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EAST AFRICAN COMMUNITY DEVELOPMENT STRATEGY: 2001 - 2005

By

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Table of Contents

1.0 Introduction

The East African Development Strategy 2001 – 2005 is the second development strategy following the elapsing period of the first strategy 1997 –2000. The former strategy was instituted with the objective of transforming East African Co-operation into a Community. Several policy actions, which were earmarked for implementation during the period, are not yet concluded. Such activities will therefore form part of the second EAC development strategy. The current strategy concentrates on policy issues stipulated in the EAC Treaty. It emphasizes areas of co-operation that have been elaborated through various studies and of which strategies have either been formulated or formulation is at an advanced stage. In this context, the proposed development strategy covers areas which are contained in the Treaty. This is done on the consideration that the Development Strategy (2001- 2005) needs to be aligned with the EAC Treaty and should be taken as an instrument for implementing the Treaty and means of enhancing effective participation of each Partner State into the regional integration, as well as, improvement in international competitiveness. The strategy has also taken cognisance of agreements with other regional groupings such as SADC and COMESA and international organizations particularly WTO and ACP-EU.

This Development Strategy document is organized as follows: Chapter 2 makes a brief review of the Development Strategy (1997-200) that is coming to an end. Chapter 3 presents the fundamental and operational principles of the EAC Treaty, its goals and the identified areas of socio-economic co-operation. The Treaty is a background and guide to the focus of the proposed strategy (2001-2005) which is the subject of Chapter 4. In this chapter strategies for development in key areas of co-operation are proposed. Some of the proposals entail continuation of implementation that is in progress and others involve new initiatives which are consistent with the Treaty. Chapter 5 is the conclusion. The policy and programme action matrix which capture the main proposals in Chapter 4 is presented in the Annex.

2.0 Review of EAC Development Strategy (1997 – 2000)

The EAC Development Strategy (1997-2000) was launched on 29th April 1997 by the three Heads of Partner States with the overall strategy, which can be summarized as follow:

- To promote the spirit of regional co-operation which was deeply rooted in the history of the region;

- To support the existing forces which have major interest in the strengthening of regional institutions and in the free movement of people, capital, goods, as well as services and information within the region;

- To place immediate emphasis on economic co-operation with the view to promoting enhanced political co-operation, and integration in the long run; and

- To reinforce institutional capacities for regional co-operation.

2.1 Areas of Policy and Programme Action

The strategy earmarked eleven policy and programme areas of action for implementation by Partner States, notably:

- Easing of boarder crossing;
- Free movement of capital;
- Harmonization of fiscal and monetary policies;
- Facilitation of inter-State transport and improvement of communication links between Partner States;
- Development of adequate, reliable and affordable energy supply in the region;
- Development of areas of common interests;
- Sector policies to facilitate trade and investment;
- Preparation of EAC region for the technological challenge of the 21st Century;
- Strengthening institutions of co-operation;
- Legal and judicial framework to support economic integration;
- Attainment of satisfactory co-operation; and
- Facilitation and strengthening of regional joint programs to sustain agricultural and livestock development.

2.2 Overall Status of Implementation is Impressive

- *The overall process of implementing the strategy can be judged to have been quite successful.* What is established is that all Member States are for the integration, despite the fact that Member States have varying priority ranking of areas of interest. Tanzania seems to be most interested in balanced economic development and equitable distributions of benefits, while Kenya is most interested in an expanded market for its industrial products. Uganda is most interested in easy access to international markets through improved infrastructure in Tanzania and Kenya. Based on these areas of interest which are inevitable for sustainable development for each Member State, it is evident that consensus on many policy and programme actions is likely to be reached within the time frame set on ratification of East African Community Treaty.

- *Progress that has been made towards signing and ratification of the EAC Treaty is commendable.* With the Treaty in place, the integration processes can now be guided by a legal document.

- *The speed of implementation of many actions is quite encouraging.* It has been relatively fast when compared to other regional groupings such as SADC and COMESA which have been in place for over 10 years.

- The future of EAC can be evaluated as bright based on various factors:
  - The small size of the group can facilitate conclusions of negotiations;
  - The process of negotiation of trade protocols is taking its course well; and
  - There exists capacity to do the task as EAC Secretariat has been playing its role quite well particularly in maintaining economic data and situation analysis for Partner States.

2.3 Constraints and Limitations

Against this background of reasonable progress made in the implementation of the strategy several constraints and limitations have been identified. These are expected to be taken into account in the formulation of the new development strategy (2001-2005). These constraints and limitations are summarised as follows:

- *Institutional inertia was underestimated in many areas.* Through interviews it was apparent that the timeframe set for various actions was often too optimistic. For instance, to conduct a study requires substantial time; from the development of Terms of Reference, invitation for bidding, financial mobilisation, and the undertaking of the study. The strategy did not always determine the feasibility for implementing various policy and programme actions based on country specific conditions. Policy actions, which required negotiation (protocol), such as free movement of capital, reduction of internal tariffs, and the like, were found to have lagged behind schedule. It would appear that in the spirit of broad consultations it was necessary that discussions and negotiations take ample time. The time taken was not always estimated in a realistic manner.

- *Slow decision making processes at national levels have raised some concern.* Country specific modes of operation were not fully considered. Decision making often involves several statutory steps. The process involves development of Cabinet Paper by the respective Ministry whereby the Paper has to be submitted to the Cabinet Secretariat for discussion by the Inter-Ministerial Technical Committee, and from there to the Cabinet. If the issue requires approval from the higher level it will be passed to the Parliament for final approval. Issues, which require amendment of the Law and other sensitive issues have to pass all these processes. The time taken can be quite substantial. This fact was not always taken into account in preparing time frame for activities.

- *There is a time lag between changes made and change of attitudes and modalities of operation* on the part of the operational staff on the ground. Awareness campaigns and public education may be required to reduce the gravity of this problem.

- *Sequencing of certain activities was sometimes mixed.* For instance, the Policy action that requires *development of adequate and reliable energy supply in the region* demanded for *further inter-grid connection by Jan.1997*. In order to have this task undertaken, national power master plan has to be in place first. In contrary, national power master plans were planned for Jan. 1998. The implementation of some programmes entailed a time lag so their execution could not be achieved in the time allocated.

- *Resource constraints caused delay in implementation.* Implementation of certain activities depends on the availability of resources. For those activities whose implementation required additional finances from government timing for inclusion in the budget process was crucial. The Implementation of certain programmes is tied to the goodwill of the international community. With the flow of international resources not forthcoming at the required time, these programmes have not been implemented in time.

- *Pressures of restructuring and privatisation have overstretched the capacity of some institutions* making it difficult to play their appropriate role in carrying out

EAC obligations. For instance, telecommunications and railways institutions experienced this difficulty.

- *The speed of implementation may have been limited by the absence of a legally binding agreement*, like the Treaty. Therefore Member States may have been at liberty to implement certain aspects at their own pace since there was no legal obligation.

- *Partner States are not equally developed. A major constraint to reaching agreement on CET is the differences in the levels of industrial development, economic structures and varying revenue implications.* Tanzania is characterized with poor road network, and a less developed private sector. The perception of unequal development and unequal sharing of benefits and costs of integration has contributed to delaying the process of negotiations. However, these factors can be viewed as challenges for effective participation in the Community. The delay experienced during implementation of various policy and programme actions was in some cases a subsequent result of awareness of implications of the action. In this respect, such delays reflect a learning process rather than a deliberate effort to drag the process behind. Negotiations have taken long in some areas because the benefits were not obvious. More comprehensive identification of benefits and costs and analysis of options available was not always carried out by the respective Member States.

- *There is still suspicion similar to those of the former EAC.* Political and economic instability of Partner States, and their neighbours, in particular may delay the process of integration. Also intentions of Rwanda and Burundi to join the community may slow the process given the political instability prevailing in these countries, as well as, differences in cultural and historical background. While there is a need to incorporate these countries into the community, precautionary measures have to be instituted to ensure smooth implementation of community decision.

- *The ultimate goal of political federation may be too ambitious which could stall action.* It is important to have short-term targets and programmes which are implementable. Citing the case of European Community, the achievements seen today are a product of a cumulative process involving initiatives implemented in the past (without long term vision). It appears that if Europeans were to be told that the ultimate goal is political federation few countries would have gone for it.

3.0 East African Community Treaty

The Treaty for the Establishment of the "East African Community" was signed by Heads of State of the Partner States on November 30, 1999 in Arusha, Tanzania. The broad objective of the EAC is to develop policies and programmes aimed at widening and deepening co-operation among Partner States in political, economic, social and cultural fields, research and technology, defence, security and legal and judicial affairs for mutual benefits. Fundamental principles governing the EAC Treaty are:

- Mutual trust, political will and sovereign equality;
- Peaceful co-existence and good neighbourliness;
- Good governance;
- Equitable distribution of benefits; and
- Co-operation for mutual benefit.

The operational principles are:

- People centred and market driven co-operation;
- Provision of an enabling environment;
- Establishment of an export oriented economy with free movement of goods and factors;
- Subsidiarity;
- Variable geometry;
- Equitable distribution of benefits;
- Complementarity;
- Asymmetry; and
- Good governance.

The goal of the Treaty is to establish among Partner States an East African Community with an East African Customs Union and a Common Market as transitional stages to the attainment of Monetary Union and ultimately a Political Federation. In order to attain the stated objectives the EAC Treaty ensures:

- Attainment of sustainable growth and development of Partner states;
- Promotion of sustainable utilisation of natural resources;
- Strengthening and consolidation of the long standing political, economic, social, cultural and traditional ties by partner States;
- Mainstreaming of gender in all its endeavours;

- Promotion of peace security and stability within and good neighbourliness among the Partner States; and
- Enhancement and strengthening of partnership with the private sector and civil societies.

Areas of socio-economic co-operation earmarked by the EAC Treaty are:

- Trade Liberalisation and Development;
- Investment and Industrial Development;
- Standardisation, Quality Assurance, Metrology and Testing;
- Monetary and Financial Co-operation;
- Infrastructure and Services;
- Agriculture and Food Security;
- Environment and Natural Resources Management;
- Human Development and Science and Technology;
- Immigration, Labour and Employment;
- Health, Social and Cultural Activities;
- Tourism and Wildlife Management;
- The Private Sector and Civil Society;
- Enhancement of the Role of Women in Socio-economic Development;
- Legal and Judicial Affairs;
- International Organisations and Development Partners; and
- Political Matters.

4.0 The EAC Development Strategy 2001 – 2005

The EAC Development Strategy 2001-2005 intends to address economic areas of co-operation with the view to articulating policy and programmes actions to be undertaken by Partner States during the strategy timeframe. Given that the Treaty intends to establish first a customs union, policy actions should target the conclusion of a customs union protocol within the timeframe of the strategy. It is also important to set in motion all prerequisite conditions for successful implementation of the subsequent stages of integration i.e. the common market, monetary union, and political federation. In the course of implementation of the customs union which entail elimination of internal tariffs and adoption of a common external tariff, the major area of concern is the free flow of goods and services produced by Partner States given the existence of disparities in level of industrial development. In this respect, emphasis is placed on trade relations and industrial development in the region.

During the period of implementation of the first EAC Development Strategy (1997-2000), various studies were commissioned by the EAC Secretariat with the objective of providing amicable solutions in various areas of co-operation by Partner States. The findings and recommendations provided by those studies have formed the basis for activities to be implemented within the timeframe of this strategy. The strategy also took into account decisions passed by various committees of which such decisions have been proposed for implementation.

The Strategy has also considered the concern about globalisation process which is facilitated by the rapid advances in technology especially information technology. The process of globalisation will influence the position of EAC in the world market. Market access will therefore, become more difficult for those who are not internationally competitive. These threats suggest that greater effort will need to be made in technological development and transfer of technology which are important determinants of international competitiveness. This should be done through co-ordination of research and development (R&D) within the region and improving conditions for stimulating investment and technology flows.

The proposed Development Strategy (2001-2005) is guided by the provisions of the Treaty. In this respect the following categories of areas of co-operation are covered here:

- Macroeconomic policies including monetary and fiscal policies.
- Trade liberalization and development.

- Productive sectors consisting of agriculture and food security, investment and industrial development, tourism and wildlife and environment and natural resources.
- Infrastructure and supportive services.
- Human resource development and science and technology.
- Social sectors, immigration and labour policies.
- Legal and judicial affairs.
- Political matters including peace, security and defence.
- Broad participation of women, private sector and the civil society.
- Relations with other regional and international organizations.
- Institutional arrangements at the level of the Member States and the EAC Secretariat.

4.1 Macroeconomic Policy Co-ordination

4.1.1 Macroeconomic Policy Co-ordination

According to the EAC Treaty, co-operation macroeconomic policy matters aims at establishing stability in these areas within the community through: -

- Co-operation in monetary and financial matters and maintaining the convertibility of Partner States currencies as a basis for the establishment of a single currency;

- Harmonization of macroeconomic policies with specific emphasis on exchange rate policy, interest rate policy, and monetary and fiscal policies;

- Member states should work towards closer macro economic convergence on the following issues:
  - Real GDP growth rate of 7%
  - Inflation of less than 5%
  - Lower ratio of current Account deficit
  - Reduction of fiscal deficit to less than 5%
  - Maintaining reserves at least 6 months equivalent of normal imports
  - Scale up the ratio of domestic savings to GDP to at least 20%
  - Undertake debt reduction initiatives and maintaining the fiscal burden of serving the external obligations to less than 15%
  - Harmonization of VAT rates- Uganda 17%, Kenya 16% and Tanzania 20%

Achievements already attained during the first strategy are quite encouraging. The adoption of policy reform programmes containing largely similar policy packages has helped to converge macroeconomic policies. The East African Co-operation towards currency convertibility has been a success story. It provides a smooth transition towards a single currency for the region in the foreseeable future. It is recommended, however, that the countries strengthen and speed up implementation of issues already in progress and resolve those which are still in dispute. Continued efforts will be made to ensure co-ordination of macroeconomic policies and economic reform programme. Priority will be given to harmonization of macroeconomic policies starting with exchange rate policies, interest rate policies and monetary and fiscal policies. Sharing of relevant budget information on revenue measures and other economic policies will continue to be encouraged to enable convergence of macroeconomic variables which is a prerequisite condition for attainment of a monetary union and establishment of a single currency in the region.

4.1.2 Monetary and Fiscal Co-operation

Co-operation in monetary and fiscal policies will be managed according to the agreed macroeconomic policy framework. Monetary and fiscal policy harmonization will be pursued with a view to achieving the following:

- Maintain market determined exchange rate and acceptable level of reserves;
- Pursue policies which will achieve monetary stability and growth;
- Complete financial sector reform to ensure their efficient operation consistent with promotion of savings and investment for growth;
- Harmonize tax policies.

Introduction of Single Currency

This could go beyond year 2005 due to the existing situation, EAC should proceed carefully by organizing to:

- Study the implication of single currency on economic and financial stability in partner states considering the reasons that have perpetuated different inflation status and other factor contributing to currency stability in EAC.

- Put in place mechanisms to facilitate introduction of a single currency. This should draw heavily on experiences of other economic blocks with single currency and use their experience e.g. the Euro in the European Community.

Fiscal, monetary and exchange rate policies will be formulated and implemented as part and parcel of the overall macroeconomic policy framework of Partner States to ensure sound macroeconomic and financial stability that is conducive to sustainable economic growth. Political will and fiscal discipline will underpin buoyancy in economic growth and success of macroeconomic growth and convergence of such parameters.

4.1.3 Banking and Capital Markets Development

Partner States are determined to create a conducive environment for movement of capital within the Community through:

- Harmonization of capital market policies;
- Promotion of co-operation among the stock exchanges and capital markets and securities regulators;
- Generating sufficient business in the stock exchange markets in order to facilitate cross listing of companies in stock exchange markets;
- Establishing within the community a cross-listing of stocks and rating system of listed companies and an index of trading performance to facilitate the negotiations and sale of shares within and external to the community;
- Working towards the establishment of East African stock exchange by the three national organisations. More viable companies need to go public by selling shares to East Africans and thus facilitate cross listing. Progress in this direction will be through:
    - Review of policies that inhibit participation of both local and foreign investors to EA stock exchange.
    - Elimination of double taxation in such areas as dividend and consideration for fiscal incentives to encourage public listing of securities will also be done.
    - Removal of legal implementations that constrain active use of the capital markets or fiscal distortion.
    - Commissioning a study to ascertain the exact areas of harmonising the legal frameworks governing the operations of stock exchange markets and facilitate actual harmonization.
- Instituting measures to prevent money laundering activities;

- Speed-up modalities for implementation of the standardized prudential requirements in licensing of Commercial Banks;

- Studying the implications of a single currency on economic and financial stability in Partner States;

- Putting in place mechanisms to facilitate introduction of a single currency. This should draw heavily on experiences of other economic blocks with single currency such as the Euro in the European Community;

- Fully liberalising of the capital accounts in all Partner States (especially Kenya and Tanzania);

- Establishing an East African Stock Exchange;

- Plan for integration of EAC capital market;

- Review of policies that inhibit participation of both local and foreign investors to EA stock exchange;

- Eliminate of double taxation in such areas as dividend and consideration for fiscal incentives to encourage public listing of securities will also be done;

- Removal of legal implementations that constrain active use of the capital markets of fiscal distortion;

- Harmonization of Regulatory and Legal Framework, which needs recommendations on areas that require harmonization and also consider ways of harmonizing the legislation's relating to collective investment schemes. The TOR have been prepared and consultant and sourcing of finance was under way early this year. This will be accomplished during 2001 to 2005;

- Disclosure standard framework. This is an on-going study in which the consultant will be asked to add a section on the Disclosure for cross-border listing and is expected to be completed during this planning phase;

- Market Infrastructure and Institutional Development. The consultative meeting of EASRA agreed on TOR for study to provide an infrastructure for trading, clearing facilitates remote linkages and integration of the three stock exchanges. The TOR for this study has been prepared and plans for their implementation are underway. It is expected that this will be done during the second phase of the development strategy;

- Fiscal and Monetary Policy Environment followed by government have an impact on capital market operations and so there is need to study the areas that impact on CM and make recommendations to governments. In this regard, there is a study already done for Tanzania (CNSA) on fiscal policy impediment and the study should be done for both Uganda and Kenya and recommend fiscal and monetary changes needed to facilitate harmonization. The study will also recommend policy incentives needed to attract more companies to list and increase investor participation in capital markets. TOR already prepared and the sourcing of funds and later consultants need to be done and be completed during this phase 2001-2005;

- Public Education and Awareness will be developed and disseminated by EASRA for market professionals and public using the most appropriate media e.g. TV, radio and video workshops using the most appropriate language; and

- Credit Rating Agencies. EASRA also decided to adopt the Credit Rating Agencies guidelines issued by CMA Kenya for EAC. The role of regulators will be to provide the framework for registrations as well as accreditation of credit rating agencies.

The financial sector in East Africa offers a wide range of banking and insurance services. Several financial institutions such as commercial and development banks, postal savings banks offer credit and other financial services to some sections of society. These financial services need to be spread more widely to reach a wider range of actors in the region. For this to be achieved, the financial sector reforms will need to be accelerated. As savings in the region are still low, East African enterprises often rely on international finance. Considering that implementation of regional projects tended to lag behind during 1997-2000 it may be necessary to put in place an independently funded authority to implement designated regional projects. In the transitional period the EADB could be used as a vehicle for raising funds for regional projects while preparations for forming a Regional Development Agency are being made. In this respect, the role of the EADB in financing regional projects should be strengthened. East African Development Bank is fulfilling its mandate but needs to fully operationalize the soft window for indigenous business organizations and individuals who qualify for credit from the existing outlets. This should be done during the new phase of development. Partner States should improve their supervision of the banking sector in order to prevent major distortions in the financial sector, and activities to develop regional capital markets and cross listing of stocks should be continued. The community secretariat should also survey other related institutions, which can be used to raise funds for regional projects. Such solicitations should include enhancing the private sector's role in negotiation for funds for regional projects. Other issues of importance include establishing a legal and institutional framework within which the evolved Authority will operate.

4.2 Trade Liberalization and Development

The Development Strategy in this area will be to develop and adopt an East African trade regime that is consistent with establishment of a customs union and a common market while addressing imbalances that could arise in the process.

4.2.1 Towards Establishing a Custom Union

Given the need to establish the customs union by year 2003, there is need to move faster while providing measures to address imbalances among Partner States which could arise from the establishment of a customs union and a common market.

(i) Elimination of Internal Tariffs and Adoption of Common External Tariff

The establishment of a customs union is subject to elimination of internal tariffs and adoption of a CET. However, given the different levels of economic development among Partner States elimination of internal tariffs needs to be implemented under the principle of asymmetry where the less developed Partners would be permitted to reduce internal tariffs relatively more gradually over the transition period. Adoption of a CET should be achieved during this period.

It should be recognised that the agreed level should aim at facilitating economic growth in the region. High CET acts as trade protectionism which perpetuate high-cost industries thus promoting trade diversion, impairing competitiveness based on comparative advantages, and may lead to rent seeking activities. An extremely low CET on the other hand may introduce premature competitive pressures on domestic industries including those, which may have a chance to become efficient over time. The effects of zero tariffs and a CET for Partner States, in particular Tanzania and Uganda could parallel the experience of Spain and Portugal in the European Economic Community. Both countries underwent an investment boom when they joined the Community by tapping the opportunities of the comparative advantages they had in terms of resource abundance.

(ii) Non Tariff Barriers

Non Tariff Barriers (NTBs) can be more binding than tariffs. Major impediments to trade in EAC are those NTBs related to administrative and bureaucratic inefficiencies. Factors such as poor infrastructure and communication are obstacles to the growth of trade. The EAC should ensure that sectoral units such as Transport and Communications promote projects and strategies, which lead to the elimination of obstacles to trade. Serious attention ought to be given to the implementation of identified infrastructure programmes and projects to improve efficiency.

Another category of NTBs is that relating to product standards and technical requirements. These can severely restrict trade when standards are imposed unilaterally to protect local industry. Measures to be taken include putting in place regulations to ensure products accepted in one Partner State are also accepted in the market of the other Partner States. The regional bureaux of standards should therefore speed up the adoption of the remaining standards as East African standards.

Sometimes NTBs take the form of ***hidden barriers***, such as unfair treatment to importers of particular goods that compete with domestically produced products. Such barriers include unnecessary delays at border posts, refusal to renew licenses and son on. Such barriers can only be eliminated through **"political will"** by Partner States.

(iii) Dumping, Countervailing and Safeguard Measures

The dumping of goods by one country into another is condemned if it causes material loss to an established industry. Since dumping is not illegal, the receiving country may levy an anti-dumping duty on such goods. The WTO also allows a country to impose a countervailing duty equivalent to the amount of a subsidy granted by another country, which distorts competition. Safeguard measures are also provided for by WTO. Safeguard measures are applied if a product is being imported in increased quantities and as the result it causes, or threatens to cause injury to the industry in the importing country. Within EAC, at some point the imposition of anti-dumping, countervailing duties, and safeguard measures could be necessary. Article 88 of the EAC Treaty provides for action in that area. However such a decision would have to be compatible with WTO rules and regulations. Safeguard measures should take public interest into considering user as well as producer interests.

(iv) Rules of Origin

Since EAC Partner States belong to other trading arrangements i.e. SADC and COMESA which have varying trade protocols, attention must be paid to rules of origin to ensure that goods do not enter in one country duty free and then percolate to other countries at zero tariff. The rules of origin lay down the criteria under which a product would be considered as originating within the Partner country. The criteria most commonly used for manufactured goods is the local value added, value of local content and extent of transformation. Currently the rules of origin for COMESA and SADC stipulate 35 percent local content on value added and the same rule is applied by EAC although it might be decided otherwise for the purpose of protecting domestic infant industries. It is recommended that the EAC adopt rules of origin that are common to both COMESA and SADC. The EAC should also consider the possibility of instituting certificates of origin for goods being traded within the EAC trade regime in order to prevent deflection of goods coming into a partner state on preferential terms from a Partner State of another free, or preferential trade area such as COMESA and SADC. Moreover, within the Customs Union it is important to state the content of local inputs on manufactured products in order to reduce imbalances in industrial development among Partner States. It is apparent that imported inputs will enjoy zero tariff rate under a CU. This could mean that Partner States that are more industrialised could have an advantage in tapping the potentials of a wider market.

(v) Customs Co-operation

The integration of the three customs administrations into one Union will require a separate co-ordinating body within the Secretariat to oversee, guide and advise Partner States. In that respect, a separate Trade and Customs Unit (TCU) should be created. The proposed TCU within the Secretariat would be the mechanism linking national customs departments by ensuring standardized procedures and harmonization of treatment throughout the EAC. This unit will deal with matters such as classification and tariffs, valuation origin, exemptions, relief, other customs regimes, intelligence, computerization, and WCO/WTO liaison. National customs departments would continue to exist and continue to collect their duties at their border for goods imported from outside the customs union, and each Partner State will retain its membership of the World Customs Organisation (WCO).

4.2.2 *Towards Establishing a Common Market*

(i) Competition Policy

The EAC Member States will work towards ensuring free movement of capital, labour, goods and services within the community. A protocol on a common market will be concluded. In order to operationalize a common market the development strategy will ensure the formulation of common competition policy, harmonize export promotion policies and cooperate in developing their capacity to compete internationally.

Competition policy is important to prevent abuse arising from opening up of the regional market. Competition prevents overly high prices and poor quality; therefore it is beneficial to the consumer, the market partners and the entire economy. Allowing competition on the domestic and regional markets can faster the attainment of international competitiveness. Competition policy facilitates the shift of resources towards efficient activities, improves capacity utilization and promotes efficiency and profitability while ensuring fair treatment of consumers.

Promoting competitive market involves opening up of the economy, deregulating and putting in place private sector development strategies. A clear understanding is also required of how to deal with non-performing and imperfect market system and the relationship between markets, institutions and the government; as well as the structure of incentives that govern the implementation of competition policy. In this respect it is advisable that a Common Competition Policy (CCP) for East African Community be instituted with the objective of ensuring, protecting and promoting free competition. To implement the CCP, a competent, strong and independent, autonomous central common authority should be established.

In view of the significance of competition policy it is important to ensure that:

- The three governments consider promotion of competition as one of the development priorities;
- Firms operating in the region adopt international quality and environmental standards and Industrial standards in the region are harmonised;
- Prices are market determined, and no single agent can determine or influence market price;
- There is wide participation in the East African market through trade liberalisation. This strategy will enable to reduce monopolistic tendencies;

- There is free flow of perfect knowledge and information. Market transparency is impaired when there is imperfect and asymmetric information among players in the market;
- The role of the government is limited to creating an enabling environment to reduce cost of doing business and last but not least; and
- The public is educated about what competition means.

(ii) Co-operation in Export Promotion

Co-operation in export promotion strategies is critical now as the process towards establishment of a common market and customs union gains momentum. The need for harmonization of export promotion schemes is justified by the variation of schemes among Partner States (duty drawback; manufactured under bond; duty remission; and export processing zones). Once a common market and customs union is established the region will trade with other countries as a single bloc. The external policies of the Partner States will therefore, require to be harmonised with a view to enabling the region to attain international competitiveness in terms of exports to other countries. The export schemes will therefore promote exports to third counties rather than among Partner States. The principles that govern the practical achievement of export promotion need to be private sector driven. It is also important to harmonise incentives on export of services such as tourism services which originate from more than one Member States.

(iii) Co-operation in Developing Competitiveness

More active steps are needed to build international competitiveness.

To begin with, each Partner State should identify areas of competitive advantage and focus on building capabilities in those areas. Each country should identify areas that are appropriate for building competitiveness and the regional level analysis should be carried out to identify those areas where the region should build international competitiveness.

The countries also need to take concerted action to pursue action on factors which hinder competitiveness. In particular, there is need establish programmes for:

- Facilitation of export activity.
- Promoting technological upgrading in production activities.

- Promote investment in the necessary infrastructure and monitor improvements in quality, reliability and cost.

Finally, the Member States should undertake competitiveness comparative studies within the region with a view to identifying areas where cost of doing business is relatively high and formulating policies to address those areas.

4.2.3 Addressing Imbalances

The development strategy will involve taking measures to address imbalances arising from the process of establishing a customs union and a common market. Considering that other regional blocs have experienced this challenge and various approaches have been adopted with mixed level of success, a study will be commissioned to make a systematic and comprehensive survey of experience from other regional blocs with a view to adopting the most appropriate approaches for the EAC.

4.3 Co-operation in the Productive Sectors

The development strategy will give priority to building the supply capacity in the region. Emphasis will be placed on enhancing the capacity of the productive sectors notably agriculture, industry, tourism and natural resources.

4.3.1 Co-operation in Agriculture and Food Security

The overall objective of co-operation in the agricultural sector is to ensure achievement in food security and rational agricultural production within the region. In this respect, Partner States aim to put in place a scheme for rationalisation of agricultural production with the view to promoting complementarity and specialisation. From available Statistics, it appears the region can achieve self-sufficiency in almost all food commodities it consumes. However, because of the seasonal difference in production and varying state of food security in the three countries, liberalisation of commodity markets can spur trade in the region.

Relying on a wider regional market is preferable due to the fact that production variability and hence price variation is lower at regional rather than at national level. However, a free market system has its inherent risks associated with market failures. Partner States can counter such risks through the following:

- Improving intra-regional policy and investment co-ordination to ensure that policy in one country does not affect the regional flow of food commodities; and

- Conducting agricultural policy analysis, research and training to improve the efficiency of the various policies proposed for the sector.

A recent study which was commissioned by the EAC Secretariat to look into border trade in agricultural products has recommended the implementation of trade liberalisation of all agricultural products that are tradable in the Member States. These products include maize, rice, sugar, milk products and livestock. Monitoring of sensitive products was also recommended. The Development Strategy (2001-2005) will operationalize trade liberalization in agricultural products. Mechanisms will need to be established to harmonize, safeguard measures and to design monitoring measures.

One specific food security area for regional co-operation is trade in maize and maize seeds. Of the three East African countries Kenya is known to be the major net importer of maize. Since the other partner states generally have food surpluses this comparative advantage should be promoted. On the other hand Kenya has more well-established seed production technologies. In this regard the other member states should co-ordinate research activities in seed production and regularise trade in certified seeds. This kind of trade in maize and seeds would enhance regional food security in the region.

Partner States will need to harmonise and adopt a common agricultural policy that would focus on food self sufficiency in the community by ensuring that there is an increased crop, livestock and fisheries production and that post harvest loses are reduced and that improved processing is put in place within the community during 2001- 2005 period. This assumes that cross-border trade in agricultural commodities is or will be operational. The development strategy will entail co-operation in this area and cover seed multiplication and distribution, livestock multiplication and distribution, plant and animal disease control, irrigation and water catchment management and food security; as it has been stipulated in the treaty since very little was done during the current development strategy. As regards, an early warning system, Partner States should study how to establish and manage an early warning system to enable them jointly manage food shortage brought about by frequent drought. In view of the importance of co-operation in early warning system, ministries responsible for agriculture, livestock, fisheries, and meteorology have to come up with an East African System of early warning.

4.3.2 Co-operation In Investment and Industrial Development

In the context of the establishment of East African Community co-operation in industrial development is seen as a vital instrument to generate economic growth and development in the region. The industrial sector's contribution to GDP is considered too low in all the three countries and more so in Tanzania and Uganda. Despite efforts to improve the macroeconomic environment the sector has been performing below expectations due to various constraints such as insufficient industrial support, outdated legal framework, and lack of effective competition. Other constraints include, barriers in intra-regional and international trade, and corruption. Co-operation in industrial development will aim at promoting self–sustaining and balanced industrial growth within the Community and improving competitiveness of the industrial sector, so as to enhance the expansion of trade in industrial goods. It also aims at encouraging the development of indigenous entrepreneurs.

The broad objectives of the EAC Treaty in industrial co-operation call for the formulation of an East African Industrial Development Strategy (IDS). Indeed a draft of the Strategy has been formulated by the Secretariat and passed for adoption and implementation by Partner States. The overall goal of the IDS is to create a sustainable economic and social development in East Africa. The strategy aims to create an enabling business environment for the establishment of a single market and investment area which would be internationally competitive and operating in conformity with WTO rules and regulations. The role of foreign direct investment (FDI) is emphasised as an instrument to revive industrial development, attain international competitiveness and to speed up the penetration of international markets with locally produced industrial products. Promotion of FDI is therefore an important part of regional IDS. Specific objectives of the Strategy are the following:

- Eliminate the identified constraints to industrial development;
- Develop existing and potential comparative advantages of the industrial sector;
- Promote resource based, small-scale industries and agro-processing through adding value;
- Achieve balanced industrial growth in the region;
- Increasingly export internationally competitive manufactured goods;
- Develop and maintain environmental and quality standards;
- Increase income and employment in the industrial sector; and
- Promote indigenous and in particular women entrepreneurs.

Implementation of the regional Industrial Development Strategy depends on continuous contribution of different institutions and measures taken. Implementation measures to be undertaken are as follows:

(i) *Harmonise competition and incentive polices*

- Laws that affect competitiveness should be harmonised.
- Introduce a harmonised competition policy.
- The rules according to which incentives are granted should be harmonised and co-ordinated within EAC.
- Harmonise investment incentives and promote domestic and foreign investment.
- Develop human resources for the competitive industrial sector.

(ii) *Mobilise financial resources for industrial development*

- Finalise financial sector reform.
- Mobilize domestic and foreign resources for industrial development.
- The role of EADB in regional industrial financing should be enhanced.

(iii) *Strengthen supportive services for industrial development*

- Industrial support services should be strengthened.
- Enable introduction of new technologies.
- Restructuring of public institutions responsible for technology transfer, standardization, and protection of intellectual property rights to pay greater attention on service orientation.

(iv) *Strengthen consultative mechanisms with stakeholders*

- The existing joint consultative institutions with business sector stakeholders must be revitalised.
- Intensify information dissemination and orientation in order to educate the citizens of East Africa on opportunities for investment and trade within the region as well as other benefits of regional integration.
- The need to have joint effort by public and private sector in planning and promotion of secondary industrial centres.

(v) Harmonise industrial policies

- Develop resource-based sector policies and agro-processing.
- Promote industrial exports on the basis of comparative advantages.
- The export promotion organisations should be dynamized by increasing their autonomy in trade promotion.
- The mechanism and instruments of Small and Medium-sized Enterprises (SMEs) promotion should be harmonised within the EAC giving special attention to business start-ups, indigenous entrepreneurs and women.

(vi) Redress regional imbalances

- Measures to address regional imbalance should be considered i.e. temporary protection and application of principle of asymmetry.
- The Partner States should not delay infrastructure development projects, such as, the regional roads, telecommunication, and inter-grid electricity connection projects.
- Preferential treatment should be given to nationals of EA to building a strong vibrant indigenous private sector in future.

4.3.3 Co-operation in Tourism and Wildlife Management

(i) Co-operation in Tourism

Partner States are committed to developing a collective and co-ordinated approach to the promotion and marketing of quality tourism. Partner States intend to establish a common code of conduct for private and public tour and travel operators, standardised hotel classifications, and harmonise the professional standards of agents in tourism and travel industry within the Community. In this respect, a framework of co-operation in the tourism sector needs to be established. Phase II of Tourism Study should be completed during the second development strategy (along with the implementation of the treaties aspiration). This should be done after completion of the on-going activities. In general, the consultancies identified and a case for co-operation in tourism was made but cost benefit analysis was not done, joint marketing plan was not done. It is suggested that the way forward for co-operation in tourism ought to be approached from a market based co-operation arrangement in terms of use of air space, border crossing and harmonized charges at different parks. RATO Executive Implementation of the treaty during the next phase might harmonize tourism. It is therefore advisable that the intended measures for enhancing co-operation in tourism are implemented with the view to attaining balanced benefits among Partner States.

(ii) Co-operation in Wildlife

As regards wildlife management, Partner States are committed to develop a collective and co-ordinated policy for the conservation and sustainable utilisation of wildlife and other tourist sites in the Community. The development strategy will involve harmonization of wildlife conservation and management policies. Phase II should complete the proposed co-operation on hunting, anti-poaching, preservation of wildlife migratory routes and conservation of fauna.

4.3.4 .Co-operation in Environment and Natural Resources

Partner States recognise that development activities may have negative impacts on the environment leading to the degradation of the environment and depletion of natural resources. With this concern, Partner States are committed to co-operating in environmental and natural resource preservation activities. Much emphasis has however, been accorded in areas of common interest such as the Lake Victoria and its Basin and other shared natural resources i.e. the major watershed/catchment areas of Mt Elgon and Mt Kilimanjaro. Management programmes in these areas need to be harmonized by the Partner States in order to achieve the maximum benefits possible and to reverse environmental degradation. Institutions to manage resource exploitation need to be identified.
Development of Lake Victoria basis will give priority to the following:

- Current studies in the Lake region to be completed during Phase II. The findings of all the on going studies should be incorporated in the comprehensive development plan that ought to be made after the baseline study proposed.
- The framework for developing the region to be drawn up by EAC secretariat. This will be facilitated by the proposed baseline study that aims at making Lake Region an economic development areas. The study should be followed by actual development plan with full financing phase of the plan.
- Institutions to manage resource exploitation to be identified and put in place including the existing Lake Victoria Fisheries Organization whose mission clearly describes what needs to be done to facilitate proper lake resource use and its sustenance over the next 15 years should be continued with constraint review to enable lake fisheries to keep up with regional and international expectation and thus contribute to the strategy of making the Lake Victoria an economic growth zone.

Environmental management study to be made available to the secretariat and actions to be taken to preserve the environment of the Lake Region as recommended by the study during the planning period.

Similar areas of common economic interest. The areas identified by the Environmental Institution of EAC such as Mt. Kilimanjaro and Mt. Elgon and the management programmes in those areas that need harmonization should be included in the new development during the new phase of the development of EAC.

This is to harmonize the :

- Exchange of research findings in forest management in tree breeding;
- Joint pest and disease monitoring and management programmes;
- Joint forest/bush fire surveillance and fighting programmes;
- Joint position as regards international issues touching on forest;
- Work on harmonization of Environmental Regulations had been going on along with the Environmental Impact Assessment System;
- Partnership in capacity building in the sector;
- Cross-border protocols on trade in forest products;
- Restoration of degraded of common forest resources;
- Formalization of meetings between forest directors training and research heads of forest institutions and other interested stakeholders; and
- Conservation of forest endemic species, assessment documentation and sustainable use of medicine plants.

4.4 Co-operation in Infrastructure and Supportive Services

4.4.1 Infrastructure

The EAC Treaty emphasises co-operation in infrastructure to involve co-ordinated, harmonized, and complementary transport and communication. Policies in this area should aim at improving the existing transport and communication links and establish new ones as a means of furthering the physical cohesion of the Partner States and to facilitate and promote the movement of traffic within the community.

(i) Roads and Road Transport

The Treaty emphasises the need to have common standards in road transport and safety, documentation procedures, and co-ordinated approach in the implementation of road projects. Priority should be placed on completion of rehabilitation roads and prioritised and sequenced implementation of new ones.

(ii) Railways and Railway Transport

Co-operation in railways aims at establishing and maintaining co-ordinated railway services that would efficiently connect the Partner States within the Community, and where necessary constructing additional railway connections. This requires a study to establish areas of co-operation and design for extensions and necessary future interconnection of the railways. Specifically, a feasibility study is needed on the Tanga-Arusha-Musoma-Portbell/Jinja railway line which will connect the three Partner States

(iii) Civil Aviation and Civil Air Transport

As regards civil aviation and civil air transport the emphasis is harmonizing aviation policies in order to promote safe, reliable, efficient and economically viable civil aviation with the view to developing appropriate infrastructure, aeronautical skills and technology. In this regard, the proposed study on Unified Upper Area and Search and Rescue Co-ordination Centre should be commissioned as soon as possible to establish a safe, efficient and profitable civil aviation service for EAC. There is also a need to finalise ratification of the search and rescue agreements. National air transport policies should be formulated in order to facilitate their implementation and accelerate harmonization of legal framework within the Partner States. Legal framework on civil aviation in relation to the upper air space with international organization within the East African partner states requires hormonization. A study to this effect needs to be commissioned to ascertain what aspects of these laws require to be harmonized. This should be done during the new development strategy. National air transport policies urgent formulation. These should be drawn up as soon as possible in order to facilitate their implementation and accelerate harmonization of the legal framework within the partners states during the second phase of the development strategy. Consensus on training for aviation is crucial to enable use of common resources in the region (at Soroti in Uganda).

(iv) Maritime Transport and Ports

Co-operation in Maritime Transport and Ports aims at harmonization of maritime transport policies, easy access to port facilities by land-locked Partner States, improved communication systems, maintenance of safety of maritime transport service, joint search and rescue, and improved cargo handling. In this regard, a common maritime transport policy is needed for the East African Community with a focus at the Lake Victoria (which is shared by all Partner States) in the areas of transport, communication facilities operation procedures and safety on navigation.

The established task force should continue to operate during phase II and complete the work for which it was established.

(v) Inland Waterways Transport

Co-operation in this field will involve harmonization of transport policies and harmonize and simplify rules, regulations and administrative procedures governing inland waterways transport.

(vi) Multimodal Transport

The strategy is to harmonize and simply regulations, goods classification, procedure and documentation required for multimodal transport within the community.

(vii) Freight Administration and Management

The development strategy in this field will entail encouraging the establishment of freight booking centres and harmonise registration and licensing requirements for freight forwarders, customs clearing agents and shipping agents.

(viii) Postal Services

Co-operation in this area will entail harmonization of policies on postal services and undertake the promotion of close co-operation of postal administrations with a view to enhancing efficiency of postal services. The East African Postal Automation project has obtained US$3.8 million and expects to complete its 1st Phase by the end of year 2000. It will improve interstate remittance services and increase business flow among countries, improve efficiency in by reducing operational costs and improve customer satisfaction. Continue to operationalize the interstate money order using local currency started last August and thus facilitate money transfer in EAC.

(ix) Telecommunications

Co-operation in telecommunications has focused at adopting common telecommunication policies, improving and maintaining inter-connectivity, harmonising tariffs, co-operating in training and exchange of manpower, and adoption of common frequency management and monitoring scheme. It is important for Partner States to finalise the privatisation process of telecom companies to enable effective implementation of regional projects, including cross-border connectivity project to facilitate telecommunication among Partner States. Priority should be placed on completion of the Digital Transmission Telecommunications project. The two remaining phases of the cross-border connectivity project must be completed by the end of 2002.

(x) Meteorological Services

In Meteorological Services, emphasis should be placed on expanding and upgrading meteorological observations network and telecommunications, supporting early warning systems and remote sensing for food security, human resource development and information exchange, and climate analysis and seasonal forecast.

(xi) Energy Sector

As regards the energy sector, Partner States are committed to adopting policies and mechanisms to promote the efficient exploitation, development, joint research and utilization of various energy resources available within the region. To this end, the Partner States will engage in promoting within the Community the least cost development and transmission of electric power, development of integrated policy on rural electrification, and inter-connection of Partner States electrical grids. Partner States should ensure the implementation of the regional programmes already identified to facilitate trade and industrialisation in the region. Inter-grid connections should be continued and completed during the strategy period, as well as, the border towns power interconnections where financiers are found and the interconnection is economically viable. Implementation of national power master plans to achieve 25% for Kenya subsector as planned should be done during this phase (i.e. partially since its part of the long term plan up to 2020. The construction of oil and gas pipeline from Eldoret to Kampala should be completed during the time frame of the Strategy to facilitate its supply in Uganda and other neighbouring countries. It is also important to emphasise the need for joint research, exchange of information on oil and gas exploration and other forms of energy.

4.4.2 Co-operation in Standardization, Quality Assurance, Metrology and Testing (SQMT)

Partner States recognize the significance of standardization and quality assurance in the enhancing the standards of living, reducing unnecessary varieties of products, and facilitating trade. The assurance of product quality can be a pre-condition for exports to certain markets and increase marketability of manufactured products. In view of these concerns, Partner States aim at having a common policy for SQMT of goods and services produced and traded within the Community. Given that significant progress has been recorded in this area during the first development strategy, emphasis in the next phase should be on:

- Increasing the number of EA industrial standards;

- Mutual recognition of the existing standards by Partner States;
- Complete harmonization of the 41 commodity standards that has already started and then work on any other standards for new commodities that might enter the EAC markets during the next four years;
- Laws and regulations on standards to be harmonized within region and facilitate internal regional commodity trade; and
- Joint training activities and regular exchange of experiences.

4.5 Development Human Resources and of Science and Technology

4.5.1 Human Resource Development

Development of human resource by Partner States is the fundamental base for sustainable development of co-operation. Currently Partner States have varying education syllabi, certification and standardisation. As background preparation for the attainment of a common market where the labour force will be moving freely in the region, it is important that differences in education syllabi and training standards are harmonised. Partner States should co-ordinate all human resource training programmes focusing on their development e.g. basic, intermediary, and tertiary education, adult and continuing education, full professional oriented training programmes at higher levels and vocational training. In addition there is a need to:

- Establish an East African Advisory Committee on Education, Research and Training.
- Harmonise curricula, examinations, and certifications.
- Strengthen the Inter-University Council of East Africa.

4.5.2 Science and Technology

Partner States recognise the fundamental importance of science and technology in economic development. Co-operation in this area has accorded much emphasis in joint research, development of indigenous science and technology, exchange of scientific information, collaboration in the training of personnel in various scientific and technological disciplines, and formulation of science and technology (S&T) policy for EAC. As such S&T policy aims at putting in place policy measures that will enable to create science-based culture, and to ensure diffusion and utilisation of results of R&D. Based on a comparative analysis of national interest in S&T policy, it is important that Partner States establish a regional S&T co-ordinating body which will act as an intermediary between policy makers and sector–specific working groups. Its main duties should be to:

- Formulate regional S&T policies based upon identified research areas of common regional interest,
- Support research collaboration and co-ordination in these areas,
- Identify regional research centres of excellence with the view to promote them,
- Promote the dissemination of research findings,
- Support the creation of an enabling environment for regional S&T development,
- Establish regional science and technology co-ordinating body,
- Formulate regional science and technology policies based upon areas of common regional interest,
- Harmonize curricula, examination, certification, and accreditation of education and training institutions, and
- Emphasize joint research, development of indigenous S&T and exchange of scientific information.

Other duties of the regional S&T co-ordinating body will include promotion of regionally indigenous knowledge, collaborative training in S&T related issues and advisory support to national S&T councils.

Partner States should continue to revitalise the operations of the University Council of East Africa to focus more on areas of co-operation in the institutions of learning and research co-operation in the region.

4.6 Social Sectors, Immigration and Labour Policies

4.6.1 Health

Three working groups for the region have been formed for the purpose of:

- Control and prevention of Sexually Transmission Diseases (STD) including HIV/AIDs.
- Control of communicable diseases.
- Health Research – Policy and Health System Development.

Two regional programmes have been developed in this area. One is for the control of yellow fever and cholera and the other is on HIV/AIDS control.

4.6.2 Culture and Sports

The Member States resolved to promote co-operation in culture and sports. For this phase, emphasis should be placed on harmonising policies on culture and sports and facilitating cross-border trade in cultural artefacts and materials.

4.6.3 Social Welfare

The Partner States have undertaken to co-operate in the field of social welfare. For the Development Strategy (2001-2005) priority should be to develop and adopt a common approach towards the welfare of disadvantaged and marginalized groups.

4.6.4 Immigration

Free movement of persons, labour, services, right of establishment of residence should be adopted by the Partner States during the next development strategy. The partner states are expected to prepare, agree and adopt a protocol on the above to facilitate easy border crossing, common standard of travel documents, common employment policies, training facilities to people from Partner States and enhance employer/worker organizations.

More specifically, action should be taken to:

- Accelerate the issuance of interstate pass as programmed i.e. by April 2001 and harmonize the categories of people to be issued with it in EAC.
- Reduce the number of players at borders.
- Upgrade the East African passport into an international passport (not just for EAC).
- Legal requirement prohibiting Kenyans from having two passports needs to be harmonised with the other Partners States and provision of uniform travel documents facilitated.
- Issuance of National Identity Cards for Tanzania and Uganda.
- Extend opening of border posts for 24 hours.

4.6.5 Labour Standards

In view of the need to facilitate free movement of labour, Partner States will be required to review and standardise labour laws and regulations related to labour standards. Liberalisation of labour markets has to be harmonised to allow smooth movement of labour by the time Partner States are at a common market stage of integration. In addition, the following actions need to be taken:

- Conduct a comparative study for Partner States with the view to:
  - a) Reviewing and updating the relevant Municipal Laws in the context of International Labour Conventions.
  - b) Identifying core labour areas of regional nature that need harmonization.

- Carry out Labour Force Surveys and establish national data and labour market information systems.

- Harmonise labour laws and legislation.

- Harmonise procedures and charges for work permits.

- Harmonise procedures and fees for granting residence permits.

4.7 Co-operation in Legal and Judicial Affairs

In order to promote a smooth transition to the East Africa Community, Partner States need to harmonise their legal training and certification and encourage the standardisation of the judgements of courts within the Community. Partner States should endeavour to:

- Establish a common syllabus for the training of lawyers and common examination standards for qualification and licensing of advocates in their respective superior courts.

- For the next development phase, there is need to harmonise all their national laws and regulations in the following areas
  - Trade and investment
  - Civil aviation
  - Telecommunications
  - Immigration
  - Environment
  - Health

- Labour and employment
- Education sector
- Harmonization of international agreements/protocols

- Establish institutions that are planned for by the treaty and are not yet established such as:

  - East African Court of Justice which is in advanced stage of being set-up. Preparation of rules of the court are in advanced stages and the court registrar's position has been advertised. There is need to complete establishment of the court during the second phase as recently established by the three Attorney Generals of the three participating states).

  - East African Legislative Assembly. It is understood that the position of the clerk of the proposed East African Assembly has been advertised.

Completion of establishment of the two organizations is needed and if year 2000 ends before it is realized then they should be established and operationalized in the development strategy for 2001 - 2005.

Promotion of trade and investment within the region will require building of confidence of the potential investors and business persons on the legal provisions and property rights influencing the safety of their business and property. Establishment of common syllabus will for basis for smooth transition to free movement of labour among Partner States. Immediate measures for implementation during the Strategy period should among others include formalization the use of the Institute for Judicial Administration at Lushoto (Tanzania) as regional judicial training centre.

4.8 Political Matters

In order to achieve economic co-operation goals it is necessary to sustain political will and vision for regional co-operation. The objectives include strengthening political co-operation, promoting peace, security and good neighbourliness, increased liaison and co-operation among Member States' political players and working towards a Political Federation. Political co-operation is to be realized and sustained at various levels: Heads of States Summit, Ministers responsible for Foreign Affairs, Ambassadors and High Commissioners and National Parliaments.

Peace and security is essential for the promotion of trade, investment and other development efforts. Its attainment requires a high level of political and co-operation at the political level. Realizing that EAC cannot be stable if there are political instabilities in neighbouring countries, Member States resolved to undertake joint measures to restore peace and security in neighbouring countries. Measures to be taken include diplomatic action and addressing issues related to criminal activities across borders and overall safety and security in the region. These measures should continue to be deepened in the next phase.

4.9 Broad Participation: Enhancing the Role of Women, Private Sector and the Civil Society

4.9.1 The Role of Women

The Partner States recognise that women make a significant contribution towards the process of socio-economic transformation and sustainable growth. To this end, emphasis is placed on empowerment, effective integration and participation of women at all level of socio-economic development, especially in policy formulation and implementation. The Partner States should encourage the formation of national women Apex bodies to facilitate the formation of Regional Women apex body during the Strategy period. Despite the desire to integrate gender aspects in development programmes, there exist lack of knowledge on how to work on the matter. In this respect, a study is needed on how to develop a regional framework for mainstreaming gender in community development programmes.

4.9.2 Private Sector

In order for the private sector to take full advantage of the Community, a conducive environment for their effective participation needs to be created. In this respect, Partner States are committed to promoting a continuous dialogue with the private sector and civil society to create an improved business environment, and to provide opportunities for them to participate actively in policy reforms. Consultation with the private sector indicates that they feel that inclusiveness needs to be improved e.g.

- Investors would like to be directly involved (not as observers) at the highest possible level with the aim of influencing policy formulation and practice relating to EAC's industrial development harmonization.
- Traders too feel that they also need to get involved more directly i.e. as members of committees that discuss trade harmonization and development.

- Private and public organizations feel frustrated by some of the harmonized areas during their implementation level because not all areas of co-operation needed for free trade has been harmonized fully.

Among measures intended to be undertaken by Partner States, the following deserve specific mention:

- Building internal capacities for the private sector business organisations in the region, in order to enhance their capacity to effectively participate in policy formulation and analysis;
- Encouraging application of deliberate policies granting specific incentives for promotion of targeted local private sector in view of the important role the sector would play in bringing sustainable regional integration and development;
- Encouraging utilization of local expertise, particularly during implementation of programmes funded by the development partners; and lastly
- Preparation of a Private Sector Development Strategy. The proposed private sector strategy preparation will enhance the sector development harmonization needed for the private sector driven development of the region.

4.9.3 The Civil Society

Professionals feel that their technical expertise should be utilized more often by the institutions of EAC as well as Member States. Also certification and licensing of various professional services should be standardized as a priority.

Given the importance of civil society in the regional integration, a study on how civil society issues should be harmonised is needed. The aim would be to find out what goals major groups within the civil societies have in relation to their welfare and the community as a whole.

4.10 Relationship with Other Regional and International Organisations

4.10.1 Relations with Other Regional Organisations

The instruments of EAC take cognizance of existing regional co-operation agreements and arrangements binding the Member States (e.g. OAU, COMESA, SADC, IGAD). EAC envisages complementarity with other regional groupings with a view to realizing faster economic development in Africa consistent with the principle of "variable geometry" and the spirit of the Lagos Plan of Action and the Abuja Treaty.

The EAC Partner Sates are committed by COMESA Treaty to cooperate in trade and customs as well as in sectors such as transport and communication, fiscal and monetary matters, and environment. However the COMESA Memorandum of Understanding implicitly recognizes that EAC as a sub group can adopt different sets of instruments for its intra-trade. The Partner States are aware that if EAC forms a customs union as fast tracking the COMESA process, it should be merged with the COMESA customs union when that is established since it is impossible for one country to belong to two customs unions. However, since Tanzania's membership of, and obligations to a SADC free trade area have been accepted by both EAC and COMESA, practical implications related to trade deflection need to be solved by Partner States through adoption of both COMESA and SADC trade regimes.

4.10.2 Relationship with Other International Organisations

The ultimate objective of the WTO is international free trade. Protection measures and incentives are being phased out, and industries must be able to compete in the international market. It is essential that development policies and programmes are formulated with the global market and its aggressive competition in mind. ACP-EU agreements in trade areas emphasise support of private sector, civil society and poverty reduction. Within EAC emphasise on involvement of civil societies and the private sector and on poverty reduction is consistent with the thrust of the Treaty. For the next phase of development strategy, the roles of these actors in poverty reduction should be articulated more clearly.

In addition, efforts should therefore concentrate on capacity building by Partner States to enhance negotiation power on trade issues in favour of EAC.

4.11 Institutional Arrangements

4.11.1 Member States

During the first development strategy the challenges of a long turn-around time on agreed decisions was observed. At east two types of problems surfaced. First, financing of some activities of EAC was delayed indicating that under tight budgets other national priorities took precedence. Second, co-ordination of EAC activities at national level needed to be improved.

For the next phase of the development strategy Member States should revisit the institutional framework for synchronising demands of EAC programmes of action with national programmes and commitments. Priorities at the national and regional levels need to be harmonised. Institutional arrangements for harmonising and coordinating the formulation and implementation of decisions at regional and national levels need to be revisited with a view to strengthening them. They deserve to be given the capacity in terms of human and financial resources within the government machinery. In addition, institutional mechanisms for managing inter-sectoral and cross-cutting issues need to be strengthened.

4.11.2 Secretariat

During the first phase (1997-2000) considerable progress was made towards enhancing the capacity of the Secretariat. However, the expansion of activities has meant that the capacity of the Secretariat continues to be stretched. For the next phase, there is need to continue to strengthen the capacity of the EAC Secretariat commensurate with the implementation requirements of the stipulated development strategy. Measures to be taken towards that end include:

- Capacity building through training and adequate work facilities.
- Establishing a consultancy Fund to enable financing of consultancy services in areas stipulated in the development strategy.
- Identifying more reliable and automatic sources of income to fund the operations of the Secretariat in addition to the annual budgetary allocation from the Member States.

5.0 Concluding Remarks

The formulation of the EAC Development Strategy (2001-2005) has been guided by the provisions of the EAC Treaty. It covers areas which are contained in the Treaty and proposes strategies mainly arising from the various studies which were completed during the first phase (1997-2000).

The proposals contained in the current strategy have built on the achievements of the first development strategy (1997-2000) while addressing the constraints and limitations that were identified in the evaluation report for that phase.

The strategy has considered developments in globalization and its implications on the intensification of competition, its influence on the position of EAC in the world market and the imperatives of implementing regional co-operation programmes which are consistent with building a strong supply capacity with a view to attaining international competitiveness. In this context the proposed policy and programme actions have placed emphasis on progress towards achieving a customs union and common market and building the supply capacity in the productive sectors facilitated by appropriate investments in infrastructure, supportive services, science and technology and human resource development.

It is recognized that implementation of the development strategy will require an appropriate institutional framework. The strategy, therefore, provides for co-operation in legal and judicial affairs and in political matters such as peace, security and good neighbourliness. Appropriate institutional arrangements at the level of Member of States and at the level of the Secretariat are proposed with a view to facilitating implementation of the strategy.

The implementation of this development strategy will continue to be participatory effectively bringing on board broad participation of key stakeholders. This will require enhanced roles of women, the private sector and the civil society. The strategy makes propels on strengthening the role of these key stakeholders and enhancing their participation in implementing the development strategy.

Annex: Policy Action Matrix for East African Community Development Strategy 2001 – 2005

Policy	Action to Take	Time Frame	Implementing Agency
1. Easing of Border Crossing	i. Introduction of an Inter-State Pass	June 2001	Immigration Depts. and EAC Secretariat
	ii. Issuance of National Identity Cards for Tanzania and Uganda	June 2002	Immigration Depts. and EAC Secretariat
	iii. Extend opening of border posts for 24 hours and reduce number of players at the border	Continuous	Immigration Depts.
	iv. Harmonization of airport charges (tax rates)	June 2001	Ministries of Finance, Revenue Authorities.
	v. Free movement of persons, labour, services, right of establishment of residence	December 2002	Immigration Depts. And EA Secretariat
	vi. Introduction of common standard travel documents and employment policies	June 2002	Immigration Depts. EA Secretariat and Ministries of Work
2. Free Movement of Capital	i. Cross-listing of Companies on National Stock Exchange	June 2002	Central Banks Ministries of Finance, Capital Market Authorities
	ii. Full liberalization of Capital Account in all Partner States	June 2002	Central Banks Ministries of Finance
	iii. Establishment of an East African Stock Exchange	June 2002	Central Banks Ministries of Finance
	iv. Establish mechanism for monitoring and management of foreign exchange flows associated with liberalized capital Account	December 2002	Central Banks, Ministries of Finance
	v. Harmonization of capital market policies	June 2002	
	vi. Conduct a study to ascertain the exact areas of harmonizing the legal frameworks governing the operation of stock exchange markets	June 2001	
	vii. Put in place mechanisms to facilitate introduction of single currency	Continuous	
3. Harmonization of Fiscal and Monetary Policies	**Fiscal Policies**		
	i. Conclude the protocol on Customs Union	June 2002	Ministries of Finance, Revenue Authorities, Ministries of trade and Industries, EAC Secretariat
	ii. Develop Rules of Origin for intra-EAC trade	December 2002	Ministries of Finance, Revenue Authorities

Policy	Action to Take	Time Frame	Implementing Agency
	iii. Harmonization of exemption regimes by Partner States	June 2001	Ministries of Finance, Revenue Authorities, Investment Centers
	iv. Removal of internal tariffs to zero by Partner States	July 2005 (subject to Principle of Asymmetry)	Ministries of Finance, Revenue Authorities, EAC Secretariat
	v. Establish Common External Tariff	July 2002	Ministries of Finance, Revenue Authorities, EAC Secretariat
	vi. Establish Trade and Customs Unit to administer CET	July 2002	Ministries of Finance, Revenue Authorities, EAC Secretariat
	vi. Study on the design of a mechanism for monitoring non-tariff barriers to Cross-Border Trade	June 2001	Ministries of Industry, Trade, Ministries of Finance
	vii. Develop a model on Double Taxation Agreements (DTAs) to be used by Member States during negotiations with other countries seeking DTAs	June 2001	Ministries of Finance, Attorney Generals, EAC Secretariat
	Monetary Policies		
	i. Establish credit rating of all financial instruments	Jan.2001	Capital Market Authorities
	ii. Harmonization of macroeconomic indicators	Continuous	Central Banks, Ministries of Finance, Ministries of Economic Planning
	iii. Continue consultations to harmonise fiscal and monetary policies	Continuous	Central Banks, Ministries of Finance, Ministries of Economic Planning
4. Facilitation of Interstate Transport and Communication Links	**A. Roads**		
	i. Harmonization of vehicle dimensions, axle-load limits, and road transit charges	June 2002	Ministries of Finance, Ministries of Transports
	ii. Completion of rehabilitation/construction of prioritised regional roads	December 2005	Ministries of Finance, Ministries of Works
	iii. Ratification of road transport Agreement	December 2001	Ministries responsible for Transport
	B. Telecommunication		
	i. Complete implementation of Digital Transmission Telecommunication project	June 2002	Ministries of Transport, and communication, and EAC secretariat
	ii. Adopting common telecommunication policies	December 2001	Ministries of Transport, and communication, and EAC secretariat

Policy	Action to Take	Time Frame	Implementing Agency
	iii. Partner States to finalise the privatization process of telecommunication companies to enable effective implementation of regional projects	June 2001	Ministries of Transport, and communication, and EAC secretariat
	C. Civil Aviation		
	i. Undertake a study on suitability of Dodoma, Entebbe, and Nairobi and recommend most suited to host Unified/Upper Area Control Centre	June 2001	Ministries of Transport, and communication, and EAC secretariat
	ii. Ratification of the Search and Rescue Agreement	July 2002	Ministries of Transport, and communication, and EAC secretariat
	iii. Conclusion of the formulation of national air transport policies	December 2001	Ministries of Transport, and communication, and EAC secretariat
	iv. Formulation of common aviation policy by Partner States	June 2001	Ministries of Transport, and communication, and EAC secretariat
	D. Railways		
	i. Undertake a feasibility Study on Tanga-Arusha-Musoma-Portbell/Jinja Railway line	December 2001	Ministries of Transport, Railways Corporations, and EAC Secretariat
	E. Inland Waterways		
	i. Ratification of Inland waterways Transport Agreement	December 2001	Ministries responsible for Transport
	ii. Establishment of common maritime transport policy for EAC with focus to Lake Victoria	December 2001	Ministries responsible for Transport
5. Develop Adequate and Reliable Energy Supply in the Region	i. Develop and update Partner States respective national power supply master plans	June 2001	Ministries of energy, EAC Secretariat
	ii. Develop an E.A Power supply master plan	June 2002	Ministries of energy, EAC Secretariat
	iii. Finalise border towns power inter-connection	June 2002	Ministries of energy
	iv. Complete construction of oil and gas pipeline (Eldoret-Kampala)	December 2003	Ministries of energy
	v. Need for joint research and exchange of information on oil, gas and other forms of energy	July 2001	Ministries of energy
6. Development of Areas of Common Economic Interest	i. Put in place regional co-ordinating structures responsible for organization of key actors on the Lake Victoria and its Basin	December 2000	Ministries on Natural resources, Environmental institutions, EAC Secretariat

Policy	Action to Take	Time Frame	Implementing Agency
	ii. Formulation of a comprehensive Development Strategy for the Lake Victoria and its Basin	June 2001	Ministries on Natural resources, Environmental institutions, EAC, Secretariat
	ii. Undertake a study on the management and conservation of shared watershed/catchments areas and other shared ecosystems	June 2001	Ministries on Natural resources, Environmental institutions, EAC Secretariat
7. Put in place specific sectoral policies to facilitate Trade and Investment	**Tourism** i. Finalise the study (phase II) on the impact of liberalisation of tourism industry towards a single market in East Africa	June 2001	Ministries responsible for tourism and natural resources
	ii. Harmonize hotel classifications, grading, and licensing and peg them to international standards	July 2002	Ministries responsible for Tourism, and Hoteliers
	iii. Establish a framework of co-operation on Tourism	December 2001	Ministries responsible of Tourism
	iv. Develop a collective and coordinated policy for the conservation and sustainable utilization of wildlife and other tourist sites in the community	December 2002	Ministries responsible of Tourism
	Promotion of Investment		
	i. Finalise harmonization of investment codes of Member States	July 2001	Investment Centers, Ministries of Industries, Ministries of Finance
	ii. Preparation of model Investment Code for adoption by Partner States	December 2001	Investment Promotion Agencies, Attorneys General Chambers, Private Sector, Ministries of Finance, and Ministries responsible for Trade and Industry
	iii. Joint promotion of trade and investment	Continuous	Investment Promotion Centers
	Competition Policy and Law		
	i. Institute Competition Policy and Law for EAC Partner States	June 2002	Ministries of Industries, EAC Secretariat
	ii. Establish an autonomous central common Authority to co-ordinate competition policy and law	June 2002	Ministries of Industries, EAC Secretariat
	iii. Partner States to enact Competition Laws	December 2001	Ministries of Finance Attorneys General Chambers, and Ministries responsible for Trade and Industry

Policy	Action to Take	Time Frame	Implementing Agency
	iv. Finalise a Regional anti-dumping legislation	June 2001	Ministries of Industries
	EA Industrial Standards		
	i. Further establishment of E. A. industrial standards for local manufactured products	Continuous	Bureaux of Standards, Ministries of Industries
	ii. Introduce Joint training and exchange of experiences of bureaux of standards	Continuous	Bureaux of Standards
	iii. Finalise EA industrialization strategy	June 2001	Ministries of Industries and Trade
	Export Promotion		
	i. Conduct a study on harmonization of export promotion schemes to allow fair play by Partner States by	June 2002	Investment Promotion centers, Ministries of Finance, Ministries of Industry and Trade
	ii. Harmonise duty draw back and other export promotion Schemes	June 2001	Investment Promotion centers, Ministries of Finance, Ministries of Industry and Trade
	Customs Union Co-operation		
	i. Creation of a separate Trade and Customs Unit (TCU)	December 2001	EAC Secretariat
	Rules of Origin		
	i. More attention should be paid to rules of origin especially when a partner belongs to another free trade area	Continuous	
	ii. Possibility of instituting certificates of origin for goods being traded within the EAC	December 2001	Ministries of Industries and Trade and EAC Secretariat
8. Strengthen Institutions of Co-operation	i. Develop EADB as the financial institution for E.A by improving its capital base	Continuous	EAC Secretariat
9. Labour and Employment	i. Conduct a comparative study by for Partner States with the view to; (a) review and update the relevant Municipal Laws in the context of International Labour Conventions (b) identify core labour areas of regional nature that need harmonization	June 2002	Ministries of Labour, Ministries of Foreign Affairs, and EAC Secretariat
	ii. Carry out Labour Force Surveys and establish national data and labour market information system	June 2003	National Bureaux of Statistics, and Ministries of Labour

Policy	Action to Take	Time Frame	Implementing Agency
	iii. Harmonise labour laws and legislation	June 2004	Ministries of Labour
	iv. Harmonise procedures and charges for work permits	June 2002	Ministries of Labour
	v. Harmonise procedures and fees for granting residence permits	June 2002	Ministries of Home Affairs, Immigration Depts.
10. Development of Human Resources and Science and Technology	i. Establish regional Science and Technology co-ordinating body	December 2001	Ministries of Science and technology, Research institutions, Academic institutions, EAC Secretariat
	ii. Formulate regional Science and Technology policies based upon areas of common regional interest	June 2002	Ministries of Science and technology, Research institutions, Academic institutions, EAC Secretariat
	iii. Harmonise curricula, examination, certification, and accreditation of education and training institutions	June 2003	Ministries responsible for education
	iv. Revive the Inter-university Council of East Africa	July 2001	EAC Secretariat, Inter-University Council Board
	v. Formulation of East African Advisory Committee on Education, Research and Training	June 2002	Ministries of Education/Research institutions
	vi. Harmonise curricula, examinations, and certifications	June 2004	Ministries of Education Research Institutions
	vii. Emphasis joint research, development of indigenous S&T and exchange of scientific information	Continuous	Ministries of Science and Technology, EAC Secretariat and Research/Academic Institutions,
11. The Role of Women	i. Facilitate the formation of National women Apex bodies and the Regional Women Apex Body.	December 2001	Ministries responsible for Gender and Community Development
	ii. Conduct a study to develop framework for mainstreaming gender aspects in development programmes	June 2002	EAC Secretariat, Ministries responsible for Gender and Community Development
12. Private Sector Development	i. Preparation of private sector Development Strategy	June 2002	EAC Secretariat
	ii. Finalise formulation of EAC Private Sector Development Strategy	June 2001	EAC Secretariat, Ministries responsible for labour force, and Ministries of Trade and Industry

Policy	Action to Take	Time Frame	Implementing Agency
	iii. Study on promotion of Nguvu Kazi/Jua Kali sector in the region	June 2002	EAC Secretariat, Ministries responsible for labour force, and Ministries of Trade and Industry
	iv. Building internal capacities for the private sector business organizations in the region	Continuous	EAC Secretariat
	v. Encouragement of utilization of local expertise	Continuous	EAC Secretariat
13. Co-operation in Legal Judicial Framework	i. Transform the Lushoto Institute for Judicial Administration to a Regional Judicial training Center	June 2001	Attorney Generals
	ii. Harmonise legal training and certification	June 2001	Attorney Generals
	iii. Encourage standardization of the judgment courts within the community	December 2002	Attorney Generals
	iv. Harmonise different sector policies	December 2003	Attorney Generals
	v. Establish institutions that are planned by the treaty, i.e. East African Court of Justice and East African Legislative Authority	December 2002	Attorney Generals
14. Co-operation in Agriculture and Food Security	i. Conduct agricultural policy analysis, research and training to improve efficiency of various policies proposed for the sector	December 2001	Ministries responsible for Agriculture and EA Secretariat
	ii. Harmonise and adopt a common agricultural policy that focus on food self sufficiency in the community	June 2002	Ministries responsible for Agriculture, Livestock, Fisheries and Meteorology
	iii. Establish and manage East African system of early warning to manage food shortage brought about by frequent draught	June 2002	Ministries responsible for Agriculture and EA Secretariat
15. Institutional Arrangement Secretariat	i. Establish a more effective way of consultation and participation of the private sector e.g. Private Sector department at the secretariat	Dec. 2002	EAC Secretariat All Members
	ii. Commission Study for modalities for the above action	Dec. 2001	EAC Secretariat All Members
	iii. Strengthen the capacity of the Secretariat	Continuous	EAC Secretariat All Members
	iv. Establish Consultancy Fund	Continuous	EAC Secretariat All Members