Treaty comprised the following:

i Follow up on the ratification and coming into force of the Treaty;

ii Registration of the Treaty;

iii Constitution of the new organs of the Community (including drafting and conclusion of the necessary Protocols and Rules of Procedure and appointment of necessary staff);

iv Preparatory work under Trade Liberalisation and Development (including activities towards the conclusion of a Protocol Establishing a Customs Union, the formulation of a Business Dispute Settlement Mechanism and the development of an East African Industrial Development Strategy);

v Facilitation of the modus operandi of the Community's institutional framework through the conclusion of:

- Rules of Procedure for the Council of Ministers;
- Rules of Procedure for the Co-ordination Committee;
- Rules of Procedure for the Summit of Heads of State;
- Rules of Procedure for the East African Court of Justice; and
- Rules of Procedure for the East African Legislative Assembly.

vi Facilitation of the mechanism for expanding the membership of the Community through the conclusion of Rules of Procedure for:

- Admission of foreign countries into the East African Community; and
- Admission of Observers into the East African Community;

vii Enhancement of co-operation in some specified areas through the conclusion of protocols on:

- Standardisation, Quality Assurance, Metrology and Testing; and
- Combating Illicit Drug Trafficking in the East African Region.

EAST AFRICAN COMMUNITY SECRETARIAT
ARUSHA, TANZANIA
OCTOBER 2000

EAC

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