



EAST AFRICAN COMMUNITY

PRESENTATION OF THE BUDGET OF THE  
EAST AFRICAN COMMUNITY FOR THE  
FINANCIAL YEAR 2006/2007

Budget Speech by Hon John Arap Koech, Chairman of the Council of  
Ministers of the East African Community and Minister for East  
African Community, Republic of Kenya

The East African Legislative Assembly Chambers, 6<sup>th</sup> Floor,  
Ngorongoro Wing, AICC, Arusha, 25 May 2006



**PRESENTATION OF THE BUDGET OF THE EAST AFRICAN  
COMMUNITY FOR THE FINANCIAL YEAR 2006/2007 TO THE EAST  
AFRICAN LEGISLATIVE ASSEMBLY**

**East African Legislative Assembly Chambers, 6th Floor, Ngorongoro Wing,  
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**INTRODUCTION**

1. **Hon Speaker**, I beg to move that this esteemed Legislative Assembly resolve into a House Committee to debate and approve the proposals of the Council of Ministers of the East African Community for the Budget of the East African Community for the Financial Year 2006/2007.
  
2. The Budget estimates for the Financial Year 2006/2007 are being presented against the background of the maturity of the East African Community. This follows barely a one and half year period of successful operations of the East African Community Customs Union. The launching of the East African Community Customs Union marked a turning point in the long march towards realizing concrete benefits of the Community. The commitment of the Partner States is signified by the way in which they are all pursuing the implementation of the Customs Union with vigour and enthusiasm.

3. It had been anticipated that certain difficulties would be experienced and sacrifices made in these initial stages of the introduction of the Customs Union. The Partner States are clearly aware of this and they are determined to ensure that the Customs Union takes firm root and starts to bear fruit. Indeed, the Customs Union is beginning to reap benefits in these early days of its establishment. There is significant increase in cross-border trading activity as well as improved revenue collection by all the Partner States. This requires us not rest on our laurels but to remain steadfast in building the Community as a solid bloc and a powerful emerging market in the global economy. We have it in our power to make it happen, so let's get on with it.
  
4. During their Summits, the EAC Heads of State have stressed the need to base the East African integration process on the firm foundations of the Customs Union. As such, the Customs Union should be nurtured and enabled to flourish. It should serve as a test case and demonstration of the real and tangible benefits of the Community and, eventually will usher in Political Federation of East Africa.

## **REVIEW OF THE ACTIVITIES OF THE COMMUNITY 2005/2006**

5. **Hon Speaker:** The focus of activities during the outgoing Financial Year has been on the implementation of the Second Development

Strategy 2001-2005 whose focus is the liberalization of the East African market as a process in the promotion of East Africa as a single market and investment area.

***Trade and investments***

6. In this regard, and building on past achievements, measures were pursued during the year to develop a common investments promotion regime in East Africa. The study on Investment Tax incentives and their Harmonization was completed and is currently being discussed at national levels with a view to their implementation in the coming Financial Year. Another Study on 'Monetary Integration in the East African Community' was concluded and is now before the Central Banks' Governors who have established a committee of experts to develop the way forward. Yesterday the Assembly passed the EAC Standardisation, Quality Assurance, Metrology and Testing Bill and next week will continue to debate the EAC Competition Bill. Once enacted, these two Bills will further smoothen the operations of the Customs Union.
  
7. Related to these developments is the ongoing implementation of the programme of the Capital Markets Development Committee in the development and harmonization of the East African Stock Markets. Cross listing of stocks is picking up between the three Stock Exchanges at Dar es Salaam, Nairobi and Kampala. It is notable, in this context, that whereas only Kenya Airways and East African Breweries have so far been cross-listed in the regional stock markets, the potential for growth in this area is significant. During the coming year, the Council intends, in collaboration with the East

African Business Council, to intensify efforts in the promotion of cross listing of stocks with the purpose of promoting a full fledged East African Stock Exchange.

***Development of regional infrastructure***

8. **Hon Speaker:** Development of regional infrastructure remains the central priority of the East African Community. As Honourable Members are aware, right from the onset of the Community, key projects in infrastructure were identified embracing roads, railways, energy, transport and telecommunications. Progress in the implementation of these projects has been steady, albeit somewhat slow. The reason for the slow pace is primarily due to the heavy capital requirements and dependence on external sourcing of funds needed for these infrastructure projects. EAC is seized of the need to ensure faster progress in developing these regional infrastructure projects in the period ahead. It is of significance to note that the East African private sector is showing a positive inclination in mobilizing East African resources to fund some of these projects, notably in the energy and power sub sector. We also believe that the onset of the Customs Union would provide a fillip to the acceleration of programme delivery in this sector.
  
9. As Honourable Members are aware, an infrastructure development Project Management Unit (PMU) has been established at the EAC Secretariat. This unit is intended to monitor progress in the various collaborative measures in joint development of facilities, taking advantage of economies of scale, and provision of services to wider geographic areas. Similarly, the Partner States are enjoined in programmes for efficient infrastructure project delivery,

utilization and maintenance. As observed earlier, particular attention is paid to expanded involvement of the private sector in the ownership and management of economic infrastructure.

10. Concerted efforts are also being made in the identification of a predictable and reliable Investment facility that would provide long-term capital for infrastructure development. In this regard, the EAC, in collaboration with the African Development Bank (ADB), has identified priority areas and programmes that are implemented under the NEPAD initiative. Among these, are projects and programmes aimed at strengthening the institutional capacities for Trade facilitation and development; infrastructure development, including roads, railways, inland waterways, civil aviation, ports, energy and power, posts and telecommunications.
  
11. **Hon Speaker:** The commitment of the EAC Partner States to the priority placed on infrastructure projects is best exemplified by the handling of the East African Road Network Project. The Partner States have, for instance, allocated larger resources in the roads sub sector. They have put in place institutions to be directly responsible for roads policies and management and are reinforcing them with public/private participation strategies in the management of roads development. And they have all been up to date with the enactment of the necessary legislations in the sub sector. Of critical importance to the East African Road Network is the project on rehabilitation/reconstruction /upgrading of the Arusha - Namanga- Athi River road section. Work on this vital link in the East African Road Network is at an advanced study phase stage. ADB funding for the project has been secured and current

indications are that construction works for the Arusha-Namanga-Athi River road link would commence by July 2007.

12. On the railways sub sector, work continues on the concessioning of the railways networks in East Africa. The joint Kenyan and Ugandan concessioning process progressed to the selection of the concessionaire in September 2005 with the award of the bid to a consortium led by the South African firm Sheltam Trade Close Corporation (STCC). The Tanzanian railways concessioning has been finalised and Rites of India have been awarded the bid and will take up control of Tanzania railways Corporation in August 2006. Similarly, progress is made in the implementation of the EAC Railways Development Master Plan, which was approved in November 2004. The Council of Ministers has directed that the Partner States share equally the budget towards the execution of this important plan that should be finalized as soon as possible, having regard to the availability of funds.
13. **Hon Speaker:** The implementation of projects and programmes earmarked for the Civil Aviation sub sector has progressed satisfactorily. The Partner States have agreed to implement the Yamoussoukro Decision on liberalization of air transport in Africa. Pursuant to this decision, a roadmap for the establishment of the EAC Regional Civil Aviation Safety and Security Oversight Agency, to be responsible for the implementation of best practices and standards in civil aviation, has been agreed on. The process towards the establishment of the EAC Unified Upper Flight Information Region (UIR) is on course; and the revision and harmonization of the Partner States' Civil Aviation Regulations is at an advanced stage.

14. **Hon Speaker:** The implementation of projects and programmes earmarked for the Communications sub sector has involved the harmonisation of the EAC Communications Regulatory Strategy. Finalization of the technical Study Report on the strategy is in process as well as a detailed feasibility study for the development of a comprehensive communications strategy for Lake Victoria Basin, which is being developed with funding from the Swedish International Development Co-operation Agency, SIDA.
  
15. On the East African Submarine Fibre Optic Cable System (EASSy), At the EAC, the 11<sup>th</sup> Council of Ministers meeting held on 3<sup>rd</sup> April 2006, considered the progress of the EASSy project and decided that: The Secretariat coordinates with NEPAD e-Commission on the development of a policy framework for the implementation of ICT Broadband infrastructure networks including EASSy and other ICT interventions through Public Private Partnerships; The Secretariat convenes a meeting of ICT policy makers, regulators and telecom operators to consider options for the implementation of ICT Broadband infrastructure network in the region by June 2006; and the Partner States be urged to adopt the open access principle in the development of ICT Broadband infrastructure network with a view to ensuring open, non-discriminatory and affordable access by users in the region. However, this project, which has Africa-wide implications, is now also being deliberated under the International Conference on the Great Lakes Region (ICGLR) initiative and would benefit from the eleven-nation special Fund for Reconstruction and Development in the Great Lakes Region. In addition, the implementation of the East African Postal Automation Project, partly financed by the East African Development Bank

(EADB) is in its final phase of implementation and is being expanded to cover more postal offices in the Partner States. The Final phase of the project also covers introduction of e-Post.

16. **Hon Speaker:** In the energy sub sector, the Final Report of the Study on the East African Power Master Plan was presented to EAC in March 2005 and the Plan of Action for the implementation of the EAPMP for the period 2006-2010 adopted by the Council of Ministers. It provides a plan whereby the people of East Africa would be assured of adequate and reliable power supply at reasonably affordable tariffs. The Plan aims to establish an East African Power Pool which would facilitate automatic sharing of Power Generation, Distribution and Management of Power Trade and technical functions. The Study recommends an integrated generation expansion sequence with Kenya importing Tanzania's gas generated electricity and Uganda's hydro generation. As a long lasting solution to energy problems, the Ministers have also approved a preparation of a Regional Energy Access Scale Up Strategy which will primarily ensure that energy mix approach is adopted. This will ensure access to a variety of sources by a majority of East Africans. The target is to reach 50 million people by 2015 thereby greatly contributing to the achievement of the Millennium Development Goals (MDGs). Coupled with this, is the ongoing exploration of fossil fuels potential in the EAC region whereby the series of EAC international conferences on the Petroleum Potential and Investment Opportunities in East Africa (EAPCs) have continued to demonstrate high interest and potential in oil exploration and exploitation in the region. The 2nd EAPC was successfully held on 2 – 4 March 2005 in Entebbe and will be

followed up by the 3<sup>rd</sup> EAPC'07 which will be held in Tanzania next year.

### ***Agriculture and food security***

17. **Hon Speaker:** Of equal emphasis in the EAC regional integration and development process is agriculture and rural development and the establishment of food security in the region. In the pursuit of this commitment, during the outgoing Financial Year, the EAC made a breakthrough with the adoption of a number of important instruments in the development of Agriculture and the attainment of Food Security within the Community. These were: the EAC Agriculture and Rural Development Policy; the EAC Agriculture and Rural Development Strategy; Requirements for farm inputs (pest control products); Procedures for Evaluating the Efficacy of Pest Control products for Plants; Labelling requirements for Pest Control products and; Harmonised Sanitary and Phyto-sanitary Standards and Measures, which were adopted at the last meeting of the Council of Ministers in April 2006. Implementation of these policy provisions and strategic plans will now be pursued in full earnest in the overall context of the upcoming EAC Development Strategy (2006-2010).

### ***Environment and natural resources***

18. The Protocol on the Management of Environment and Natural Resources has been signed which is a major instrument in the implementation of projects and programmes especially in productive and infrastructure sectors. The implementation of the Mt Elgon Regional Ecosystem Conservation Project (MERCEP)

began in September 2005 following the conclusion of a Financing Agreement between the East African Community and the government of the Kingdom of Norway. The International Union for Conservation of Nature (IUCN) Regional Office is the EAC's technical partner in this project. A Project Steering Committee constituted by Permanent Secretaries from all the three Partner States has been established to supervise the implementation of the project.

### ***Tourism and wildlife management***

19. **Hon Speaker:** On marketing and promotion of East Africa as a single tourist destination, including joint tourism and wildlife development, a major breakthrough was made during the year. The EAC Council of Ministers at its Meeting in August 2005 decided to attach strategic importance to this matter. In this regard, the three tourism boards of Kenya, Uganda and Tanzania launched joint tourism promotion during the World Travel Market held in London between 14-17 November 2005 and further reinforced this co-operation during the International Tourism Fair in Berlin (ITB) in March 2006.
  
20. With these developments, the EAC Partner States are now poised to participate more intimately in future major international travel markets. Also, the Partner States have agreed to jointly address the issue of negative travel advisories, including taking a proactive approach to pre-empt the issuing of such negative travel advisories. A joint East African tourism promotion brochure, ***East Africa: Attractive single Tourist Destination***, has been published by the

Secretariat and is widely distributed in the leading tourism source countries, include Europe, Asia and the Far East.

### ***Lake Victoria Development Programme***

21. **Hon Speaker:** Heavy focus continues to be placed on the promotion of the potential of Lake Victoria and its basin. The operations of the Lake Victoria Basin Commission became effective from 1<sup>st</sup> July 2005. This followed the Summit directive of May 2005 to establish the Headquarters of the Commission in Kisumu City. The recruitment of the Executive Staff has been concluded. The formal launch of the Commission in Kisumu will take place early in the coming Financial Year.
  
22. During the period under review, Lake Victoria experienced serious drop in its water level following a prolonged drought and other factors impinging on the environment of the Lake and its basin. Joint research and hydrological data analysis have revealed the reduction of rainfall from an annual average of 1400 mm to 1200 mm between 2001 and 2005 in East Africa. Besides, the river inflows into the Lake have also declined by nearly 22% from 2000 to date. In response to the threat on the Lake's sustainability, the Partner States have agreed on a number of short and medium term strategies to mitigate the negative impact of the reducing water levels. In this regard, a special session on Lake Victoria Environment will be held later this year at the Ministerial level to develop comprehensive long-term solutions to the problem.
  
23. Honourable Members of the Assembly will be pleased to note the progress towards the commissioning of ***RV Jumuiya*** following the

acquisition of the vehicle with funding from the government of the United Kingdom. The vessel will be used on Lake Victoria in carrying out research services, including survey of the Lake and other research related activities on the improvement of safety of navigation on the Lake. Thus a key milestone has been reached in the development of safety of navigation of Lake Victoria in general and in the operationalization of the Protocol for Sustainable Development on Lake Victoria Basin.

### *Social sectors*

24. **Hon Speaker:** Programmes in the social sector are central in cementing the unity and common identity of the East African people upon which the EAC project hinges. To this extent, progress in co-operation in education, science and technology, health and social and other cultural activities have been promoted since the onset of the EAC. I am gratified to report that good progress was made during the year in the projects and programmes in the social sector with specific regard to Regional Study on Harmonisation of Curricula, Standards Assessment and Education Evaluation; Formation of the East African Kiswahili Council; draft Protocol on the Establishment of the East African Science and Technology Council (EASTECO); and on the progress in the Health sector.
  
25. **Hon Speaker:** In the area of Facilitation of the Free Movement of Persons, Immigration, Labour and employment, two studies, one on the “Harmonisation of Employment Policies in East Africa” and the other on “Harmonisation of Labour Legislation in East Africa” have been finalised. The studies provide a good basis for future development of the relevant policies and, indeed, for the ongoing

negotiations on the Common Market. Meanwhile, the harmonisation of the procedures of work permits and the classification process has been finalised. The Partner States undertake to charge East African citizens 50% of the fee chargeable for Entry/work permit. The preparations of the pre-requisite legal documentation, including the harmonised procedures on issuance of Entry/Work permits has been initiated.

### ***Regional Peace and Security***

26. **Hon Speaker:** EAC has continued to implement projects and programmes towards maintaining peace and security in the region. In this sphere, a number of Task Forces and working groups to work out technical issues pertaining to cooperation in the peace and security sector have been established. On its part, the Council of Ministers has institutionalised the annual meetings of the Chiefs of Operations, Directors of CID, and Registrars of Motor vehicles.
  
27. Meanwhile, the Partner States are working on the development of a Conflict Early Warning and Response Mechanisms (CEWARN). Other activities include anti Terrorism/Counter Terrorism Measures in EAC; development of the EAC Forensic Centre; implementation of the Plan of action on the Protocol on Combating Illicit Drug Trafficking in the EAC region; prevention of smuggling of cloves through the Pemba Channel and curbing the proliferation of illegal small arms and light weapons in East Africa.

## **ORGANS OF THE COMMUNITY**

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

28. **Hon Speaker:** In the period under review, the East African Legislative Assembly had a busy schedule commensurate with the expanding activities of the Community. The Assembly held four main meetings between February and December 2005 during which it deliberated on the following Bills: the East African Community Supplementary Appropriation Bill 2005, the East African Community Appropriation Bill; and the East African Community Standardization, Quality Assurance and Testing Bill, 2005.
29. **Hon Speaker:** As I have stated before in this House, the Council of Ministers remains fully seized of its role, under the provisions of the Treaty to initiate and submit Bills to the House for enactment into law. The initiation of Bills by the Council may be based on identified and agreed policy matters which arise out of the implementation of harmonization and rationalization of policies; specific EAC programmes and activities aimed at strengthening the integration process; and on specific needs for EAC's institutional growth.
30. In the coming period the Council intends to table in the House the following Bills: Bill for an Act to provide for the Preservation of the Secrets of the Community, its organs and institutions given the institutional development of the Community into a full fledged legal person; Bill for an Act to provide for Elections of the Members of the East African Legislative Assembly; Bill for an Act to provide for the collection, compilation, analysis and publication of EAC statistical information which will be critical for trade development and the Free Movement of Persons, Labour and Services; and Bill for an Act to formally constitute the East African Court of Justice once its

jurisdiction has been extended in accordance with Article 27(2) of the Treaty.

31. **Hon Speaker:** The Council also recognizes that in such matters as the establishment of institutions with legal capacity, such as the Inter-University Council for East Africa and the Lake Victoria Basin Commission, there is need for enabling legislation. In this regard, a comprehensive paper on such legislation *vis a vis* the use of Protocols (as provided under Article 151 of the Treaty) has been prepared for consideration by the Sectoral Council on Legal and Judicial Affairs at its next meeting which is slated for June 10<sup>th</sup>, 2006. Other enabling legislations which are ready for consideration by the meeting of the Sectoral Council are the draft East African Community Official Secrets Bill, 2006; draft East African Legislative Assembly Elections Bill, 2006; East African Community Statistics Bill 2006. As regards the Lake Victoria Transport Bill, 2004, the draft is awaiting policy consideration by the Sectoral Council on Legal and Judicial Affairs.
  
32. **Hon Speaker:** These Bills, and possibly more as will be necessitated by processes involved in Customs administration and management, will go a long way in contributing to the Assembly's legislative programme. As I have earlier indicated, the Assembly has just concluded debate on East African Community Standardisation, Quality Assurance, Metrology and Testing Bill, and will continue during next week the debate on the East African Community Competition Bill..

**The East African Court of Justice**

33. During the period under review, the East African Court of Justice has received one case filed on 6 December 2005 which is pending hearing. In the meantime, the East African Court of Justice has carried out programmed promotional activities in the Partner States. The EACJ has also undertaken capacity building activities in a bid to prepare itself for effective execution of its mandate.
34. The Council continues to take stock of the expanding nature of the Community's projects and programmes, the implementation of the EAC Customs Union and the fast tracking of the Political Federation, among other key programmes. In this context, the important process of extending the jurisdiction of the East African Court of Justice to cover original appellate, human rights and other jurisdictions has been embarked on.
35. A draft Protocol to operationalize extended jurisdiction of the Community's judicial organ has been prepared. The Council of Ministers is of the considered opinion that in a people-centred integration, the development of this draft Protocol necessitates a broad consultative process involving key stakeholders including the Chambers of the Attorneys General, the East African Court of Justice, the East African Legislative Assembly, the National Assemblies, Judiciaries, the Law Reform Commissions, the Bar Associations, the Business Community and Civil Society. This process will be done within such a time span that does not compromise the implementation of the East African Community Customs Union.
36. **Hon Speaker:** I am gratified to report that one regional workshop and three national consultative workshops have been held in the

initial stage to enable sufficient input into this draft Protocol. Honourable Members have actively participated in the workshops and I would like to commend them. It is our hope that by the end of this year we should have concluded this important Protocol that aims at strengthening the Court.

## **PUBLICITY AND MARKETING OF THE EAC**

37. **Hon Speaker:** I am pleased to note that in tandem with all these activities in the substantive programme, the EAC, has involved an extensive publicity and marketing programme that effectively promotes the Community both within and outside the region. There was also sustained media interest and coverage of the Community in the period under review. On its part, the EAC continued the programme of sensitization of the various stakeholders on the Community through a series of seminars held in the Partner States. Also, with sponsorship by the German Technical Co-operation Agency (GTZ), the first EAC Workshop for Civil Society Organizations was held in July 2005. The workshop discussed the role of civil society in the regional integration process, and drew up a roadmap for the establishment of an East African NGO Forum, which would satisfy the requirements of the Treaty that such a Forum be established.

38. **Hon Speaker:** Under the Treaty for the Establishment of the East African Community, the EAC Partner States undertake to cooperate in a broad range of identified areas of co-operation, including co-operation on political matters. Thus, the EAC, for the first time participated in election observation in the Partner States at the invitation of the respective governments. The EAC sent

observer missions to the General Election in Tanzania in October and December 2005; to the Referendum on the Proposed New Constitution in Kenya in November 2005; and to the General Elections in Uganda in February 2006. Allow me to thank Honourable Members for their participation in these missions which were greatly appreciated by the Electoral Authorities in all the Partner States and which contributed immensely to the development and promotion of good governance and democracy in our Community.

39. **Hon Speaker:** Following the decision to promote East Africa as a single market and investment area and the launching of the East African Community Customs Union, the EAC Partner States have confidently embarked on joint promotion of East Africa among the international investing community. During the year, the EAC Partner States participated jointly in major trade and investments projects and programmes. Joint EAC trade and investment promotion missions were undertaken, for the first time, to Southeast Asia; to the Africa Investment Forum in Johannesburg; and to the East Africa-Germany Investment Conference in Munich. And, as I have observed earlier in my speech, during the World Travel Market in London in November, and the International Tourism Fair in Berlin in March 2006, the tourism boards of the three EAC Partner States launched the joint promotion and marketing of East Africa as a single tourist destination. This was a major and historic achievement, considering that negotiations on the issue of joint promotion of East African tourism have been ongoing since 1996.

40. **Hon Speaker:** Of great strategic interest has been EAC's participation in the International Conference on the Great Lakes Region (ICGLR) process. Following the Dar es Salaam Declaration of 2004 on Peace, Security, Democracy and Development in the Great Lakes Region, the ICGLR process is now focused on the preparation and negotiation of the Protocols and Programmes of Action to be adopted in the Peace, Stability and Development Pact to be signed by the Heads of State of the Great Lakes Region at their Summit expected to be held in Nairobi later this year. The EAC looks forward to effective participation in the implementation stage of the ICGLR process and benefit from the programmes, which have been proposed in the broad areas of Peace and Security, Democracy and Good Governance, Economic Development and Regional Integration; and Humanitarian and Social Affairs.

## **INSTITUTIONAL MATTERS**

### ***Applications of Rwanda and Burundi for admission into EAC***

41. **Hon Speaker:** On the applications by the Republic of Rwanda and the Republic of Burundi to join the Community, I am pleased to report that the Council of Ministers has considered the reports of the verification missions that visited the two countries during 2005. The reports indicate that, in principle, both Burundi and Rwanda meet the criteria to join the Community as stipulated under the Treaty. The Council has directed that the verification process now be followed by a high level negotiating machinery to be spearheaded by the Ministers responsible for East African Community, the Co-ordinating Permanent Secretaries, the Secretary General, the Heads of EAC organs and the Verification

Committee with a mandate to, among other things: embark on negotiations with the Republic of Burundi and the Republic of Rwanda on the admission requirements and report to the next ordinary summit of Heads of State scheduled for November 2006; invite the applicant countries to Arusha for negotiations; appropriately involve the Partner States' Governments, National Assemblies, and the East African Legislative Assembly; and appropriately take into account the views of the private sector and civil society. Preparations for this negotiation process have started and should be completed within three months. Immediately thereafter an extraordinary meeting of the Council will be convened to consider the outcome of the high level negotiating machinery.

### ***EAC Headquarters Construction***

42. **Hon. Speaker:** Honourable Members will be pleased to note that the project of the construction of the EAC Headquarters is proceeding well. All the necessary agreements between EAC and the German Government have been signed. The Project Management Consultant (PMC) has been recruited. The process of recruitment of a General Building Consultant (GBC) is underway. The contribution of the EAC has been provided for in the budget estimates; and the Secretariat continues to coordinate the preparatory activities towards the commencement of actual construction as soon as these preliminary stages are exhausted.

### **FUTURE OUTLOOK**

43. **Hon. Speaker:** The performance of EAC during FY 2005/2006 reflects encouraging progress in the East African regional

integration process. The Council of Ministers is committed to manage the programmes of the Community with renewed vigour and speed in regard to the identified priorities, namely the consolidation of the Customs Union, the negotiations of the Common Market and the process of fast tracking East African Federation.

44. The programmes that are being proposed for implementation in the FY 2006/07 have been prioritized within the framework of the anticipated activities under the next EAC Development Strategy 2006-2010 taking into account the decisions of the Summit and the Council relating to the need to accelerate and deepen regional integration. Thus, deepening our development effort under the EAC will now hinge on the implementation of the new Development Strategy. The Council of Ministers has already reviewed the draft Strategy and took note of it. However, it decided to allow Partner States additional time to review it and submit written comments to the Secretariat by 21<sup>st</sup> July 2006. The Secretariat was directed to convene a Stakeholders Meeting on the Draft Strategy by August 31<sup>st</sup> 2006 before being taken to the Council of Ministers Meeting scheduled for September for final decision. The focus of the draft Strategy for the next 5 years will be the: -

- (i) Consolidation of the EAC Customs Union;
- (ii) Commencement of negotiations and concluding the Protocol on the EAC Common Market, including Free Movement of Persons, Labour, Services, Right of Establishment and Residence;

- (iii) Laying foundations for the Monetary Union and Political Integration;
  - (iv) Development of competitive supply capacity in agriculture, industry and tourism (The Productive Sectors);
  - (v) Development of adequate and reliable Infrastructure i.e. roads, energy , civil aviation and ICT;
  - (vi) Development of the Lake Victoria Basin;
  - (vii) Human Resource development and Science and Technology;
  - (viii) Strengthening and empowering the organs/institutions of the Community in the coordination and implementation of the regional integration agenda;
  - (ix) Monitoring and Evaluation.
45. Major activities to be undertaken during FY 2006/07 and which have significant budget implications, include: intensification of the programmes on infrastructure development; Customs and trade and the negotiations towards a Protocol on the East African Common Market and Free Movement of Persons. Additional commitments or intensification of the activities are anticipated on various organs and departments/divisions of the Community during the coming Financial Year. These include the Office of the Secretary General, the newly established Office of the Deputy Secretary General in charge of Fast Tracking East African Federation, and expanded publicity and marketing of the

Community among the East African people and the international community. Similarly, the work of the Directorate of Customs will intensify as the consolidation of the Customs Union takes pre-eminence. Also, significant expenditure is envisaged in the work of the Statistics Section in view of the importance statistics play in evaluation, monitoring and promotion of the EAC integration process. Significant expenditure increase is also anticipated in the conference and protocol services given the rising demand for meetings and other facilitation in the ongoing negotiations and confidence building measures among the broad East African constituencies.

46. **Hon Speaker:** Another major area of expenditure is envisaged in the projected staff recruitment as part of the implementation of the new organization structure approved by the Council in 2005. There will also be expenditure demands with respect to staff recruitment, remuneration and staff training and development.
  
47. **Hon Speaker:** With the overall rise in the activity levels of the EAC so will the activities of the East African Legislative Assembly rise as well, both in respect to its legislative function and its oversight functions. Expenditure pressures are expected, in particular, on the activities of the various House Committees; and the corresponding demand on the support activities of the Office of the Clerk and related capacity building for the staff. Also with regard to the East African Court of Justice, new expenditure pressures are expected with projected extended jurisdiction of the Court and commencement of arbitration work as well as continued awareness creation on the Court's important role in the regional integration process.

## ASSUMPTIONS IN THE BUDGET ESTIMATES FOR 2006/2007

48. The Budget for FY 2006/07 has been prepared with a number of assumptions taken into account. These include: continued political support for the EAC; stable and enhanced convergence of macro-economic environment in Partner States, including controlled inflation and stable and predictable exchange rates. The estimates also assume availability of adequate financial resources and timely remittances of Partner States' contributions; access to earmarked financial and technical assistance support from EAC's development partners; and improvement of human resource capacity, including timely recruitment of approved priority positions for FY 2006/07.

## SUMMARY OF BUDGET FOR 2006/2007

49. **Hon Speaker**, given this policy review and presentation of the Budget as already considered by the Council, the Council of Ministers recommends to the East African Legislative Assembly to debate and approve the Budget of the East African Community for the Financial Year 2006/2007 of US Dollars 20,609,962. This figure represents 10% increase in the Partner States contributions. However, taking into consideration from the development partners, the Budget for the Financial Year 2006/2007 reflects an overall increase of 5%. The budget is allocated to the East African Community Secretariat ,US Dollars 13,423,112; Defence Liaison Unit, US Dollars 379,265; Directorate of Customs and Trade, US Dollars 1,171,941; East African Legislative Assembly, US Dollars 2,924, 128; East African Court of Justice, US Dollars 724,576; and

Lake Victoria Basin Commission, US Dollars 1,986,941. This budget is to be financed by Miscellaneous Income of US Dollars 29,563, Revenue float of US Dollars 662,180, development partners' contribution of USD 7,753,300 and equal contributions from Partner States of US Dollars 4,054,973 each.

50. **Hon Speaker:** I beg to move.