



EAST AFRICAN COMMUNITY

BUDGET SPEECH

**PRESENTATION OF THE BUDGET OF THE
EAST AFRICAN COMMUNITY FOR THE FINANCIAL
YEAR 2015/2016 TO THE
EAST AFRICAN LEGISLATIVE ASSEMBLY**

**By Hon. Dr. Harrison Mwakyembe, Chairperson of the Council of
Ministers of the East African Community and
Minister for East African Cooperation, The United Republic of
Tanzania**

13th May 2015

**EALA Chambers, EAC Headquarters, Arusha, the United Republic of
Tanzania**

*Theme: Consolidating the EAC Common Market and commencing the
implementation of the Monetary Union Protocol*

PART I: INTRODUCTION

- 1. Mr. Speaker, I beg to move that this esteemed Legislative Assembly resolve into a House Committee to debate and approve the proposals by the Council of Ministers for the Budget of the East African Community for the Financial Year 2015/2016.**
- 2. The Budget estimates for the Financial Year 2015/2016 are being presented at a time when the momentum of the integration process is increasing. We expect to fully operationalize the Common Market Protocol and realize the time bound objectives we set for ourselves. We also expect to initiate the establishment of the 4 Institutions to underpin the East African Monetary Union Protocol following its ratification by all the 5 Partner States. The EAC Development Strategy (2011/12-2016/2017) sets out clearly our targets within the five-year period.**

PART II: GLOBAL ECONOMIC PERFORMANCE AND OUTLOOK

Global Economic Performance

- 3. Mr. Speaker, the global economy continued on a recovery path recording a modest 3.4 percent growth in 2014 for a second year running. The overall growth was as a result of a pickup in advanced economies coupled with slowed growth in the emerging markets and developing economies.**

Economic Outlook

4. Mr. Speaker, the global growth is projected to increase to 3.5 percent in 2015 and then further rise to 3.6 percent in 2016. The growth in 2015 will be as a result of an expected rebound in the advanced economies, supported by the decline in oil prices. The further pickup in 2016 will be supported by the projected growth in emerging markets and developing advanced economies that will offset the modest growth in advanced economies. The growth in emerging markets is however expected to slowdown in 2015 as a result of among others the downward revisions among the oil exporters and also as a result of the movement to sustainable growth in China. The United States is expected to continue to record robust economic performance in 2015. The momentum of the growth in 2014 is expected to be sustained by the lower energy costs, tame inflation, reduced fiscal drag and improved housing market.

Sub-Saharan Africa

5. Mr. Speaker, the growth in the Sub-Saharan Africa remains strong at 5 percent albeit lower than the 5.2 percent growth in 2013. Growth driven by strong investment in mining and infrastructure and by private consumption in the region held up well largely in low-income countries. The growth in the western region declined sharply as a result of the Ebola epidemic, which caused severe disruption in agriculture and services. Weak oil and food prices helped reinforce the regions generally low inflation environment, which could allow countries dealing with lower growths, adopt more accommodative monetary policy stances.

Total Intra – EAC Trade

6. Mr. Speaker, the total value of Intra - EAC trade continued to post positive trade by recording a growth of 6.1 percent to US \$ 5,805.6 million in 2013 compared to US \$ 5,470.7 million recorded in 2012. The growth was largely driven by the increase in exports that was increased by 17.2 percent while imports declined by 9.0 percent. Tanzania, Rwanda and Burundi recorded an increase in their shares to total intra EAC trade while that of Kenya and Uganda declined.

PART III: APPRECIATION AND ACKNOWLEDGEMENTS

7. Mr. Speaker, the theme of this year's Budget is: *Consolidating the EAC Common Market and commencing the implementation of the Monetary Union Protocol.*
8. In presenting this Budget, I would like to thank all those who have been charged with spearheading the regional integration process, from the Heads of State of the Summit, the Council of Ministers, East African Legislative Assembly, East African Court of Justice, the Coordination Committee, and Members of staff of the East African Community, **NOT FORGETTING ALL East African at large.**
9. Mr. Speaker, The EAC Budget process has, since the Financial Year 2009/2010, embraced the good practice of widely inclusive participation of the broad spectrum. The EALA has been involved right from the start of the Budget process and we are sincerely grateful to this august

House for the wonderful guidance it has rendered to the Community in its budgeting process.

PART IV: REVIEW OF EAC PROGRAMME PERFORMANCE FOR THE FINANCIAL YEAR 2013/2014

10. **Mr. Speaker, in reviewing the Budget performance for the Financial Year 2013/2014 for Partner States contribution, the execution was 91% percent. I am confident that this good performance will continue with the 2014/2015 budget which is still currently under execution. I would like to state that we have continued the results-based performance management system, which has been put in place and supported by a Monitoring and Evaluation system at the EAC Secretariat.**

11. **This August House approved a total Budget of USD 126,110,145 (*made up of USD 124,069,625 as original Budget and USD 2,040,520 by way of Supplementary Budget*) for the Community which was inclusive of Inter-University Council for East Africa and two Supplementary budgets for the Financial Year 2014/2015 with focus on the following priorities: -**
 - a. **The establishment of a Single Customs Territory;**
 - b. **The progressive implementation of the Common Market Protocol and harmonization of financial laws and regulations;**
 - c. **Implementation of the EAC Monetary Union Protocol;**
 - d. **The development of cross border infrastructure through implementation of on-going programmes and projects in the respective sub-sectors;**

- e. Operationalization of the EAC Industrialization Strategy and Policy;**
- f. Implementation of the EAC Food Security and Climate Change Master Plan;**
- g. Conclusion of negotiations for the establishment of the Grand Free Trade Area comprising 28 African countries under the Tripartite EAC-COMESA-SADC initiative;**
- h. Implementation of cross cutting interventions on peace and security; trade negotiations (EAC-EU-EPA and EAC-US); and Social Development; and lastly**
- i. Implementation of the critical activities of Lake Victoria Basin Commission.**

Key achievements during the Financial Year 2014/15

12. **Mr. Speaker, the following achievements were made during the first half of the Financial Year 2014/15: -**
- a. Commencement of clearance of goods under the Single Customs Territory (SCT) on the Central corridor and rollout of more products on the Northern Corridor;**
 - b. Conclusion of a legally-binding mechanism for elimination of NTBs and forwarding of the proposed legislation to the Assembly for consideration;**
 - c. Development of the legal and regulatory framework for the EAC Securities Market following the adoption of the first set of Council Directives on the EAC Securities Market that include; on Public**

Offers for Equity Securities; on Public Offers for Fixed Income Securities; on Public Offers for Asset Backed Securities (ABS); on Collective Investment Schemes (CIS); on Corporate Governance for Securities Market Intermediaries; on Regional Listings in the Securities Market; and lastly on Admission to Trading on a Secondary Exchange;

- d. Commencement of implementation of the Common Market Scorecard which will assist Partner States to identify areas of slow or limited progress, and foster stronger peer learning to accelerate implementation of the Common Market Protocol;**
- e. Ratification of the EAMU Protocol by all Partner States;**
- f. The Vehicle Load Control Bill and the One-Stop-Border Post Bill, both enacted in 2013 are currently undergoing assent. The Secretariat has commenced the development of regulations to support implementation of the two Acts when fully assented to by the Partner States;**
- g. Construction of One Stop Border Posts (OSBPs) at the common borders between Partner States. The status of completion of the Border Posts as of November 2014 was as follows: -**
 - (i) Namanga (Kenya/Tanzania): 100% complete on the Tanzanian side, 40% complete on the Kenyan side;**
 - (ii) Rusumo (Rwanda/Tanzania): 99% complete, including the International Bridge;**
 - (iii) Holili/Taveta (Tanzania/Kenya): 100% complete on the Tanzanian side, 85% complete on the Kenyan side;**

- (iv) **Lunga Lunga/Horohoro (Kenya/Tanzania): 99% complete on the Tanzanian side, 90% complete on the Kenyan side;**
 - (v) **Mutukula (Uganda/Tanzania): 96% complete on the Tanzanian side, 70% complete on the Ugandan side;**
 - (vi) **Sirari/Isebania (Tanzania/Kenya): 100% complete on the Tanzanian side, 95% complete on Kenyan side;**
 - (vii) **Katuna/Gatuna (Uganda/Rwanda): 98% complete on the Ugandan side;**
 - (viii) **Kabanga/Kobero (Tanzania/Burundi): 70% complete on the Tanzania side, construction launched on 14th November 2014 on the Burundi side; and**
 - (ix) **Mirama Hills/Kagitumba (Uganda/Rwanda): construction works on both sides on-going (30% complete);**
- h. Negotiations on the Agreement for the establishment of the Tripartite Free Trade Area (TFTA) has been finalized and the TFTA Agreement is scheduled to be signed by the Tripartite Heads of State and Government at the 3rd Tripartite Summit on 10th June 2015 in Sharm el Sheikh, Egypt;**
- i. Implementation of the EAC Industrialization Policy and Strategy in terms of undertaking a holistic mapping of regional value chains for agro-food and agri-business; renewable energy and bio-fuels; and minerals and iron ore; launching of a platform for actors in science, research, technology and innovation to promote Research and Development collaboration, exchange of experiences and learning, as well as joint programming to**

enhance synergies and scale economies of technological development initiatives; and development of a regional action plan for local pharmaceutical production to ensure access to quality and efficacy medicines;

j. As part of implementation of the EAC Food Security Action Plan and Climate Change Master Plan, the EAC Protocol on Sanitary and Phyto-sanitary Measures (SPS) was approved by the Summit. The Protocol is undergoing ratification in the EAC Partner States. Other notable achievements towards implementation of the Action Plan and Master Plan include: -

- (i) Approval of the EAC Food and Nutrition Security Policy;**
- (ii) Approval of the EAC Livestock Policy;**
- (iii) Finalization of the harmonized livestock data capturing instruments and training of livestock experts in the Partner States on the use of Animal Resources Information System II data management system; and**

k. Development of a Plan of Action to prepare for and respond to climate change impacts and transform livestock keeping in dry lands in the EAC;

l. Review and alignment of the Regional Strategy for Peace and Security to the EAC Protocol on Peace and Security;

m. initiating the constitution-making process for East African Political Federation;

n. Implementation of the critical activities of Lake Victoria Basin Commission including:

- (i) **Development of harmonized regional standards for discharge of industrial and municipal effluent into public sewers and water bodies within Lake Victoria Basin; and**
- (ii) **Establishment of wildlife clubs in 10 secondary schools to advocate for anti-poaching of elephants and rhinos in Maasai Mara and Serengeti.**

13. **Mr. Speaker, in this Budget presentation, allow me to report on the activities carried out, and achievements made under Economic, Infrastructure, Productive and Social Sectors, Political pillars of co-operation, and cooperation in Legal and Judicial Affairs. I will also highlight Finance, Administration and other cross-cutting issues in the EAC integration and development. My review will also look at developments in the EAC Institutions and Organs.**

DEEPENING ECONOMIC CO-OPERATION

Implementation of a Single Customs Territory

14. ***Mr. Speaker,* following the Summit decision to implement the Single Customs Territory (SCT), the Secretariat together with the Partner States Revenue Authorities have been working relentlessly to operationalise the SCT. During the 2014/15 Financial Year, the roll out of SCT on the Northern Corridor (Mombasa-Kigali) and Central Corridor (Dar-es Salaam-Kigali-Bujumbura-Kampala) has been remarkably successful.**

15. **On *the* Northern Corridor, the turn around time of movement of goods has reduced from 18 to 4 days from Mombasa to Kampala and 21 to 6 days from Mombasa to Kigali. Most of cargo imported through the port of Mombasa destined to Rwanda are currently cleared under the SCT while all the petroleum products to Uganda is also under the SCT. In addition intra-EAC trade Cargo between Kenya, Uganda, Tanzania, Rwanda and Burundi are progressively being rolled on the SCT system.**
16. **On *the* Central Corridor, piloting of SCT clearance commenced in July 2014 and a reduction of turn around time has been attained on such cargo from over 20 to 6 days from Dar es Salaam to Kigali and Bujumbura respectively. The goods cleared under SCT include wheat grain and petroleum products to Rwanda, Burundi and Uganda as well as imports of the Brewery in Burundi. Intra EAC trade goods are also being are progressively rolled out on SCT clearance between Tanzania, Uganda, Burundi, Kenya and Tanzania.**
17. **In *the* coming financial year the SCT implementation will focus on enhancing and stabilising the interconnectivity of Customs Systems of the Partner State with the ultimate objective of establishing a regional integrated customs system that will enable seamless and real time clearance of goods between the Partner States.**
18. ***The* rollout of all imports and exports in EAC will be attained in the new Financial year resulting into substantial reduction in cost of doing business in EAC This will be supplemented by rollout of remaining**

customs regimes and processes as an integral component of the SCT clearance system.

19. *Mr. Speaker;* With the realisation of the need to further promote intra EAC trade, the Council decided to review the East African Community Customs Union Rules of Origin 2014. The review was to make the rules more trade facilitative and promote cross border value addition of manufactured products. The Council adopted the Revised Rules of Origin in November 2014 and their implementation will commence in the new Financial Year.
20. The Council also considered and submitted to this August House, amendments to the East African Community Customs Management Act which were passed into law at the last session and are undergoing assent. These amendments will further support the implementation and consolidation of the EAC Customs Union. Further, the Council adopted the Customs Information Technology Regulations that will support automation of customs systems in the Partner States.

Export Promotion Strategy

21. Mr. Speaker, the Secretariat held sensitization workshops in each Partner States on the EAC Export Promotion Strategy for the period 2013-2016. Partner States agreed to domesticate the EAC Export Promotion Strategy.

AGOA Initiative

22. **Mr. Speaker, the 2014 Annual African Growth and Opportunity Act (AGOA) Forum was held in August 2014 in Washington D.C. The Forum focused on, among others, the renewal of AGOA and unlocking its full potential. The US committed to extend the AGOA program before September 2015, when AGOA is scheduled to expire. The US commitment is in line with the EAC position on EAC-US Trade and Investment relationship under a new post 2015 AGOA Program.**

U.S. – Africa Leaders’ Summit

23. **Mr. Speaker, the first U.S. – Africa Leaders’ Summit took place on 4th – 6th August 2014 in Washington D.C. USA. The Summit, whose theme was “Investing in the Next Generation”, offered the opportunity of discussing and strengthening the U.S. – Africa economic and political ties, with a focus on trade and investment in Africa. Various pledges were made during the Leaders’ Summit, which included -**
- (i) a pledge by President Obama of US \$300 million in assistance per year to expand the reach of Power Africa in pursuit of a new aggregate goal of 30,000 MW, and announced that Power Africa has now mobilized more than US\$26 billion;**

- (ii) US\$7 billion in new financing under the Doing Business in Africa Campaign that will support U.S. trade with and investment in Africa over the next two years;**
- (iii) prompt, long-term renewal of an enhanced AGOA and cooperation to increase its utilization by African countries; and**
- (iv) over US\$ 14 billion in new private sector.**

24. On the EAC-US Trade and Investment Partnership, substantial progress has been made on the negotiations of the components of the Trade and Investment Partnership. Negotiations for the Cooperation Agreement on Trade Facilitation, SPS, and TBT were finalized in Arusha on 30th September 2014 and EAC Ministers and the U.S. Trade Representative signed the Agreement on 26th February 2015 in Washington. The Ministers also discussed the strategic way forward for the EAC – U.S. trade and investment relationship; strategies to help EAC Partner States take better advantage of AGOA; and the Commercial Dialogue.

COMESA-EAC-SADC Tripartite Arrangement

25. Mr. Speaker, in respect to the Tripartite FTA comprising of COMESA, EAC and SADC, negotiations have now been concluded on phase I of the Agreement with the exception on Rules of Origin, Trade Remedies and Exchange of Tariffs. The EAC has prepared tariff offers for all the Tripartite Member States and negotiations are ongoing with SACU

Member States and Egypt on tariff offers. As I noted earlier, the Tripartite Agreement will be signed at the 3rd Summit of Tripartite Heads of State and Government, which has been scheduled for 10th June 2015 in Egypt. This will be followed by ratification and implementation of the Agreement by the Tripartite Countries including the five EAC Partner States. In preparation for implementation of the Agreement, the EAC Secretariat has embarked on a comprehensive assessment of the legal, regulatory and institutional requirements for implementation of the Agreement. At the 3rd Tripartite Summit, the Heads of State and Government will also adopt a programme for negotiations on the outstanding areas of phase 1 in addition to phase II of the Agreement on Trade in Services, Intellectual Property, Competition Policy and Trade and Development.

26. In view of the fact that the EAC is negotiating the Tripartite Agreement as a block, regional preparatory meetings are usually convened prior to the negotiations in order to develop regional negotiating positions. It is therefore necessary that sufficient budgetary provisions are made available to facilitate the EAC preparatory meetings.

EAC-EU EPA Negotiations

27. Mr. Speaker, both Parties concluded the EAC-EU EPA negotiations and the EPA Agreement were initialed on 14th October 2014 in Brussels. Both Parties are currently undertaking a joint legal scrubbing of the EPA text, which is expected to be completed in June 2015. Following this exercise, the Agreement will be translated into Kiswahili and the

EU official languages, which will pave the way for signature and eventual ratification of the EAC-EU EPA.

INTERNAL TRADE

Elimination of Non-Tariff Barriers (NTBs) in the region

28. Mr. Speaker, the National Monitoring Committees on NTBs and the EAC Regional Forum on NTBs have continued to spearhead the elimination of NTBs affecting Intra-EAC trade. The status of elimination of NTBs as reflected in the EAC Time Bound as of March 2015 shows that:

- (i) Eighteen NTBs were reported as unresolved;**
- (ii) Four NTBs were reported as new; and**
- (iii) Eighty-three NTBs were reported as cumulatively resolved.**

EAC NTBs Bill

29. Mr. Speaker, the purpose of this Bill is to provide a legal mechanism for the elimination of identified non-tariff barriers in the Partner States. It seeks to give effect to Article 13 of the Protocol on the Establishment of the East African Community Customs Union in which the Partner States agreed to remove with immediate effect, all the existing non-tariff barriers to the importation into their respective territories, of goods originating in the other Partner States, and thereafter, not to impose any new non-tariff barriers.

30. **The Bill seeks to establish a mechanism for identifying, monitoring and removal of non-tariff barriers through appropriate institutional frameworks at the national and regional levels and applicable rules and procedures for elimination of NTBs in a timely, transparent and predictable manner. The NTBs Bill was enacted into law by EALA in February 2015 and is awaiting assent by Heads of State to become an EAC law.**

Sensitization of Small Scale Traders on Market Opportunities offered by EAC Custom Union and Common Market

31. **Mr. Speaker, the 15th edition of EAC *Jua Kali/Nguvu Kazi* Exhibition was held on 1st - 7th December 2015, Kigali, Rwanda. This is an annual programme since the first one, held on 30th November 1999 and coincided with the signing of the Treaty for Establishment of East African Community. It is held on rotational basis in the EAC Partner States. The 15th Edition attracted eight hundred and seventy three Exhibitors from the region who were sensitized on market opportunities in the region**

Operationalization of EAC Competition Authority

32. **Mr. Speaker, the East African Community Act, 2006 (*as amended*) come into force in December 2014. The Act established the East African Community Competition Authority set to begin operations in January 2016. Once operational, the Authority is expected to foster regional competition and create the right environment for competition by**

prohibiting, or putting restrictions on, certain types of business practices and transactions that unduly limit competition.

Underpinning Monetary Union-3rd Pillar of EAC Integration Process

Establishment of the EAMU Institutions

- 33. Mr. Speaker, all the EAC Partner States have ratified the Protocol for the Establishment of East African Monetary Union (EAMU) and the process to establish the four institutions to underpin the EAMU have commenced. The Institutions are; the East African Financial Services Commission, the East African Monetary Institute, the East African Statistics Bureau and the East African Surveillance and Compliance and Enforcement Commission.**

Coordination and harmonization of Fiscal Policy

- 34. Mr. Speaker, The roadmap for the realization of the Monetary Union envisages harmonization and coordination of fiscal policies of the Partner States, and that macroeconomic convergence be achieved and maintained at least three years prior to the adoption of a Single Currency. In this regard, the Committee on Fiscal Affairs (CFA) will be identifying and defining the key indicators in the macroeconomic convergence criteria for their consistence reporting in the Partner States.**

35. **Mr. Speaker, Fiscal risks can be large, jeopardizing macro-economic stability and fiscal sustainability. However, transparency can help to promote early policy responses to the risks and strengthens accountability, and improves decisions on whether to take on risks in the first place. In this regard the EAC Secretariat with support from the IMF has conducted a study on the assessment of the fiscal surveillance in the region, aimed at developing a fiscal risks assessment framework for the region. The study has been instrumental in the development of the Bill for the establishment of the East African Compliance and Surveillance Commission.**

Cooperation in Statistics Harmonization and Development

36. **Mr. Speaker, the EAC Secretariat has developed a Draft EAC Regional Statistics Policy, which provides the institutional framework for development, production and dissemination of regional statistics. An EAC Regional Statistics Bill, which provides the legal framework for the production of regional statistics in the context of EAMU, has also been developed and awaits negotiation by the Partner States.**

Financial Sector Development and Regionalization Project

37. **During the period under review, the Financial Sector Development and Regionalization Project 1 made the following achievements: harmonization of the legal framework through development of additional Council Directives for the EAC Securities Market; development of an EAC Insurance Policy and draft Bill, development of**

a Pensions Policy Framework and establishment of an EAC Pension Supervisors Association; assessment of the Securities Market and Insurance sector to benchmark the region against international standards; and development of a regional Insurance Certification Programme.

Capital Markets Infrastructure

38. **Mr. Speaker, another notable initiative being undertaken under the FSDRP1 is the implementation of a Capital Market Infrastructure to provide an automated trading and settlement system for Securities across the EAC region. A vendor has been identified and implementation of the project commenced in May 2015. Once operational, this infrastructure will fundamentally leverage integration of the Regional Capital Markets and enable market intermediaries, investors and issuers across the EAC region to optimize investment opportunities through economies of scale and scope in a more efficient manner.**

Investment Promotion and Private Sector Development

39. **Mr. Speaker, in an effort to involve the Private Sector in the integration process as envisaged in the Treaty, the Community has embraced private sector players through various platforms. Important to note is the recent launch of the Private Sector Fund in Nairobi, Kenya, which is a clear indication of the willingness of the business community to fully participate in the integration agenda. The ongoing Secretary General's**

CEOs Forums at the national and regional level is also testimony to this desire.

- 40. Further, the Community is in advanced stages of establishing a regional policy, legal and regulatory framework for Public Private Partnerships (PPPs) to guide the participation of the Private Sector in trans-boundary infrastructure projects. It is also hoped that such frameworks will galvanize the role of businesses in achieving future sustainable development goals of the Community, enhancing the private sector's positive economic, social and environmental impacts.**

- 41. Mr. Speaker, against the backdrop of recent discoveries of hydrocarbon reserves in the region and efforts of our Heads of State towards deeper integration, levels of Foreign Direct Investment (FDIs) have risen in nearly all the five Partner States. Statistics indicate that the EAC recorded 15% increase in FDI inflows as a result of rising flows to Kenya. In an effort to strengthen bonds of integration and taking advantage of the improved regional business environment, cross-border investments among the Partner States have increased manyfold. The single investment area principle is taking root as many corporates have established branches in nearly all the capitals of the EAC Partner States. Expansions in investment have been witnessed in the banking sector and other financial services, retail, ICT, tourism and hotel chains.**

- 42. Despite impressive performance in investment trends, promotion of the Community as a single business destination is challenged by terrorist attacks, negative travel advisories and financial bottlenecks. FDI**

remains an important factor in capital formation and growth. The size of FDI flows relative to gross fixed capital formation has averaged above 11% over the past decade. National Investment Policy making remains geared towards investment promotion and liberalization. All the same overall share of regulatory or restrictive investment policies further increased from 25% to 27%. The Community's growing middle class and its youthful population could become a key source of demand for East African produced goods and services as the expansion of East African retail and financial services demonstrates. This shows there is potential for a formidable source of consumer demand in the region.

INFRASTRUCTURE DEVELOPMENT UNDERPINNING PILLARS OF EAC INTEGRATION PROCESS

(a) Roads Subsector

43. Mr. Speaker, during the period under review, construction of the Arusha – Holili/Taveta - Voi road, and the 2nd multinational road projects in the region commenced. The Arusha – Holili section in Tanzania comprises the Arusha Bypass (42Km) and the dualling of the Sakina – Tengeru road (14 Km) while on the Kenyan side, the 90-km long Taveta – Mwatate road will be upgraded from gravel to bitumen.
44. Further, the Detailed Design Studies for the Malindi – Lungalunga/Horohoro Tanga – Bagamoyo road progressed and the final designs and Tender documentation have been received. The negotiations for works financing with the AfDB will commence soon and the works are

expected to commence in the 3rd quarter of 2016. The Bank has already set aside US\$ 200million for each of the portions in Kenya and Tanzania. In addition, the Secretariat signed a grant agreement with the AfDB under NEPAD – IPPF financing for the feasibility studies and detailed designs for two important links for Rwanda and Burundi to the Central Corridor. These are the Nyakanazi – Kasulu – Manyovu road in Tanzania linking to the Rumonge –Bujumbura road in Burundi (78Km) and the Lusahunga – Rusumo road linking to the Kayonza – Kigali road (92Km).

- 45. The Secretariat is also working with the Governments of Kenya and Uganda for the financing of the design review and works for the Endebess - Suam – Kapchorwa road and the Central Corridor Transit Transport Facilitation Agency to prepare documentation for mobilizing resources to support the Feasibility Study and Detailed Designs for the Dar es Salaam Bypass.**
- 46. On the trade and transport facilitation side, the Secretariat with the support from Partnership Fund, JICA, and ICA commenced the preparation of the Regulations for the EAC Vehicle Load Control Act and the EAC One Stop Border Post Act, both of which are undergoing assent. The drafts Final Regulations are to be finalized by June 2015.**
- 47. The Secretariat is working with the EAC Corridor Agencies with support from TMEA to develop a standardized curriculum including training materials for drivers of heavy commercial vehicle (freight and**

passengers) in EAC. The activity is ongoing and is expected to be concluded by June 2015.

(b) Railways Subsector

48. **Mr. Speaker, during the reporting period, the Community received financing of approximately US\$ 2.3 million from the AfDB for the EAC Railways Sector Enhancement Project. The main objective of the project is to determine the feasibility of constructing new lines, the viability of reviving dormant lines, harmonization of railway laws and standards, developing an appropriate institutional arrangement for regional railways development as a precursor for the East African Railways Authority as resolved by EALA and long term investment strategy in the railway sector.**

49. **The study commenced in March 2014 and will be completed by December 2015. EAC, in collaboration with Railway Technical Officers from Partner States are also developing Technical Specifications for interoperability and appropriate regulations, whose main objective is to facilitate the development and operation of seamless and efficient railway transport services in the region that will enhance its competitiveness and support regional integration. This latter project will optimize the benefits of the ongoing Standard Gauge Railways along the Northern and Central Corridors by creating a platform for interoperability between the two corridors' railways systems.**

(c) Maritime Subsector

50. **Mr. Speaker, during the year under review a number of activities were carried out by the Secretariat in the Maritime Transport Subsector, including the development and validation of a Baseline Study on Maritime Transport and Port Sectors in the EAC, which was completed in December 2014. This Baseline report will inform the development of the EAC Maritime Transport Strategy, which will be undertaken in the Financial Year 2015/2016. Consultations are ongoing with NEPAD-IPPF to finance the study on the Strategy. A Proposal for financing the Development of the EAC Maritime Search and Rescue Exercises Framework has been developed. The Framework provides that joint maritime search and rescue drill exercises be organized periodically in order to improve responses to any maritime accidents or incidents in future.**

(d) EAC Corridors Initiatives

51. **Mr. Speaker, in July 2014, the EAC Secretariat signed a Strategic Cooperation Framework Agreement with the East African Corridors Agencies namely; the Central Corridor Transit Transport Facilitation Agency, the Northern Corridor Transit and Transport Coordination Authority; and the LAPSSET Corridor Agency. The Agreement aims at fostering cooperation and collaboration between the parties in activities aimed at promoting integrated, efficient and cost effective transport systems in the EAC region and beyond. Pursuant to this Agreement, several consultative meetings have been held between the parties.**

52. **Study on Integrated Corridor Development in the East African Community Region (Intermodal Strategy) was completed in November 2014 with support from the World Bank. Following, endorsement of the Strategy during the 3rd EAC Heads of State Retreat on Infrastructure Development and Financing, the World Bank has committed to support the development of the Lake Victoria Transport Project to a tune of US\$ 450 million. The total commitment by the World Bank for all the Intermodal projects is US\$ 1.2 billion. The 1st donors' roundtable to attract other financiers to the project was held in Dar es Salaam on 13th March 2015.**

(e) Civil Aviation and Airports Sub Sector

53. **Mr. Speaker, during the year under review, the EAC Upper Flight Information Region Follow-on Study Project progressed. The Project aims at enhancing aviation safety and performance through improved Upper Area Control and optimization of air traffic management in the region through an Upper Area Control Centre. The Communications, Navigation, Surveillance/Air Traffic Management (CNS/ATM) Sub Committee has agreed on the basic roadmap towards the establishment of the Unified Upper Area Control Centre in the region. The 12th Sectoral Council on Transport, Communication and Metrology (TCM) will consider the proposal in June 2015.**

54. **Further, the development of the Framework for the liberalization of the Air Transport Services in the Region made substantial progress. The**

Partner States have agreed on all the provisions in the Framework except the one on the Ownership provision on eligible Air Operators. Consultations are ongoing and expected to be concluded and the Framework adopted by the 12th TCM Sectoral Council in June 2015. The agreement and implementation of the Framework will underpin the full liberalization of air transport in the region with resultant benefits from increased air transport volumes and competition and hence lower airfares and freight rates.

(f) Communications Sub Sector

- 55. Mr. Speaker, in the period under review, key activities in the Communications sector include development of regulatory frameworks for international mobile roaming services and cross-border broadband infrastructure and implementation of the EAC Roadmap for Digital Broadcast Migration.**

Regulatory framework for international mobile roaming services

- 56. Mr. Speaker, in an effort to reduce the cost of cross-border mobile communications services, EAC Partner States initiated and implemented a number of activities at the national, multilateral and EAC levels. For the short-term solution, an EAC Roaming framework was developed and adopted by the 30th Meeting of the Council. The framework imposed price caps on roaming charges and called for the removal of surcharges on cross-border telecommunications traffic. Currently, the development of a long-term solution is in progress.**

57. **Implementation of cross-border ICT infrastructure is critical for the attainment of a common market in communications services within the EAC. To this effect, the EAC is in the process of developing cross-border interconnections regulations. In line with the work plan for developing the regulations, the terms of reference have been developed, a baseline survey was completed in July 2014, and the regulations are expected to be completed and adopted by December 2016. When adopted, the regulations will provide mechanisms for effective and efficient implementation of cross-border ICT infrastructure.**

EAC Roadmap for Analog-to-Digital Broadcast Migration

58. **Partner States continued to implement the EAC Roadmap for Analog-to-Digital Broadcast Migration, which was adopted by the Council in 2011. As per the Roadmap, Partner States expect to complete the migration process by 17th June 2015.**

(g) Meteorological Sub Sector

59. **Mr. Speaker, the Meteorology sector has been involved in two major areas of focus during the current financial year namely, Policy harmonization and Enhancement of Weather Forecasting.**

60. **On Policy harmonization, the Secretariat together with the Partner States developed a plan for the implementation of the EAC Meteorological Data Policy. The purpose of the Data Policy is to promote a harmonized approach to meteorological data observations,**

transmission, management (processing, analyzing, and archival) and sharing of meteorological data within EAC Partner States.

61. **The Protocol on Cooperation of Meteorological Services was also finalized and adopted by the Summit of the Heads of State in February 2015. The Ministers responsible for Meteorology will sign the Protocol in June 2015. The objective of the Protocol is to enhance closer cooperation amongst the meteorological services in order to facilitate pooling and mobilization of resources for the implementation of common meteorological projects and to develop regional Meteorological Institutions and infrastructure equitably, among other areas of cooperation.**

62. **On weather forecasting, the Secretariat continued to implement the EAC Meteorological Strategy by procuring and installing computing equipment (Computer Servers, desk top computers, Printers and related software) at the Tanzania Meteorological Agency and Kenya and Meteorological Service. The equipment will greatly enhance weather forecasting capabilities at the two National Meteorological Services. Similar equipment have already been installed at the Burundi, Rwanda and Uganda Meteorological Services. EAC Secretariat has also established Partnerships with the World Meteorological Organization, Earth Networks Incorporated and National Meteorological Services to enhance Severe Weather Forecasting in the region.**

(h) 3rd Heads of State Retreat on Infrastructure Development and Financing

63. **Mr. Speaker, I am also pleased to inform you that the 3rd EAC Heads of State Retreat on Infrastructure Development and Financing was successfully held in Nairobi on 29th November 2014. During the Retreat, the Heads of State endorsed a 10-Year Investment Strategy for the Priority Projects and an Intermodal Strategy for which the World Bank committed US\$ 1.2 billion to support its implementation.**

COOPERATION IN THE PRODUCTIVE SECTORS

(a) Energy Sector

64. **Mr. Speaker, the Community hosted the 7th East African Petroleum Conference and Exhibition in Kigali in March 2015. The Conference and Exhibition, which brought together over 600 delegates, provided an opportunity for EAC Partner States to jointly promote the region as an attractive destination for investment in the petroleum sector.**
65. **In line with developing the sector, the Community has secured funding for a feasibility study for an oil products pipeline from Kigali to Bujumbura and this has been provided for in the 2015/16 budget. This will complete the studies for an oil pipeline network from the port of Mombasa, to Uganda, Rwanda and Burundi. When completed, the project will enhance the efficient delivery of petroleum products in the region. Discussions are ongoing with the African Development Bank to support another pipeline study linking Uganda and Tanzania thereby making it possible for Tanzania to access petroleum products from**

Uganda when they become available in the market following the completion of the ongoing refinery development in Hoima, Uganda.

- 66. Steady progress has been made towards the establishment of the East African Centre for Renewable Energy and Energy Efficiency (EACREEE). A study tour to the ECOWAS Centre in Cape Verde was organized for government, private sector and renewable energy associations to gain firsthand understanding of functions and operations of the Centre that has inspired the creation of similar centers around the globe. The project document including the first three years' operational phase have been completed and approved by the Sectoral Council on Energy. The Council has also considered the financing modalities and sustainability mechanisms of the Centre.**

- 67. The Community completed the development of a five-year action plan for the implementation of the EAC Regional Strategy on Scaling Up access to Modern Energy Services and is currently undertaking an analysis of the capacity requirements for small hydropower development. Small hydropower development has the potential of greatly enhancing energy access and reducing poverty if the requisite capacity is provided.**

- 68. In the power sector, monitoring of the implementation of priority projects has continued. The regional energy balance for 2014 to 2020 paints an encouraging picture of the power supply marching demand by 2016 and even exceeding by as much as 2,000MW by 2020.**

Interconnection projects will be key to ensuring that least cost electricity in the region reaches any part of the Community.

(b) Industrialization and SME Development

Development Competitive Regional Value Chains

69. **Mr. Speaker, the Industrialization and Small and Medium Enterprise (SME) development are critical areas of cooperation in the region, considering the important contribution these sectors make towards employment creation, income generation, especially for small businesses and value addition on local raw materials. During the period under review, the Community undertook a holistic mapping of regional value chains for Agro Processing, Renewable Energy and Bio Energy and Iron, Steel and Metal processing with a view to unveiling investment opportunities and policy interventions required. In the agro value chain the study revealed investment opportunities in the processing and value addition of leather, cotton, dairy, sugar, maize, rice, coffee, meat, fish, tea, fruits and juices, and vegetable oils. The renewable energy study identified opportunities of value addition in solar technologies, biomass and bio fuels among others. The iron steel and metal processing value chain confirmed that sufficient iron ore resources exist in the region for the development of an integrated iron and steel-processing complex. We are currently preparing Action Plans for the value chains to guide the region in attracting investors into this sector.**

Launching of the First East African Manufacturing Business Summit (EAMBS)

70. **Mr. Speaker, the manufacturing sector continued to play a significant role in the EAC Partner States, with an average contribution of 10 per cent to GDP in 2013. The role of manufacturing and technological progress as drivers of growth however remains minimal, given the generally low levels of public and private investment targeting the sectors and limited awareness on the investment opportunities. Most of businesses in the EAC are small scale in nature and therefore face challenges related to business expansion due to financial constraints and managerial knowhow. The small-scale enterprise (SMEs) also lacks business exposure and international business connections. Furthermore, there is a generally limited linkage among industries within the region as well as with counterparts in the global and regional value chains. In this connection, the EAC Secretariat and its Partner States are partnering with the East African Business Council (EABC) as a representative of the private sector and other stakeholders to organize the first edition of the East African Manufacturing Business Summit (EAMBS) to be held on 1st to 2nd September 2015 in Kampala, Uganda. The Forum, the first of its kind in the region, will enable the bloc to be promoted as a potential manufacturing hub and will serve as a platform to enable SMEs explore strategic business alliances with large companies.**

EAC Bill on Industrialization

71. **Mr. Speaker, the EAC region lacks a consolidated legislation governing industrial development but instead have pieces of legislation**

administered under different Government Departments. Such situation poses challenges to investors who are required to comply with different pieces of legislation.

- 72. A steady progress has been made towards finalizing the EAC Bill on Industrialization. The bill aims to empower the Community to take actions for the development of industries and coordinate the pattern and direction of industrial development and regulate investments to achieve industrial development targets. It further aims to govern the operations of the strategic regional industries including addressing issues such as competition, counterfeiting, industrial financing, technology transfer, Public Private Partnership in industrial investments, taxation, tariff structures, fiscal and non-fiscal incentives, regulatory requirements, business incorporation, dispute resolutions arising from business partnerships, mergers and acquisitions. The Bill has been submitted to the Sectoral Council on Trade, Industry, Finance and Investment for consideration and approval.**

Industrial Research, Technology and Innovation

- 73. Mr. Speaker, the region continues its efforts to promote Industrial Research, Technology and Innovation and is working towards the establishment of formal and active institutional linkages among regional research and technology organization; Science and Technology Universities, public research institutions and apex private sector organizations through Memorandum of Agreements (MOUs). The MOUs will also enable joint undertaking of industrial research and**

technology development initiatives and programmes and establishment of regional industrial research, technology and innovation database/web-portal to facilitate sharing and exchange of technological information.

Industrial Development Pillar of the EAC-COMESA-SADC Tripartite

74. **Mr. Speaker, during the period under review, the Tripartite Technical Committee on Industrial Development made strides in its cooperation by adopting their Modalities of Cooperation. Under the cooperation, attention will be paid to different levels of economic developments among Partner and Member States; the need to share equitably the benefits of integration; environment and sustainable development; development of science, technology; ease of doing business; need to build on successes and best practices; areas of cooperation; and the role of micro, small and medium enterprises in creating jobs and incomes for the majority of the population in the Tripartite Member/Partner States.**

(c) Environment and Natural Resources

75. **Mr. Speaker, the key milestones during the year under review include:**
- a) establishment of National Climate Smart Agriculture (CSA) Task Forces and preparation of National CSA pilot project proposals;**
 - b) Undertaking several climate studies and trainings and downscaling models, which included the climate vulnerability, impact and adaptation assessment, climate information and user**

profile assessment that will inform the establishment of an EAC Climate Information and Knowledge Network;

- c) establishment of an EAC Carbon Credit Exchange Platform with an aim of enhancing the region's active participation in the global carbon trading through the Clean Development Mechanism;**
- d) accreditation and enlisting of EAC as a Regional Implementing Entity that can access international climate change financing;**
- e) identification of Biologically Significant Areas (BSAs) and conservation programme is underway;**
- f) putting in a draft Regional Strategy to Combat Poaching and Illegal Trade in Wildlife and Wildlife Products;**
- g) putting in place cooperation mechanisms for the management of trans-boundary Mountain Ecosystem;**
- h) approval of EAC application to host the Biopama Observatory for Eastern and Southern Africa Region; and**
- i) signing of Cooperation Agreement with the World Conservation Union (IUCN) on cooperation in conservation.**

76. **Mr. Speaker, the process of institutionalizing EAC's joint participation in International Conventions and Treaties on Environment and Natural Resources Management is ongoing to enhance the implementation of several Multilateral Environmental Agreements that the Partner States have ratified. Technical preparations including development of regional position papers in readiness for international policy discourse on Biological Diversity, Climate Change and forest management under the UN Convention on Biological Diversity, the UN Framework Convention on Climate Change and the UN Forum on Forests are ongoing.**

77. **The process of promoting conservation and management of shared trans-boundary Natural Resources/Ecosystems for enhanced socio-economic development, improved production and income; and strengthening regional integration through cross border and inter-regional business has been initiated through the Ecosystems Profile Assessment (EPA) that has identified Key Biodiversity Areas (KBAs) for conservation and conservation programme in the identified areas are ongoing.**
78. **Mr. Speaker, in an effort to provide a legal framework for the implementation of the EAC Disaster Risk Reduction and Management (DRRM) Strategy to address the increasing frequency and intensity of both natural hazards and man-made environmental disasters in the region, a draft Bill on Disaster Risk Reduction and Management has been developed. The draft Bill is currently undergoing technical review by a multi-sectoral team and is expected to be considered by Council in November 2015.**
79. **Mr. Speaker, the Proposed budget estimates for FY2015/16 is approximately US\$3.3million with a meager contribution from Partner States of (3%). The Department will focus on the following key priorities:**
- (a) Strengthening EAC's institutional, legal and financial capacities to address climate change;**
 - (b) Enhancing the region's capacities to benefit from climate change mitigation and green growth opportunities including**

development of EAC Carbon Exchange Mechanism, Regional Green Growth and Low Emission (LED), reducing emissions from Deforestation and Forest Degradation (REDD+);

- (c) operationalization of the EAC Climate Change Fund and enhancing EAC's institutional capacity to directly access international climate finance through seeking accreditation as a Regional Implementing Entity (RIE) in collaboration with the EADB;**
- (d) Enhancing adaptive capacities and resilience to negative impacts of climate change enhanced;**
- (e) formulation of a proposed EAC Climate Change Bill that seeks to give legal effect to the implementation of the EAC Climate Change Policy (2011);**
- (f) Developing Regional EAC Forestry Policy and strategy;**
- (g) improving preparedness and response to environmental disasters that constitute over 70% of all disasters in the region, in finalizing the EAC Disaster Risk Reduction and Management Bill, 2013 Development of DRR Tools and mechanisms including DRR Training manual; and**
- (h) Finalizing inventory of Regional Mineral Laws and policies; EAC Bio- Safety framework;**

80. Mr. Speaker, new projects and initiatives to be launched early FY2015/16 include the hosting of the *EAC Observatory* including a Regional Referencing Information System (RRIS) under the

Biodiversity and Protected Areas Programme (BIOPAMA) Project to be implemented in collaboration with the International Union for Conservation of Nature (IUCN) with funding from the European Union Commission. Other priorities include undertaking a strategic review and planning for sectoral activities including enhancing technical, financial and operational capacities including programme and project development, resource mobilization and human resources capacity enhancement.

(d) Agriculture and Food Security

81. **Mr. Speaker, the sector received new momentum in June 2014 when the African Union Heads of State and Government adopted the Malabo declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods. Malabo Declaration addresses agricultural transformation and food security agenda in the 2015-2025 decade. The overarching commitments in the Malabo Declaration include ‘Commitment to Ending Hunger in Africa by 2025’ and the Commitment to Boosting Intra-African Trade in Agricultural commodities and services. These commitments are pertinent to and of great relevance to our integration process. EAC is further committed to implement projects and programmes that will contribute towards fulfilling commitments in the Malabo Declaration.**

82. **Mr. Speaker, the EAC Secretariat has stepped up efforts in the implementation of the EAC Regional Project on Aflatoxin. Progress towards development of EAC evidence-based aflatoxin policy and**

implementation strategy is remarkable. A total of eleven multi-sectoral technical papers have been developed and validated to inform the development of an EAC regional policy and strategy on aflatoxin.

- 83. It should be further noted that the 30th meeting of the Council of Ministers adopted the EAC Regional Post-Harvest Handling and Storage Measures for Aflatoxin Abatement, which were developed through a series of technical meetings involving experts from the EAC Partner States. The main objectives of the regional post-harvest handling and storage measures are to support Partner States implement integrated systems of post-harvest handling, storage and processing methods to minimize aflatoxin contamination; and improve knowledge of local scientists, farmers, storage operators, processors, distributors and consumers about aflatoxin prevention and control measures.**

- 84. Mr. Speaker, the Secretariat in collaboration with FAO has finalized development of East African Agro-industry and Agro-enterprise Development Program (E3ADP). The program aims at attracting private sector investment in the agriculture sector, especially agro-processing in the EAC in order to overcome the problem of high post-harvest losses in staple foods. The purpose is to transform a high proportion of agricultural commodities produced in the EAC into differentiated high-value products for local, regional and international markets. The main beneficiaries of the program will be agro-processing SMEs and value chain actors including producer groups and financial institutions.**

85. **Mr. Speaker, under Livestock Development, a Plan of Action for Enhancing Resilience of Pastoralists in Arid and Semi-Arid Lands in the EAC has been adopted and will be implemented in line with provisions of the Common Market Protocol.**
86. **Implementation of the Project on “Reinforcing Veterinary Governance in Africa” continued with remarkable achievements. Livestock knowledge hubs were established and operationalized in all the EAC Partner States.**
87. **Mr. Speaker, the EAC Secretariat has been spearheading the process of developing Mutual Recognition Agreements (MRAs) for Veterinary Professionals. In this regard, a stock taking Report on Veterinary Services in the EAC has been developed. Further, an audit report of Education Institutions offering veterinary medicine or animal health courses/programs in EAC is being finalized.**

(e) Tourism and Wildlife Development

88. **Mr. Speaker, this financial year, the Tourism and Wildlife management sector continued to promote East Africa as a single tourism destination in line with the objectives of the Common Market Protocol. The classification of accommodation establishments and restaurants continues in the Partner States. The Sectoral Council on Tourism and Wildlife recently adopted the Protocol on Tourism and Wildlife Management, which will be a policy-guiding tool for the sectors collaboration in the Community. In the next financial year, the**

priorities for the Tourism and Wildlife sector will include, among others, developing regional strategies to combat poaching and the illegal trade in wildlife and wildlife products, development of a legal framework and the continued promotion of the Region as a Single Tourist Destination.

CO-OPERATION IN THE SOCIAL SECTORS

(a) Health Sector

89. Mr. Speaker, the Health Sector covers five areas:

- a) Health Systems, Research and Policy;**
- b) Reproductive Child and Adolescent Health and Nutrition;**
- c) EAC HIV and AIDS, TB and STIs;**
- d) Medicines and Food Safety; and**
- e) Disease prevention and control**

90. Under the Health Systems, Research and Policy, the following key achievements were registered: -

- (i) Finalization of EAC Health Sector Strategic Plan 2015-2020 and subsequent approval by the 11th Ordinary Meeting of the EAC Sectoral Council on Health;**
- (ii) Development of the Draft EAC Health Policy;**
- (iii) Operationalization of the East African Health Research Commission in the Bujumbura, Republic of Burundi;**

- (iv) Successful convening of the 5th Annual East African Health and Scientific Conference and International Health Exhibition and Trade Fair from 25-27 March 2015 in Kampala, Uganda**

The key priorities for the Financial Year 2015/2016 will include harmonization of EAC Regional Health Professionals Policies, Laws and Regulations in line with relevant provisions of the Common Market Protocol; continue with the operationalization of the East African Health Research Commission; and finalization of the EAC Health Policy.

91. Mr. Speaker, under the Reproductive Maternal New-born Child and Adolescent Health, the following key achievements were registered: -

- (i) Developed the first ever EAC Regional Scorecard for Reproductive Maternal New-born and Child Health and is being used to facilitate advocacy and policy dialogue on women and children's health;**
- (ii) A comprehensive EAC Regional Health Sector Data Warehouse was established in addition to strengthening of District Health Information System Platforms, the main Health Information Management System in all Partner States; and**
- (iii) Facilitated the 2nd East African Health Ministers and Parliamentarians Forum on Health and Symposium**

on Maternal and Child Health, which reviewed progress towards MDGs 4 and 5 and made recommendations for the post 2015 sustainable development era.

In this area, there are three key priorities for the Financial Year 2015/2016 namely; finalization and dissemination of the Integrated EAC Regional Reproductive Maternal New-born Child and Adolescent Health Policy (2015-2030) and Reproductive Maternal Newborn Child and Adolescent Health Strategic Plan 2015-2020); finalization and dissemination of the Integrated EAC Regional Population Health and Environment Strategic Plan 2015-2020; and enhancing sharing of information, best practices and innovations among the Partner States through strengthening the regional and national data warehouses, linking up key websites and facilitating technical exchanges.

- 92. Under the HIV and AIDS Programme, the key achievements were the development of the EAC HIV and AIDS, TB and STIs Multisectoral Strategic Plan and implementation framework 2015 - 2020; finalization of 1st EAC HIV and AIDS response Report 2013; Mapping of existing Health and HIV and AIDS Services along major transport corridors in East Africa; and the conclusion of the report on the comprehensive analysis of the HIV and AIDS**

legislation, Bills, Policies, and Strategies in Partner States aimed at improving the legal and policy environment.

The key priorities for the Financial Year 2015/2016 will include:

- (i) Finalization of a Minimum Package of Health care for Vulnerable and Key populations, and Strategy for Scaling up integrated Health and HIV&AIDS programming along major transport corridors in East Africa;**
- (ii) Developing a Sustainable Financing Analysis Paper on Health and HIV and AIDS for the EAC region, and convening a High Level Dialogue (HLD) Meeting on sustainable financing for Health and HIV & AIDS for the EAC region;**
- (iii) Facilitation of Partner States to implement the EAC regional HIV and AIDS Legal and policy reform aimed at improving the legal and policy environment for HIV programming; and**
- (iv) Resource mobilization strategy to raise funds for implementing the approved EAC HIV and AIDS, TB and STIs Multisectoral Strategic Plan and implementation framework 2015 -2020.**

93. Mr. Speaker, under Medicines and Food Safety, the key achievement was the approval of the three compendia of

harmonized guidelines and procedures for regulation of medicines namely Medicines Evaluation and Registration; Good Manufacturing Practice and Quality Management System that are being domesticated by Partner States' National Medicines Regulatory Authorities to streamline and create uniformity in registration of medicinal products and facilitate access to essential medicines in the EAC Market. Procurement and installation of Videoconference equipment in the six National Medicines Regulatory Agencies and EAC Secretariat. In addition, twelve (12) technical papers on Aflatoxin Prevention and Control in Human Foods and Animal Feeds were developed and validated by Partner States to inform on the development of a regional policy and strategy.

The key priorities for the Financial Year 2015/2016 include:

- (i) Domestication of the three approved compendia by the National Medicines Regulatory Agencies at the Partner States level;**
- (ii) Harmonizing and strengthening EAC regional Pharmacovigilance and Post Marketing Surveillance systems;**
- (iii) Strengthening and harmonization of Medical Devices and Medical Diagnostics regulation in the EAC Region; and**

(iv) Implementation of the Integrated Information Management System in all the Partner States National Medicines Regulatory Agencies.

94. Mr. Speaker, under the Disease Prevention and Control, the major achievement was the successful coordination of EAC regional response to the Ebola Virus disease. The key priority for the Financial Year 2015/2016 will be the establishment of the EAC Regional Network of Reference Laboratories for Communicable Diseases with an EAC Regional Centre of Excellence for Network Coordination and Dissemination of Innovations

(b) Education, Science and Technology

95. Mr. Speaker, on Education, Science and Technology, Structures and Frameworks for the Harmonization of the East African Education Systems and Training Curricula for Pre Primary, Primary and Secondary Education have been developed. Teacher Education and Training Structures and Frameworks for the EAC Primary Teacher and Secondary Teacher Education have also been developed. So far, workshops leading to the domestication of the approved EAC Education Harmonization Structures and Frameworks have been conducted in the United Republic of Tanzania, and the Republics of Uganda and Rwanda.

96. **To comprehensively address the harmonization of Technical, Vocational Education and Training, a Technical Committee with its terms of reference has been established Establishment.**
97. **Rules and Regulations guiding the conduct of Examinations in the EAC education systems have been developed. The EAC Information Communication Technology Integration in Education Strategic Plan 2014-2018 (E-Learning Strategy) has been developed**
98. **Mr. Speaker, upgrading of Annex on Mutual Recognition of the Academic and Professional Qualifications on EAC Common Market Protocol to operationalize Article 11 of the EAC Common Market Bill has been completed. The process of drafting Mutual Recognition Agreements for Surveyors, Lawyers and Veterinarians has begun.**
99. **The Sector will embark on the Fourth Phase of Harmonization of the EAC Education systems and Training curricula which will cover the development of Instructional Materials to re-orient teachers to the approved EAC Curricula, convening meetings of Quality Assurance and Accreditation Registration experts of Pre-Primary, Primary, Secondary and Teacher education to develop Quality Assurance and Accreditation/registration guidelines and regulations for harmonized curriculum developing modalities of ensuring the adherence to the domesticated curricula by the Partner States.**

(c) Culture and Sports

100. **Mr. Speaker, under Culture and Sports, the major achievement was the successful conclusion of the National level Mapping of Culture and Creative Industries under the ongoing regional project of Mapping Culture and Creative Industries in EAC. National Status Reports have been compiled and the process of preparing the regional Report is underway. The key priority for the Financial Year 2015/2016 will be the finalization of the Regional Report of the Mapping Study and dissemination of the report to stakeholder in the region to stimulate public and private sector investment in the culture and creative industries in the region.**
101. **Mr. Speaker, the Budget proposal for FY 2015/2016 budget will support the implementation of the 2nd Edition of the EAC Arts and Culture Festivals scheduled to take place in August 2015 in Nairobi Kenya. It will also support the preparatory activities of the 1st Edition of the East African Community Games scheduled to take place in October 2016 and will be hosted by the United Republic of Tanzania.**
102. **Mr. Speaker, I am pleased to report that the operationalization of the East African Kiswahili Commission to be hosted by the United Republic of Tanzania in Zanzibar, commenced during the currently FY 2014/2015. Recruitment of the Executive Secretary and core starting Professional Staff of the Commission has been done. The Budget proposal for the Financial Year 2015/2016 will therefore focus on facilitating the full operationalization of the Commission including finalization of the Draft Bill on the establishment of the Commission.**

(d) Immigration and Labour/Employment Subsectors

103. **Mr. Speaker, during the financial year 2014/2015, the Immigration sub-sector implemented activities to facilitate Partner States to procure the infrastructure in preparation for the launch and internationalization of the New Generation East African e-Passport and undertaking best practice benchmarking missions on Integrated Border Management Systems and on e-passport production and issuance in the region and beyond.**
104. **I am happy to report to this August House that the designs for Ordinary, Service and Diplomatic e-passports and the roadmap on the internationalization of the New Generation East African e-passport were adopted and were subsequently circulated to the Partner States. As you may be aware, the 15th meeting of the EAC Summit of the Heads of State held in Kampala, Uganda in 2013 directed that the New Generation East African Passport e-passport should take effect by November 30th 2015. To be ready for the launch of the e-passport, Partner States have implemented the roadmap by incorporating the required budget proposals in the 2015/2016 FY for the procurement of the e-Passport booklets and all Immigration Directorates and Departments have been working closely with the ICT Ministries to put in place the required Public Key Infrastructure to implement the e-passport.**
105. **The budget support for the immigration subsector during the FY 2015/2016 will therefore focus on the implementation of the roadmap to**

facilitate the launch of the New Generation e-Passport by the EAC Heads of State in November 2015 and to facilitate the Immigration subsector to meet and strategize the internationalization of the East African e-Passport to the international Community of States and to monitor the issuance of the new Generation East African e-passport to nationals of the Partner States.

106. **Mr. Speaker, the immigration subsector has further prioritized the need to enhance the capacity of the Immigration Directorates and Departments to develop integrated e-immigration management systems, create enhanced e-immigration services for the public by adopting advanced Technology and improving processes and to put in place a secure e-immigration network, through the adoption of biometric technology at all borders to reinforce the national security systems. Towards this end, the 2015/2016 budget will support the implementation of the e-Immigration Regional Strategic Framework, the development of an Action Plan and further build the capacity of immigration officers on ICT to enhance the implementation of the immigration obligations under the EAC Common Market Protocol.**

(e) Labour Employment subsector

107. **Mr. Speaker, the activities implemented during the FY 2014/2015, included the development of a draft framework document to facilitate a joint programme to encourage the exchange of young workers amongst the Partner States as provided for in the EAC Common Market Protocol, Article 10 (8).**

(f) Gender, Community Development and Civil Society Mobilization

108. **Mr. Speaker, the Gender Community Development and Civil Society mobilization during the period under review recorded the successful implementation of the following activities-:**
- a) Development of a draft EAC Child Rights Policy. The draft document was developed in collaboration with child rights experts and stakeholders from the Partner States;**
 - b) Organizing in April 2014 a regional forum on fighting genocide in solidarity with the people of the Republic of Rwanda;**
 - c) Holding of the 3rd Annual EAC SGs Forum in October 2014; and**
 - d) Convening the 1st EAC Youth Conference in December 2014**
109. **The budget for the period 2015/2016 has prioritized the implementation of the EAC Youth Policy, the recommendations arising from the 2014 Youth Conference and the recommendations from the Annual EAC Secretary General’s Forum. The sector will collaborate with the Partner States to review the implementation of the Millennium Development Goals and record the achievements of each Partner State in regard to the eight MDGs. The sector will further continue to mobilize the Civil Society and other interest groups in order to galvanize the Community’s efforts to build a people centered EAC integration process.**

**LAYING THE FOUNDATION FOR POLITICAL FEDERATION- 4th
PILLAR OF EAC INTEGRATION PROCESS**

(a) EAC Political Federation

110. **Mr. Speaker, the Community continues to lay a firm foundation for political integration and the Summit directive of the 16th Summit to develop the concept note, road map and the Terms of Reference for the proposed Federal Constitution Making process is a milestone. The Council of Ministers at its 31st meeting held on 30th April 2015, established a Sub-Committee of Ministers Responsible for EAC Affairs to consider the Concept Note ToRs, Roadmap for constitutional making process and determine the Model Structure of the Political Federation for consideration by the 32nd Meeting of the Council.**
111. **Mr. Speaker, enhancing democratic governance and strengthening electoral processes is key to the EAC political integration agenda. The deployment of Election Observer Mission to the Partner States' elections is intended to build confidence in the electoral processes; transparency and ensuring free and fair elections as a precursor to democratic development. In this regard, the EAC will deploy Election Observer Missions to the General Elections in the Republic of Burundi, in the United Republic of Tanzania in October 2015, and General Elections in the Republic of Uganda in February 2016.**
112. **The EAC is developing a long-term election observation methodology to ensure observation of the electoral processes and not just the polling day. This will facilitate experience sharing and peer learning among the Electoral Commissions. Promoting good governance remains pertinent as a cross cutting issue in the integration agenda. The EAC Youth**

Ambassadors Platform continues to facilitate participation of the youth in the EAC integration process.

(b) Foreign Policy Coordination

113. **Mr. Speaker, the widening and deepening levels of our integration imply building and strengthening our multilateral networks and strategies. To that end, we are focusing on sustained and targeted articulation of EAC integration objectives at bilateral, regional and international fora, especially those involving other Regional Economic Communities, the Africa Union, the United Nations and other cooperating international organizations.**
114. **Secondly, we shall be stepping up strengthening our policy development and implementation mechanisms. Already, Partner States are engaged in identifying the areas in which to adopt common foreign policy positions. Thirdly, we shall be stepping up our levels of engagement with the Partner States' Diplomatic Missions so that they can effectively promote EAC integration objectives. As we do so, we intend to reach out to the Diaspora with a view to harness their potentials. Our Diaspora has a lot to offer to our integration: in terms of skills transfer; potential investors; as well as mobilizing them to join our innovative mechanisms for financing our integration.**

(c) Regional Peace and Security Initiatives

115. **Mr. Speaker, the success of our integration process must be backed by a predictable security environment. The sector players have a critical role in ensuring the facilitation of the enjoyment of freedoms and rights guaranteed by the Treaty. Terrorism remains an omnipresent threat to the enjoyment of these freedoms and rights. Whereas security agents will remain vigilant and fulfill their mandate through the platforms availed within the integration realm, focus within the coming year will be on greater engagement of trans-boundary communities in border security management.**
116. **Mr. Speaker, the Region like any other, will continue facing challenges that will require collective will to resolve. The 16th Summit of EAC Heads of State approved the establishment of an EAC Panel of Eminent Persons to support internal capacity for preventive diplomacy, with the intention of promoting local solutions to local problems. To this extent provisions have been made to ensure operational viability of this panel whenever called upon by Summit to address a regional matter. The work of the Panel will continue to be supported by the EAC Early Warning Mechanism.**
117. **Mr. Speaker, the role of women in our integration process must continue to be entrenched as integration deepens and widens. The Peace and Security sector will not be left behind in this endeavour. To this extent, interventions envisioned in the next year include conclusion of the implementation modalities for the UN Security Council Resolution 1325 that enhances the role of women on Peace and Security matters.**

118. **Mr. Speaker, other areas targeted for intervention includes working with regional and global partners in the promotion of Chemical and Biological Security; collective action against transnational crimes and enhancing cross regional learning on matters of mutual interest.**
119. **Mr. Speaker, it must however be appreciated that the success and effectiveness of these interventions can only be realized if supported by a rapid decision making body in place. The establishment of the Peace and Security Council along with ratification of the Peace and Security Protocol are matters that Partner States must attend to as a priority, more so with the increasing challenges that we are currently facing in the region.**

CO-OPERATION IN LEGAL AND JUDICIAL AFFAIRS

120. **Mr. Speaker, u n d e r legal and judicial affairs, the Community undertook the following:**
- a) the enactment of the East African Community Civic Education for Integration Bill, 2014;**
 - b) the e n a c t m e n t of the East African Community Non-Tariff Barriers Bill. 2015;**
 - c) the enactment of the East African Community Customs Management (Amendment) Bill, 2015; and**
 - d) consultations on the law that will comprehensively address counterfeiting and piracy in the EAC region.**

121. Mr. Speaker, besides Bills, the Council has also spearheaded action in other aspects of legal and judicial co-operation. Prominent achievements in this regard include: –

- i. The completion by the Council and signature by the Heads of State at the 16th Summit held on 15th February 2015 of the Protocol to Operationalize Extended Jurisdiction of the East African Court of Justice to include; jurisdiction on trade and investment disputes, and disputes arising out of the implementation of the Protocol on the East African Monetary Union.
- ii. Approximation of Municipal Laws in the East African Community context whereby priority was accorded to those laws that have a bearing on the implementation of the East African Common Market; Priority has also been given to intellectual property laws of Partner States. Out of the nine intellectual property laws identified for harmonization, six are almost finalized. Model laws are being developed in the following areas: Layout Designs of Integrated Circuits; New Plant Varieties; Geographical Indications; Traditional Knowledge; Genetic Resources and Traditional Cultural Expressions and Folklore. It is anticipated that this work will be finalized in the first half of the Financial Year 2015/2016. At the beginning of the 2015/16 Financial Year, other areas of harmonization will be identified and the approach to harmonization to be used will also be determined. These initiatives impact on the free movement of goods, services and capital among others in the Community.
- iii. Regional Judicial Training for Judicial Officers at different levels in the Judiciaries towards harmonization of

such aspects as the administration of law and justice, cyber crimes, judgment writing, teaching techniques and an appreciation of the Treaty and its annexure, jurisdictional relationship between the East African Court of Justice and national courts has thus far been done.

122. Mr. Speaker, there has been increased litigation involving the Community in which the Secretary General has been a nominal defendant. I am happy to inform this august House that the Council has benefitted from a number of decisions, which are guiding on the interpretation and application of the Treaty. During the Financial Year 2015/2016 the Council intends to vigorously pursue projects and programmes stipulated under East African Community Development Strategy 2011/12-2016/17 and to ensure that effective legal practices are in place. The Council will pursue the following matters for purposes of both supporting this August House's legislative programme and staying the momentum of legal support in diverse integration endeavours: -

- i. The finalization of Partner States' long outstanding consultations and technical input on such important Bills as The East African Community Privately-Funded Infrastructure Bill; The East African Community Development Fund Bill; The East African Community Industrialization Bill; The East African Kiswahili Commission Bill; The East African Health Research Commission Bill; The Lake Victoria Basin Commission Bill; and The East African Community Elimination of

Non-Tariff Barriers Bill, 2014, all of which have been agreed upon in principle; and

- ii. The initiation of Bills to establish East African Community Institutions charged with supporting the East African Monetary Union i.e. an institution responsible for financial services; an institution responsible for surveillance, compliance and enforcement; an institution responsible for statistics; and the East African Monetary institute.**

FINANCE AND ADMINISTRATION

(a) Rolling out the Sun Systems to EAC Institutions

- 123. Mr. Speaker, in order to improve on financial management and reporting, the Secretariat has rolled over Sun systems to all EAC institutions which were using different financial management systems. The project will continue with the newly established Institutions, namely the East African Science and Technology Commission, the East African Kiswahili Commission and the East African Health Research Commission.**

(b) Modalities for sustainable financing mechanism of the Community

- 124. Mr. Speaker, the East African Community has been exploring modalities for sustainable financing mechanism for its budget. The Ministers of Finance received the proposal including a 1% levy on**

imports from outside the EAC region. They will consider the comments submitted by Partner States and finalize the proposal and recommend a sustainable financing mechanism for the Community to Council and Summit for consideration and approval during the Financial Year under review.

(c) Budget Management System

- 125. Mr. Speaker, EAC had been using Excel in preparing budgets, and this was tiresome. To address this challenge, a Budget Management System (BMS) was developed and installed, and is running since 1st July 2014. All EAC Organs and Institutions are using the system in preparing Annual Operational Plans, budgeting and monitoring budget execution.**

(d) Harmonization of Public Financial Management in Partner States

- 126. Mr. Speaker, the Secretariat is implementing a project geared towards harmonization of Public financial management in all the Partner States. The project is contributing in laying a strong foundation for the implementation of the EAC Common Market and Monetary Union Protocols.**

(e) Recruitment

- 127. Mr. Speaker, for the current year the Council appointed 16 professional staff for EAC Secretariat and the East African Court of Justice and 9 staff of the newly established institutions. Further, the Council**

recommended to the EALA Commission to consider 5 candidates for appointment to various positions in the Assembly. The filling in of these positions, which have stayed vacant for a long time, will tremendously enhance the effectiveness of the Community and ensure smooth operations.

(f) EAC Video Conferencing Facility

128. Mr. Speaker, as part of the effort by the East African Community to enhance efficiency and speed of communication, both formal and informal, EAC initiated the installation and commissioning of a video conferencing system. The Telepresence Video Conferencing System is now operational in the six sites, which include EAC Headquarters in Arusha and the five Ministries responsible for EAC affairs. Some meetings have already been done using the Video conferencing facility including Ministers consultative meeting held on 12th January 2015. The next calendar of EAC activities for July to December 2015 will include at least two Videoconference meetings for each sector. The overall utilization of the EAC Video conferencing system is therefore expected to rise considerably during the Financial Year 2015/16.

(g) Institutional Review

129. Mr. Speaker, the Final report of the Institutional review process was submitted in April 2015 and the Council having concerns on the time it has taken for this study to be finalized, established a Sub-Committee of Ministers Responsible for EAC Affairs to consider the Institutional Review Report to conclude the exercise and Report to the Council at its

32nd Meeting. It is our sincere hope that the conclusion of this important process will enable the Community to have an effective and modern structure, which responds to its expanded mandate.

ACTIVITIES OF THE INSTITUTIONS AND ORGANS OF THE EAC

130. Mr. Speaker, I would like now to turn to the developments that have taken place in the EAC Institutions and Organs.

(a) East African Legislative Assembly

131. Mr. Speaker, EALA has continued to play an active role in the integration process. I am happy to note that ever since it resolved the leadership crisis that had bedeviled its operations, it has regained its position as a key driver of the EAC integration process through its active legislative, oversight, representation and budget appropriation roles.

132. On the legislative front, this can be evidenced by the key Bills the House has enacted in a span of just four months since January 2015 and among the key pieces of Legislation are: the EAC Non-Tariff Barriers Bill, the EAC Customs Management Amendment Bill, the EAC integration (Education) Bill and the EAC Cooperative Societies Bill. All these laws will continue to consolidate our integration process. Mr. Speaker, I am also happy to note that at its recent meeting in Nairobi in February 2015, the EAC Summit undertook to assent to all pending

Bills that have been passed by this August House. This is also a positive trend, which will further strengthen the integration process.

- 133. Mr. Speaker, in terms of its oversight and representation role and in line with its strategic plan, the EALA enhanced its outreach activities with its Committee reaching out to grass roots citizens of East Africa including the youths and women groups, business actors, the Civil Society and Private Sector, government officials as well as all the EAC Institutions. This approach not only inspired them, but also brought them closer to their representatives – the Members of EALA. I am therefore in no doubt that the EALA provided them with an opportunity to participate in the decisions, which affect their wellbeing. Indeed, best practice of consulting with all the stakeholders through public hearings resonates well with the ideals of a people driven private sector led community and, I urge you to continue with this. The Council will continue to mobilize resources to enable EALA to fulfill this mandate.**
- 134. Mr. Speaker, other notable achievements of the EALA under the current financial year include the address by EAC presidents. I note that in a span of six months, EALA has hosted two EAC Presidents to give the Community impetus and direction in its work. This not only gives us reassurances of their trust but also confidence in what the Community stands for.**
- 135. EALA also successfully implemented new salaries for Members effective 1st July 2014; it is currently developing an M&E framework for**

committee oversight; it closely worked and continues to work with the Audit Commission, which has helped in improving accountability; it set up a select committee to address causes of conflict and genocide among others.

136. Mr. Speaker, turning to the sector priorities for the financial year 2015/2016, the Council in a bid to further support committee work and in line with what we promised in the last budget meeting, has introduced a 3rd committee activity funded by Partner States. We have however, started with a three-day activity which will further be enhanced in the next financial year when more resources become available.

137. Another priority is the enhancement of EALA's participation in the EAC Budget process, planning and mid-term reviews. We have accorded it special recognition through the participation of all Committee Chairs. This is in addition to the Members of the General Purpose Committee. The Secretary General will work out the modalities with the Clerk to have this effected. Furthermore, we have provided resources to the Secretary General to enable the Accounts Committee and the General Purpose Committee to undertake specialized training in their respective fields as a means of enhancing their effectiveness in MTEF Principles and examination of audited accounts.

138. Another priority is geared towards the EAC Ministers availing themselves the opportunity to engage the EALA Commission on how best to address matters regarding the welfare of EALA Members. I am

optimistic that we can reach a consensus in some of the areas proposed by the EALA Commission and count on the support of the Council.

(b) East African Court of Justice

- 139. Mr. Speaker, during the period under review, Court Sessions were held in both the Appellate and First Instance Divisions. The First Instance Division heard 15 matters while the Appellate Division 5 matters. One (1) judgment and 3 rulings were delivered during this period.**

- 140. New judges were appointed to the East African Court of Justice, one for the Appellate Division and another for the First Instance Division. Hon. Mr. Justice Geoffrey Kiryabwire from the Republic of Uganda was appointed a Judge of the Appellate Division to replace Hon. Mr. Justice James Ogoola when he retires from the Court on 15th August 2015 due attainment of the age of seventy (70) which is the mandatory retirement age from the Court. Hon. Mr. Justice Audance Ngiye from the Republic of Burundi was appointed a judge of the First Instance Division. He will replace Hon. Justice Butasi, whose tenure comes to an end on 26th June 2015.**

- 141. The Summit also appointed Hon. Lady Justice Monica Mugenyi from the Republic of Uganda the new Principal Judge to replace the current Principal Judge Hon. Mr. Justice Jean Bosco Butasi from the Republic of Burundi when his tenure comes to an end on 26th June 2015.**

142. In a bid to create awareness and engage its stakeholders, the Court conducted a workshop on its role in the EAC Integration from 25th - 26th March 2015 for Judges, and Advocates in the United Republic of Tanzania. Similar workshops were held in the Republic of Uganda in July 2014 and in the Republic of Rwanda in September 2014. The Court is yet to hold similar workshops in the Republic of Kenya and the Republic of Burundi.

(c) Lake Victoria Basin Commission

143. Mr. Speaker, the Lake Victoria Basin Commission (LVBC) continued to exercise its mandate under the Protocol for Sustainable Development of Lake Victoria Basin in line with its Strategic Plan 2011-2016 and the 4th EAC Development Strategy to address socio-economic and environmental challenges in the Basin.

144. Mr. Speaker, the effective delivery of services on mandate of any institution is largely determined by the prevailing institutional capacity. With this understanding, LVBC has continued to strengthen her institutional, coordination and management capacity to effectively implement its Projects and Programmes. In this regard, the Commission has strategically established and recruited officers for new key positions. Additionally, LVBC continued to mobilize resources and as a sign of confidence in commission's capacity and ability to manage financial resources, development partners have committed to fund new projects and programmes. Knowing the role of Knowledge Management as a catalyst for development, LVBC Secretariat has

therefore established the knowledge and information as a cross cutting issue in its Projects and programmes and sharing information with stakeholders has been quietly increased.

145. **Mr. Speaker, the Commission spearheaded activities of promoting conservation and management of trans-boundary natural resources and biodiversity in and outside protected areas through the Mount Elgon Regional Ecosystem Conservation Programme (MERECP) and Policy, Adaptation, Research and Economic Development (PREPARED project). The two projects have offered important lessons in trans-boundary natural resources management. Noteworthy, Mr. Speaker is the extent of interventions which initially were covering only Kenya and Tanzania but which are actually escalating to Uganda, Rwanda and Burundi.**

146. **Mr. Speaker, the Lake Victoria Environment Management Project Phase 2 (LVEMP II) was operationalized successfully during this Financial Year. Some progress has been made mainly in the following activities where procurement and installation of navigational aids is ongoing, training for oil spill and toxic chemicals was implemented, the water resources information system was developed with potential users being trained to be followed by a public launch. The needs assessment report of the integrated water resources management plan was also validated by all the stakeholders. Furthermore, LVEMP II was engaged in the capacity building of Cleaner Production centers.**

147. **During the year under review, a total of 253 industries were trained in resource efficiency and cleaner production technologies and**

subsequently, a total of 93 industries adopted the technologies thereby improving production efficiency and reducing on pollution effluent discharges into rivers and water bodies in Lake Victoria Basin.

148. Further, a total of 658 Community Driven Development (CDDs) sub-projects valued at over USD 19 Million were implemented in the five EAC Partner states leading to enhanced environmental conservation and improvement of livelihoods of over 250,000 beneficiary community members in Lake Victoria Basin.
149. Mr. Speaker, the assurance of safety and security of navigation in Lake Victoria remains a major concern and challenge, which the LVBC is committed to address. During the Financial Year 2014/2015, LVBC was closely engaged with the AfDB on this issue and I am pleased to inform the Assembly that a USD 20 Million or about Multilateral Lake Victoria Maritime Communication and Transport (MLVMCT) project is in the process of approval.
150. Mr. Speaker, some success were also achieved in social and community development under Population Health and Environment program and thanks to LVWATSAN Project. During the current financial year, a PHE research was undertaken in all Partner states to generate information on the PHE situation in the Lake Victoria Basin and a Monitoring and Evaluation framework plan were developed and validated by the PHE stakeholders. Efforts were also intensified, under LVWATSAN as two hundred thousand people in the region are benefiting, during this year, from the short-term interventions including

rehabilitation of water supply system, construction of drainage, system and provision of hygiene and sanitation. The Programme has now embarked on long interventions, which shall significantly improve the living standards of the population in different Partner states.

151. Mr. Speaker, after highlighting the LVBC achievements, allow me to point out the key priorities for the financial year 2015/2016. One of the major priorities is the strengthening institutional and functional capacity of LVBC, which will be implemented mainly through the enhancement of human resources and improvement of management systems.
152. Mr. Speaker, improving social and community development will continue to be a major component for LVBC interventions during the financial year 2015/201, through implementation of Lake Victoria Water Supply and Sanitation (LVWATSAN) and Population, Health and Environment (PHE) Projects. I am happy to inform this august House that the Commission has engaged with new Development Partners- KfW and European Union to supplement interventions carried by LVWATSAN through a new USD 20 million Project – the Integrated Water Resources Management Program (IWRMP). The Project Proposal is at the level of Technical Appraisal and a financing agreement of Euro 900,000 to undertake feasibility studies has already been signed.
153. Mr. Speaker, the commission has also included in its priorities the improvement of safety of navigation and security on Lake Victoria.

Actions will be undertaken towards the operationalization of the Maritime Rescue Co-ordination centre (MRCC) and the establishment of Search and Rescue (SAR) facilities in Lake Victoria (Port Bell, Kisumu, Mwanza and Kampala).

154. Mr. Speaker, the Lake Victoria region is still facing many challenges on environment, natural resources degradation and climate change. During the coming financial year, LVBC is committed to improve environmental Stewardship and Natural Resources Management, conduct a Strategic Environmental Assessment and social-economic impact assessment for the new water release and abstraction policy.

155. Mr. Speaker, the period ahead will necessitate more financial resources for LVBC to achieve its mandate. Therefore, intensified efforts are to be undertaken for the improvement of the cooperation with the traditional donors and identification of news ones for the progress of the population's welfare in this region.

(d) Inter University Council of East Africa

156. Mr. Speaker, during the financial year 2014/2015 the Inter-University Council for East Africa executed its mandate of coordinating the development of higher education and research in the Community through continuation with implementation of its Strategic Plan 2011-2016. In that regard, IUCEA developed the East African Qualifications Framework for Higher Education as an instrument to facilitate mutual

recognition of education and training systems and qualifications attained in the EAC Partner States as well as outside EAC, hence promoting mobility of labour as spelt out in the EAC Common Market Protocol.

157. The Sectoral Council on Education, Science and Technology, Culture and Sports at its 12th Meeting endorsed the Qualifications Framework and forwarded it to the Council of Ministers, which approved it at its 31st Meeting. As an important tool for harmonization of higher education and training systems as well as the qualifications attained, the Qualifications Framework together with the Principles and Guidelines for Quality Assurance in Higher Education in East Africa that have also been developed as a policy framework guiding quality assurance processes in higher education institutions in the Partner States, are important instruments that will guide the transformation of EAC into a common higher education area.

158. Mr. Speaker, as directed by the Council of Ministers, IUCEA undertook a comprehensive review of its Protocol for amendment and harmonization with the IUCEA Bill 2012. In this process the IUCEA Bill 2012 was also refined in order to align it to the amended Protocol. The Sectoral Council on Education, Science and Technology, Culture and Sports at its 12th Meeting endorsed the draft amended Protocol and the refined Bill 2012 (IUCEA Draft Bill 2014) and forwarded them to the Council of Ministers, which approved them at its 31st Meeting. The documents will then be forwarded to the Sectoral Council on Legal and Judiciary Affairs for legal inputs.

159. **Mr. Speaker, in collaboration with the East African Business Council and the East African Development Bank, IUCEA organized yet another Academia-Public-Private Partnership Forum and Exhibitions that was held in Kigali, Rwanda in October 2014. The Forum, which is now being held annually, is a platform to stimulate dialogue for enhancing academia-public-private partnerships in the East African Community.**
160. **Mr. Speaker, the construction of the IUCEA Headquarter building in Kampala, Uganda at a cost of USD 1,536,802.89 started in July 2014 and is due for completion before the end of the financial year 2014/2015. In the meantime, the Uganda Land Commission has approved the change of name of the title deed of the IUCEA Plot of land where the IUCEA headquarter building is being constructed to that of IUCEA, for a lease period of 49 years with effect from 1st April 2014.**
161. **Mr. Speaker, in December 2014 IUCEA entered into an agreement with UNESCO in Paris, aimed at fostering collaboration between the two institutions in capacity building in quality assurance in higher education, in order to enhance skills diversity among quality assurance practitioners in East Africa for the implementation of the regional quality assurance system and the East African Qualifications Framework that IUCEA has already developed. The cooperation is also aimed at fostering collaboration and linkages among national quality assurance bodies in East Africa, and with those in some SADC countries that will participate in this initiative. UNESCO is providing funding to IUCEA in support of this initiative through a cost-sharing basis.**

162. **Mr. Speaker, during the financial year 2015/2016 IUCEA will focus on capacity building activities for operationalization of (a) the regional quality assurance system; (b) benchmarks for academic programmes; and (c) the East African Qualifications Framework for Higher Education. It will also focus on the development and implementation of a regional research and innovation capacity building programme, and to strengthen academia, and public and private partnerships for supporting human resource capacity building, and research and innovation activities in the Community.**

(e) Lake Victoria Fisheries Organization

163. **Mr. Speaker, the following were the key achievements realized;**

- (i) Initiated the process of amendment of the Lake Victoria Fisheries Convention to include all the East African Community partner states;**
- (ii) Updating the Lake Victoria Fisheries Management Plan;**
- (iii) Updating the Lake Victoria Nile perch Management Plan;**
- (iv) Initiated the Development of East Africa Community Fisheries and Aquaculture Policy;**
- (v) Conducted resource monitoring and stock assessment surveys to provide scientific guidance to fisheries management;**
- (vi) Initiated review of LVFO Strategic Plan;**
- (vii) Initiated the development of LVFO Communication and Advocacy strategy and Plan; and**

(viii) Initiated the development of LVFO Resource Mobilization Strategy

164. The following are the sector priorities for the next Financial Year 2015/2016: -□

- (i) Implementation of the revised LVFO Strategic Plan 2016-2020;**
- (ii) Development of Institutional and Legal Framework for the East Africa Fisheries Organization;**
- (iii) Harmonization of Policies, regulations and standards for Fisheries and Aquaculture;**
- (iv) Conducting Resource monitoring and stock assessment surveys to provide scientific basis for fisheries management;**
- (v) Development of framework for stakeholder consultation at regional and national level;**
- (vi) Development of aquaculture;**
- (vii) Dissemination of information on fisheries and aquaculture;**
and
- (viii) Resource mobilization for LVFO.**

(f) EAC Civil Aviation Safety and Security Oversight Agency (CASSOA)

165. Mr. Speaker, the key achievements of CASSOA during the period under review are:

- (i) Development and revision of civil aviation regulations;**
- (ii) Development and revision of technical guidance materials to the civil aviation regulations;**

- (iii) Technical assistance to Partner States in the recertification process of air operators;**
- (iv) Development of a common personnel licensing aviation examination system;**
- (v) Technical missions to Partner States to evaluate the implementation of safety and security regulations and provide guidance on way forward; and**
- (vi) Engagement of a flight operations consultant to boost the Agency's technical skills capacity.**

166. Apart from the routine development of civil aviation safety and security regulations and technical guidance materials, the Agency has set priorities for FY 2015/16 as follows:

- i. Complete the recertification process of Kenya Airways (KQ) and Precision Air (PW) for Kenya and Tanzania;**
- ii. Undertake the development of the ICAO ICVM/CSA Audit Corrective Action Plans and closing the findings for Rwanda and Burundi**
- iii. Conduct Inspector's training on Civil Aviation Regulations and Technical Guidance Materials for Rwanda Burundi and Tanzania**
- iv. Conduct Inspector's training on Ramp Inspections for three Partner States of Tanzania, Rwanda and Burundi; and**
- v. Prepare the Republic of Kenya and United Republic of Tanzania for the ICAO security audits scheduled for September 2015.**

167. Mr. Speaker, following a grant secured from ICAO Safety Plan project to the tune of \$50,000, the Agency has drawn a supplementary budget of the same to cater for technical assistance to the Partner States in the field of Flight Operations. ICAO ESAF Regional Office and AFCAC AFI-CIS will closely coordinate the implementation of this programme. ICAO will also require technical reports for those missions funded with SAFE funds and detailed periodic financial reports from CASSOA to report on the use of these funds.

(g) East African Development Bank

168. Mr. Speaker, the East African Development Bank achieved several milestones during the year 2014/15. There have been positive operational changes in business and the Bank continues to grow. The Total assets grew by 26% to USD 306 million (March 2015) from USD 242 million (March 2014). The net worth increased to USD 229 million (March 2015) up from 175% (March 2014). This is an increase of 31%. The significant increase in Banks asset was financed by additional capital payments from Member States, increased profitability and revaluation surplus.

169. The Bank continues to post positive results over the years. The total income in 2014 was USD 9.8 million as compared to USD 8.5 in 2013. The portfolio is robust and well diversified across all sectors. The Bank's portfolio increased by 11% from USD 114.9 million (in March 2014) to USD 127 million (in March 2015). The Bank's efficiency has

improved consistently with the cost to income ratio declining to 48 % (in 2014) from 51 % (in 2013).

- 170. Mr. Speaker, the year 2014/15 was truly a rewarding one for the Bank in terms of performance and growth. There was significant progress in the development of governance and risk-management policies and capabilities. The consolidation of gains achieved since 2010 have placed the Bank on a sustainable growth path. As a result of these achievements, Moody's Investor Services maintained the Bank's long term issuer rating at Ba1 with stable outlook. Existing partnerships continue to flourish whilst new ones have been initiated. During the year under review the Bank drew on lines of credit from OFID and KFW and ADB committed an additional line of credit.**
- 171. Mr. Speaker, an indication of the Bank's leadership was manifested in the several accolades awarded during the year. The Director General of the Bank, Ms. Vivienne Yeda, was conferred with a number of awards during the year under review. The award include: African Banker of the Year, by the African Banker magazine (May 2014); Business Leader Award by Africa-America Institute (Sep 2014); Africa Female Economic Champion Award by Centre for Economic and Leadership Development (Nov 2014). As a jewel on the crown, Ms. Yeda was also inducted into the Global Women Leaders Hall of Fame, 2014. The Bank was voted the best performing African Development Finance Institution in 2013 and 2014.**

172. **Mr. Speaker the Bank is processing the admission of the Republic of Burundi.**

PART V: EAC BUDGET ESTIMATES FOR FINANCIAL YEAR 2015/2016

173. **Mr. Speaker, I would like now to highlight the broad features of the Budget Estimates for the Community for the Financial Year 2015/2016. The details of these Estimates for the priority areas to be funded under the 2015/2016 Budget have been forwarded to the General Purposes Committee for scrutiny.**

Assumptions

174. **Mr. Speaker, the EAC Budget for Financial Year 2015/2016 has been developed taking into consideration the following key assumptions:**

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

Key Priority Interventions for FY 2015/2016 Budget

175. At its meeting held in August 2014, the 29th Meeting of the Council of Ministers adopted the following key priority interventions to be implemented over the Financial Year 2015/16:

- a) establishment of the East African Monetary Institute and the East African Statistics Bureau to support the transition to a single currency;
- b) consolidating the Single Customs Territory by developing and implementing the requisite systems and administrative mechanisms as outlined in the roadmap for the implementation of the Single Customs Territory;
- c) enhanced implementation of the EAC Common Market Protocol, particularly focusing on the implementation of the roadmap for the New Generation East African Internationalized e-Passport; and development of the EAC trading, payments and settlement Systems;
- d) implementation of the roadmap on constitution making process for the EAC Political Federation;
- e) Development of cross-border infrastructure in the respective subsectors including:-
 - i. Roads – the Arusha–Holili/Taveta-Voi (reconstruction works); the Malindi–Lungalunga/Horohoro–Bagamoyo (reconstruction works); Nyakanazi-Lusahunga–Rusumo/Kayonza-Kigali Road (Study completion); and Nyakanazi–Kasulu–Manyovu–Rumonge–Rutunga–Bujumbura Study completion);

- ii. **implementation of the Vehicle Load Control Law (Sensitisation; coordination of the recalibration and recertification of weigh scales and weigh stations and development of a training curriculum for weighbridge operators);**
 - iii. **implementation of the Heads of State directives on prioritized projects in railways, ports, inland waterways and Energy;**
 - iv. **preparation of the implementation framework of a liberalized EAC air space (preparation of a roadmap for the implementation of the EAC Upper Flight Information Region and operationalize the EAC Agreement on Search and Rescue (SAR); and**
 - v. **preparation of a Policy and Regulatory Framework for international mobile communications roaming services.**

- f) **implementation of the EAC Industrialization Policy and Strategy with specific focus on upgrading of SMEs competitiveness; strengthening the collection and compilation of industrial statistics for production of biennial industrial production reports; and strengthening regional collaboration in industrial research, technology and innovation;**

- g) **implementation of the EAC Food Security Action Plan and Climate Change Strategy with particular focus on the SPS Protocol and establishment of a regional agricultural marketing information and early warning system;**

- h) harmonization of higher education systems and developing a harmonized EAC Curriculum for Pre-Primary, Primary, Secondary Teacher Education and Training;**
- i) conclusion of the negotiations of the Tripartite Free Trade Area Agreement encompassing EAC-COMESA-SADC; and**
- j) implementation of EAC Peace and Security initiatives.**

BUDGET OUTLOOK FOR FY 2015/2016

Sector-specific Priority Areas for 2015/16

176. **Mr. Speaker, the key sector-specific priorities during the FY 2015/16 include the following: -**
- a) Undertake a Study on the emerging developments in the monetary policy arrangements in the region;**
 - b) establishment of the operational framework for the East African Monetary Institute;**
 - c) enhancement of market access (removal of NTBs), trade and competitiveness including harmonization of administrative procedures and regulations;**
 - d) enhancement of collection and dissemination of trade information (on-line data generation, compilation and analysis);**
 - e) implementation of key regional infrastructure projects (development of regulations for operationalization of OSBP and**

Vehicle Load Control Acts, and development of regional standards for railways inter-operability);

- f) promotion of investment and private sector development (formulation of the Model EAC Bilateral Investment Treaty; promotion of PPP dialogue; and show-casing of investment opportunities in the region);**
- g) diversification of tourism products and promotion of sustainable use of wildlife resources (adoption and operationalization of the Protocol on Tourism and Wildlife Management);**
- h) strengthening and expansion of regional integration in the health sector through formulation of the EAC Regional Policy, Legal and Regulatory Framework and Implementation of the Strategic Plan on Results Based Financing (RBF) initiative; and review and harmonization of the sector-specific laws and regulations;**
- i) promotion of education, science, and technology for creative and productive human resources (i.e. development of a Regional Institutional framework for Science and Technology, and development of the East African Kiswahili Development Strategy);**
- j) promotion of gender, community development and empowerment (development of the action plan on the Social Development Framework, and action plan for Youth Policy and Persons With Disability Policy);**
- k) maximization of the benefits of a safe, secure and efficient air transport system in the region;**

- l) development and harmonization of statistics in the region (review of implementation of the Regional Statistics Development Plan and operationalisation of the EAC Statistics Bureau);**
- m) improvement of meteorological services in the Region (monitoring of implementation of real time meteorological data protocols, operations and other meteorological programmes; and review of implementation of the Numerical Weather Prediction strategy);**
- n) institutionalization of regional standards and benchmarks on good governance into national policies;**
- o) support to industrial development and technological innovation through mapping and quantifying extractive resources for mineral value addition; mapping and profiling of SME suppliers to facilitate preparation of business linkage programme; design and installation of a technology dissemination platform;**
- p) sustainable natural resource management, environmental conservation, and mitigation of effects of climate change across the region;**
- q) implementation of the Institutional Review recommendations;**
- r) promotion of agricultural productivity and value addition for increased international cross border trade and sustainable food security through harmonisation and application of regional policies, regulations, and standards/SPS;**
- s) sustainable financing for regional development projects and programmes (finalisation of the Study on Alternative Financing Mechanism of the EAC Integration);**

- t) **enhancement of information, education and communication, and popular participation of the East African citizenry in the EAC integration process;**
- u) **enhancement of visibility of the East African Court of Justice and development of the Court's human and material capacity; and**
- v) **enactment of the following Bills into Law (The East African Community Privately Funded Infrastructure Bill; The East African Community Development Fund Bill; The East African Community Science and Technology Commission Bill; The East African Community Kiswahili Commission Bill; The East African Community Health Research Commission Bill; The East African Community Disaster Risk Reduction and Management Bill; The East African Community Oaths Bill; The East African Community Appropriation Bill, 2015; and The East African Community SQMT (Amendment) Bill**

Expected Outcomes over the 2015/16 Budget

177. Mr. Speaker, it is expected that the implementation of the above priority programmes will result into the following:

- a. **increased trade and economic prosperity in the region as a result of implementation of programmes and projects towards attainment of a single customs territory, and removal of non-tariff barriers. The value of intra-EAC trade recorded a growth of 6.1 percent to US\$ 5,805.6 million in 2013 compared to US\$ 5,470.7 recorded in 2012. This trend is expected to continue in 2014/2015 and 2015/2016**

- b. increased access to the freedoms and rights enshrined in the Common Market Protocol;**
- c. increased co-operation in monetary and fiscal matters among Partner States, specifically on:- monetary policy harmonization, exchange rate policy harmonization, and monetary policy communication policy; enhancement of the level of currency convertibility in the region; coordination of budget processes; harmonization of public debt analysis and management frameworks; procurement, accounting and oversight practices in the EAC; and coordination and development of a framework for fiscal regime and management of natural resources;**
- d. improved infrastructure for expansion of cross-border trade, reduction in the turnaround time for trucks from the ports to land-linked countries, reduction in transport costs, reduced cross-border telecommunication tariffs, and reduced road traffic accidents;**
- e. diversification of the region's industrial base, resulting into increased employment opportunities, household incomes and improved welfare;**
- f. enhanced food security in the EAC region through:- improved agricultural productivity; reduced post-harvest losses; improved standards and increased trade in food products, particularly cereals and nuts; and increased awareness on the dangers of consumption of Aflatoxin-contaminated products.**

Key Challenges Expected while executing the Budget

178. **Mr. Speaker, we expect to meet some challenges on the way. For example; the need to fill the US\$ 100 billion infrastructure gap for the region; harmonization of domestic taxes to facilitate the functioning of the Single Customs Territory; political mobilization for the full implementation of the Common Market Protocol; and maintenance of the key macro-economic criteria essential for the Monetary Union. There is also the unstable/volatile Global economic outlook; inadequate staffing, particularly delays in filling vacant positions; limited financial resources; long decision-making and budget approval processes; and lastly delays in remittance of funds from Partner States to Organs and Institutions of the Community.**

Strategies for mitigating the above challenges

179. **Mr. Speaker, the Community will implement the following strategies to mitigate the effects of the above challenges: -**
- a. elimination of NTBs to facilitate growth of trade, thereby enhancing prosperity among the East Africa citizens;**
 - b. implementation of the priority projects in infrastructure, especially in rail transport, energy, ports and harbors as well as inland waterways, and the critical road network required to hasten movement of goods through coordinated sourcing of funds where possible;**
 - c. finalization of the Alternative Financing Mechanism for a more sustainable source of funds for implementation of Community projects and programmes;**

- d. finalization and implementation of the policy on harmonization of domestic taxes (income tax, Excise Tax, and VAT), and simplification of tax procedures and harmonization of tax incentives to promote fair competition;**
- e. more investment in ICT systems for enhanced efficiency in operations and timely information;**
- f. finalization and implementation of the institutional review exercise;**
- g. intense follow up on financial commitments; and**
- h. enhanced human resource capacity for effective delivery on the Community's commitments to the people of East Africa.**

PART VI: ALLOCATION OF THE BUDGETS TO INSTITUTIONS AND ORGANS FOR FY 2015/2016

180. **Mr. Speaker, after this presentation of the priorities for the next Financial Year, allow me to table the Budget Estimates for the Community for the Financial Year 2015/2016 totaling USD110, 660,098 compared to USD 126,110,145 of the current financial year 2014/2015. The reduction of the budget is due to the phasing-out of some projects funded by the Development Partners and revised work plans by the Development Partners namely NORAD, USAID and IRCC. It is worth to note that, while the Development Partner's support to the budget is expected go down, the Partner States contributions to the budget for the next financial year will remain the same as current year.**

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

- a) East African Community Secretariat; USD69, 636,849;**
- b) East African Legislative Assembly; USD15, 865,646;**
- c) East African Court of Justice; USD4, 301,551;**
- d) Lake Victoria Basin Commission; USD10, 137,163;**
- e) Inter-University Council for East Africa; USD4, 507,648;**
- f) Lake Victoria Fisheries Organization; USD3, 091,097;**
- g) East Africa Science and Technology Commission USD726, 755;**
- h) East Africa Kiswahili Commission USD756, 361;**
- i) East African Health Research Commission USD935, 498; and**
- j) East African Competition Authority (EACA) USD701, 530.**

182. The Budget for the Financial Year 2015/2016 will be funded as follows:

- a) Contribution from Partner States USD 47,566,973 compared to USD 46,958,273 of the current year;**
- b) Development Partners' support USD 58,555,635 compared to USD 75,121,126 of the current year; and**
- c) Other Revenue USD 4,537,490 compared to USD 4,030,746 of the 2014/2015.**

183. Mr. Speaker, I beg to move.

**East African Community
Arusha, Tanzania
13th May 2015**