

**THE STATE OF THE EAST AFRICAN COMMUNITY (EAC) ADDRESS BY HONORABLE KASSIM M. MAJALIWA (MP), PRIME MINISTER OF THE UNITED REPUBLIC OF TANZANIA TO THE 5<sup>TH</sup> MEETING OF THE 4<sup>TH</sup> SESSION OF THE THIRD EAST AFRICAN LEGISLATIVE ASSEMBLY – DAR-ES-SALAAM 8<sup>TH</sup> MARCH 2016**

**Rt. Hon. Daniel Fred Kidega, Speaker of the East African Legislative Assembly;**

**Rt. Hon. Job Ndugai, Speaker of Tanzania Parliament;**

**Honourable Chairperson of the Council of Ministers;**

**Honourable Members of the East African Legislative Assembly;**

**Distinguished Guests;**

**Ladies and Gentlemen,**

Let me begin by thanking you, Rt. Hon. Daniel Fred Kidega, for accepting me to grace this **Fifth Meeting of the Fourth Session of the Third Assembly on the State of the East African Community**. I also thank the Speaker of the Tanzania Parliament, Rt. Hon. Job Ndugai for the gracious hospitality in facilitating the East African Legislative Assembly (EALA) to transact its business here in Dar-es-Salaam.

As some of you might be aware, His Excellency, Dr. John Pombe Magufuli, the President of the United Republic of Tanzania had agreed to attend this meeting personally in his capacity as Chairperson of the Summit of the East African Community (EAC) Heads of State. However due to equally other important engagements, His Excellency President is unable to fulfill this commitment. Given the importance of this Meeting, he has appointed me to represent him. His Excellency President sends warm greetings to you Mr. Speaker, and to all Members of the East African Legislative Assembly. He wishes you every success of this Meeting.

**Honourable Speaker,**

Allow me also to sincerely congratulate you on your leadership both in the East African Legislative Assembly and in the East African Community. We all look into you for strategic direction and wisdom to steer the affairs of this House to greatest heights possible. I wish you the best of luck and assure you of my personal support as well as that of the Government of the United Republic of Tanzania in discharging your noble duty. Whatever way you think, I or we can be useful, please let us know.

**Honourable Speaker,**

I am here today because of the noble decision you and the Honourable Members of this august House took some time back to institute and maintain an annual event for Chairperson of the Heads of States of the East African Community Partner States to address this meeting. I therefore, thank you, for affording me this rare opportunity to address this august Assembly and share my thoughts with the distinguished Members about the East African Community and the East African integration process.

***State of Customs and Trade in the Region***

**Honourable Speaker,**

When the Community was revived in 1999, we committed ourselves to integrate stage by stage basis beginning with a Customs Union through the Common Market, Monetary Union and ultimately a Political Federation. As we meet today, it is encouraging to note that the Community has made progress towards that lofty agenda.

### ***Implementation of a Single Customs Territory (SCT)***

#### **Honourable Speaker,**

It is heartwarming; indeed, to note that implementation of the Customs Union which started in 2005 has been a success. Indeed, goods which meet the criteria of Rule of Origin (RoO) have been moving across borders without paying taxes. However, Non-Tariffs Barriers (NTBs) remain a challenge.

Implementation of Single Customs Territory (SCT), which initially commenced on a pilot basis along the Northern and Central corridors in 2014, was consolidated in 2015 through finalization of key operational instruments entailing: revision of business manuals; development of Monitoring and Evaluation Tool; Framework for Deployment of Staff in other Partner States; and revision of the Enforcement and Compliance Framework. To ensure real time flow of information and minimum clearance time for goods, Ports and customs system interconnectivity has been further enhanced.

#### **Honourable Speaker,**

The Partner States Customs Administration are progressively expanding the scope of goods covered under the single Customs Territory (SCT). A turnaround of 3 to 4 days has been realized along the Central Corridor in tandem with the reduction in turnaround time realized on the Northern Corridor. Customs officers from Uganda, Rwanda, and Burundi are deployed and are operating in Kenya and Tanzania. Likewise Tanzania has officers deployed in Nairobi and Mombasa. The flexibility in deployment of Customs Officers has further eased clearance of goods such that goods move directly from points of dispatch in a Partner State to the owner's premises in another Partner State without going through further Customs checks.

### ***Development of One Stop Border Posts***

#### **Honourable Speaker,**

The Community has adopted the use of One Stop Border Posts (OSBPs) as a trade facilitation concept to minimize delays at cross border points on major transport corridors in the Region, often as a result of poor facilities, manual processes, lengthy and unintegrated procedures and poor traffic flow. It entails combining two stops into one and consolidating functions in a single public facility for exiting one Country and entering another. The effect is reduced travel time for passengers and freight vehicles.

Out of 15 borders earmarked to operate as One Stop Border Posts in the Region, seven (7) have been completed and four (4) are operating as One Stop Boarder Posts using bilateral agreements. The seven are; Gasenyi/Nemba; Ruhwa; LungaLunga/Horohoro; Holili/Taveta; Isebania/Sirari; Kagitumba/Mirama Hills; and Rusumo.

The four that are operational are; Gasenyi/Nemba; Rhuwa; Holili/Taveta and Rusumo. Five (5) border stations which are almost completed are; Namanga, Busia, Malaba, Mutukula, and Kobero/Kabanga. Work has also commenced on Katuna/Gatuna.

### ***Intra-EAC Trade***

#### **Honourable Speaker,**

With the improved infrastructure in place, intra East African Community trade is expected to register phenomenon increase in the next few years. Trade is now at 23 percent, over and above intra African trade figure of 12 percent. There has been a 300 Percent increase in the value of trade from, 2 Billion US Dollars in 2005 to 6 Billion US Dollars in 2014. These numbers, coupled with the combined EAC GDP of 110.3 Billion US

Dollars with an average annual rate of growth of 2.6 Percent makes our Region a formidable trade and economic block in Africa.

### ***Private Sector***

#### **Honourable Speaker,**

We regard the Private Sector as the engine of growth and development in our Region. I am happy to report that the private Sector in the Region has developed a Code of Conduct for Business together with its Rules and Procedures as an initiative aimed at enhancing ethical business practices in the areas of Human Rights, Labour Standards, Environment, and Anti-corruption.

As you are all aware, corruption and unethical business practices are the major hindrance to economic growth within our Community. Corruption in its many forms includes graft, extortion, embezzlement and bribery. According to the African Union, Africa loses \$150 Billion due to corruption every year. Corruption and bureaucracy have been identified as the key factors that hinder movement of goods between the borders of EAC Countries.

In this regard, we commend the East African Business Council for developing the Code of Conduct and Ethics to promote anti-corruption and business ethics and integrity within the East African Community. The East African Business Council members have signed commitment to the ethical standards which will guide stakeholders, employees, shareholders/investors, suppliers, contractors and agents to be actively involved in promoting integrity and corruption prevention.

### ***Non-Tariffs Barriers (NTBs)***

#### **Honourable Speaker,**

As I mentioned before, non-tariffs barriers remain a challenge and it is incumbent upon us, therefore, to ensure that all remaining non-tariff barriers to trade are removed in the East African region. We all admit that we have done very well in eliminating tariff related barriers, we must resolve to do away with the remaining ones. Commendable work has been and continues to be done to address the transport related ones such as road blocks, weigh bridges and other check points on the roads as well as customs red-tape at Ports and exit points.

The progress made so far, at the ports of Mombasa and Dar-es-Salaam and, on the Northern and Central Corridors with regard to road blocks shows that it is possible to eliminate these non-tariff barriers. Measures are being taken in earnest to reduce road blocks on the Tanzania side of the Central Corridor whereby Police road Blocks and Inspection centres have been reduced from over 50 along the central corridor to 5. The roadblocks or inspection centres remained are: Mikese Weighbridge, (Morogoro); Nala weighbridge (Dodoma); Njuki weighbridge (Singida); Mwendakulima weighbridge (Shinyanga) and Nyakahura weighbridge (Kagera). The focus is to have three inspection points to be centred at the three proposed weighbridges (Vigwaza-Coastal Region, Manyoni-Singida Region and Nyakanazi-Kagera Region).

#### **Honourable Speaker,**

At the regional level, the EAC Non-Tariffs Barriers (NTBs) Act was enacted in March 2015, and is undergoing assent by the Heads of State. The objective of this Act is to enhance and facilitate trade by removing conditions that affect and distort trade in goods in the Community; creating an environment which is conducive to trade in the Community and effective movement of goods within the Community; and removing restrictions that make importation or exportation within the Community and outside difficult or costly. The EAC Competition Authority has been established and the Council will soon appoint Commissioners from the Partner States in accordance with Section 38 of the EAC Competition Act.

### ***Regional Infrastructure Programme***

#### **Honourable Speaker,**

With the recognition that the provision of basic regional infrastructure and adequate, reliable energy supply are a prerequisite of regional integration and development, the EAC is frontloading the implementation of the East African Power Master Plan, among the other regional Master Plans that have been identified in the critical areas of Roads and Railways. Preparations in this regard are advanced on a comprehensive mobilization of resources from the Public and Private Sector, both local and foreign investors, for the development of the identified priority projects in the regional infrastructure.

These projects, which have received the encouragement of our development partners, are in Roads (requiring investments to the tune of USD 20 Billion); Railways rehabilitation and extensions under the East African Railways Development Master Plan (USD 30 Billion); Civil Aviation, including operations of airlines and airports (USD 15 Billion); Maritime development, including expansion of Ports and new Ports development (USD 10 Billion); and implementation of East African Power Master Plan, including power generation, construction of interconnections and scaling up existing infrastructure (USD 5 Billion) – in total over USD 80 Billion worth of investments that need to be raised.

### ***Development of Regulations for the Vehicle Load Control Bill and the One Stop Border Post (OSBP) Bill***

#### **Honourable Speaker,**

I am happy to report that following the enactment of the One Stop Border Post Bill and the Vehicle Load Control Bill by this august Assembly in April 2013 and May 2013 respectively, all the Partner States have assented to the Bills. The Acts will enhance trade facilitation and protect the region's road infrastructure from early destruction by overloaded trucks. **The EAC will be the first Regional Economic Community in Africa to have common laws and standards for One Stop Border Posts and Vehicle Load Control operations.**

### ***Harmonization of Long Distance Freight and Bus Driver Training and Licensing Standards***

The Community has developed harmonized training curriculum for long distance freight and bus drivers. Once adopted, the curriculum will provide a regional standard for training, certification and licensing of long distance drivers, who are critical in the economic development of our Partner States. This is meant to enhance drivers' skills and contribute to the reduction of road traffic accidents in the region.

### ***Progress on Standard Gauge Railways Project***

#### **Honourable Speaker,**

Partner States are actively engaged in the Standard Gauge Railways(SGR) project. In **Kenya**, the overall physical completion of Phase 1 (Mombasa-Nairobi) was 40 Percent as of September 2015 with over 200km out of 472 km of formation completed ready to receive the permanent way. Imported Mechanized track laying equipment are already on site for laying sleepers and rails. Commercial Agreement for construction of the Nairobi - Naivasha section has been signed and construction launched in September 2015.

In **Uganda**, the Tororo-Pakwach and the Pakwach-Gulu-Atiak-Nimule-Juba lines will be upgraded to SGR. Preliminary design and feasibility studies are underway. Engineering, Procurement and Construction (EPC) contract was signed between the Government of Uganda and China Harbour Engineering Company (CHEC) on

30<sup>th</sup> March 2015. Construction is expected to commence in 2016. This also applies to the Malaba-Kampala-Kasese line and the Kasese-Bihanga–Kigali-Bujumbura line and Kasese–Kisangani line.

In **Tanzania**, development of the Uvinza - Musongati railway line is ongoing. A Memorandum of Understanding (MoU) was signed with Government of Burundi on 12<sup>th</sup> March 2014 and the feasibility study and design of the line commenced in March 2015. With regard to the Dar-es-Salaam – Isaka - Kigali/Keza – Gitega - Musongati railway line, feasibility and detailed design study was completed in 2014 and Transaction Advisor engaged. Nineteen (19) applications for Expression of Interest (EOI) for Public Private Partnership (finance, design, build, maintain and operate) were received in August, 2015. The EOI' s have been evaluated and forwarded for “ No-Objection” . Studies are on-going for the Tanga (Mwambani) – Arusha – Musoma with Spurs to Minjingu and Engaruka, linking to New Kampala Port at Bukasa via Lake Victoria. **There is still more to be done to secure and enhance investments and funding for the East African infrastructure programs and projects.**

### ***The State of the EAC Common Market***

#### **Honourable Speaker,**

As stipulated in the Treaty for the Establishment of the East African Community, the Common Market is the next stage after the Customs Union. As you may recall, the Common Market Protocol was signed in 2009 and came into force in 2010. This Common Market is what answers the very question about movement of people, capital and services within the region. The implementation of the Common Market Protocol is at the heart of the EAC' s integration agenda and as such there is need to fast-track its implementation.

The following key achievements have been registered by the respective Partner States under the Common Market Protocol:

#### **Republic of Burundi**

- (i) Burundi continues according zero (0) customs tariff on goods originating and traded among the EAC Partner States;
- (ii) Registration of the total value of goods exported or imported by Burundi to or from other EAC Partner States and accorded Community Tariff Treatment is conducted regularly by the Burundi Revenue Authority (OBR) and the system of registration has been improved;
- (iii) The total value of imports from the rest of the world by Burundi as well as the value of goods from the EAC Partner States that were not charged internal tariffs for each financial or semi financial year are registered through the system developed by OBR. Further, the Republic of Burundi does not impose any NTBs;
- (iv) Burundi has enacted Laws and administrative procedures that guarantee citizens of other EAC Partner States six months period of stay in the country, and lastly;
- (v) Burundi continues to recognize the academic qualifications, experiences obtained, licenses and certifications obtained for the workers from other EAC Partner States.

#### **The Republic of Uganda**

- (i) Reduced the number of NTBs from five to three during the period January – June, 2015;
- (ii) The value of goods from other Partner States accorded zero-tariff treatment grew by 9 Percent;

- (iii) 359 EAC Standards on traded goods have been adopted and are being applied; and lastly;
- (iv) With regard to operationalization of the EAC Competition Act, Cabinet passed the Principles of the Competition and Consumer Protection Bills;

#### **The United Republic of Tanzania**

- (i) Certificate of origin are now issued electronically in the spirit of reducing the cost of doing business. The system cuts down the time used to process the certificate of origin by 50 Percent;
- (ii) Continued to facilitate the free movement of goods from other EAC Partner States by according zero custom tariff on all goods originating as per EAC Rules of Origin(RoO);
- (iii) Continued to facilitate the free movement of services and persons from other EAC Partner States by according EAC citizens with Six Months stay as a visitor;
- (iv) Recorded an increase of 176 tariff lines from 4445 tariff lines out of 5393;
- (v) Non-Tariff Barriers (NTBs) were reduced from thirteen (Jan-June 2014) to seven (Jan-June 2015);
- (vi) A total of 3,222 simplified Certificate of Origin were issued by June, 2015 as compared to 2,355 certificates issued in 2014;
- (vii) The number of business entities registered doubled compared to 5 business entities registered by June 2014;
- (viii) Has amended the Capital Markets and Securities (Foreign Investors) Regulations 2003 through G.N. No. 338 published on 19 September, 2014 of which in Section 3, foreign investors are allowed to purchase securities of listed companies;
- (ix) Has removed restrictions in the capital markets on secondary trading of Bonds. (G.N. 338 of 19/9/2014);
- (x) Has enacted a Non-citizen (Employment Regulation) Act 2015 which caters for EAC Common Market Protocol;
- (xi) Amended the Immigration Regulations of 1997 to reflect the provisions of EAC Common Market Protocol;

#### **The Republic of Kenya**

- (i) Initiated the development of an SMS based NTBs Reporting System to facilitate reporting and subsequent elimination of NTBs. The system is expected to be in place by 30th June, 2016. Two bilateral meetings with the Republics of Uganda and the United Republic of Tanzania were held to consider the outstanding NTBs;
- (ii) To enhance economic and monetary policy coordination, national laws that need to be amended to conform to Protocol on the Establishment of the East African Community Monetary Union Protocol have been identified. As part of this, the draft Commercial Bank of Kenya (CBK) Bill 2014(Section 72) which provides for four and a half months import cover has been prepared to amend Section 26(1) of the CBK Act which provides for 4 months of imports cover. This will ensure that CBK Act is in line with the Article 6(2)(d) of the Protocol which provides for a reserve cover of 4.5 months of imports;
- (iii) The implementation of Capital Markets (futures exchanges) regulations 2013 is on-going. The Capital Markets (licensing requirements for futures brokers and conduct of business) draft

regulations have been developed. This therefore, means that Kenya has a regulatory framework on sale or issue of derivative products;

- (iv) To enhance the development and integration of financial, payment and settlement systems the Central Bank of Kenya on January 15<sup>th</sup> 2015, took over the settlement of cash and securities transactions, previously done by Central Depository and Settlement Corporation (CDSC) and select commercial banks after trading at National Security Exchange (NSE). This now allows settlement of all capital markets transactions to be executed through Commercial Banks of Kenya' s Real Time Gross Settlement System and Kenya Payment and Settlement System (KEPSS).
- (v) Facilitated free movement of workers, persons and service suppliers to move across the region in line with the provision of the Protocol; and lastly.
- (vi) Kenya prepared a draft policy on harmonization of national laws. The decision to develop this document is informed by the need for Kenya as a country to have a system in place to facilitate informed and effective harmonization and approximation of laws to be in line with EAC Treaty and other international obligations.

#### **The Republic of Rwanda**

- (i) Non–Tariff Barriers (NTBs) imposed by Rwanda were eliminated;
- (ii) In the Legal and Judicial sector, the Investment Code, Law No. 006/2015 of 28 March 2015 was enacted in May 2015;
- (iii) Harmonization of Monetary Financial Statistics (MFS) and Financial Soundness indicator for example Rwanda has disaggregated the CIF data into three components namely; cost, insurance and freight; and lastly.
- (iv) Harmonization of Demographic and other social statistics for example Rwanda has adopted the modern methods such as use of multiple sampling frames and data capture tools such for undertaking agricultural survey and censuses.

#### ***Challenges in the Common Market***

##### **Honourable Speaker,**

While implementing the EAC Common Market Protocol, all the Partner States are facing a few common challenges for example:

- (i) The issuance of electronic Certificate of Origin has not been adopted regionally;
- (ii) The Annex on Mutual Recognition of Academic and Professional Qualifications is still work in progress that needs to be fast tracked; and lastly;
- (iii) Slow pace of harmonization of National Laws into the EAC Context has hampered the implementation of the Common Market Protocol commitments.

The Summit has urged the Council of Ministers to address these challenges urgently so as to make the East African Common Market a reality.

#### ***Enhancing Democracy, Peace, Security and Stability***

##### **Honourable Speaker;**

Subscribing to the ideals of the democracy, good governance, human rights and rule of law are critical tenets of the East African Community. We all agree that, better governed Partner States contribute to a prosperous region. It is also true that badly governed Partner States frustrate the integration process. It impedes trade, cooperation, as well as movement of people, goods, services and capital. Moreover, it deters investment and makes the Region unfavourable destination for tourism, investment and trade.

**Honourable Speaker,**

Peace, security and stability must and should continue to be high on our agenda. I am happy that as I address this august House, our Region is peaceful, secure and stable. Democratic values and institutions continue to take root and shape in our countries. Since last year, this year and next year, East African Partner States had and will be holding elections. Let the elections in our Region be credible, free and fair which abide and respect the Constitutions and the relevant laws of the Partner States. Our citizens should come out of these electoral processes, peaceful and united as one nation and one people.

**Honourable Speaker,**

Our Region is not without security challenges. Terrorism and transnational crimes are security challenges facing the Region which require a regional response for effective control and success. I am glad that efforts are ongoing at regional level to address these challenges. There is closer cooperation between the defense and security organs of our respective Countries. They share intelligence and undertake joint or coordinated actions. This is very much welcome and we should encourage it. It is important that our Region remains seized with the peace and security agenda, for it determines the sustainability and future of the EAC.

***The Role of EALA in the Integration Process***

**Honourable Speaker,**

This esteemed House is one of the important pillars of our Community. It is the Organ that carries the voice and aspirations of our people. This is where people's interests are raised, aggregated and translated into laws. Since ours is a people's integration, then this House is at the heart of our integration agenda.

I commend the good work being done by this House in regard to its core functions namely; legislative, oversight and representation. This is amply evident. A number of Bills were passed by this House during the last financial year which include: The East African Community Integration (Education) Bill, 2014; The East African Community Cooperative Societies Bill, 2014; The East African Community Creative and Cultural Industries Bill, 2015; The East African Community Elimination of Non-Tariff Barriers Bill, 2015 and The East African Community Electronic Transactions Bill, 2015.

It could not be possible for the EAC to achieve so much within this short period of its existence without the good work being done by the EALA. Many of the Bills passed by this House and Resolutions adopted have contributed significantly towards advancing the EAC integration process.

**Honourable Speaker,**

Considering that the Community is people-centered and market-driven, this Assembly must continue to be people's Assembly and you must be seen to be spending more time deliberating on issues of concern to the people of East Africa. I appreciate the efforts you are doing in reaching out to your respective National Parliaments, governments and various interest groups. I am aware also, that during this meeting you will be undertaking several outreach and sensitization activities. This is the way to go. I urge you to do more of this all over East Africa. This way, you will increase people's awareness and enhance the relevance of this Parliament and the Community to them.



### ***East Africa Court of Justice***

#### **Honourable Speaker,**

I am glad to report that with the Extension of the Jurisdiction of the East African Court of Justice in February 2015, the Court is now ready to handle trade and investment related matters, as well as issues associated with the East African Monetary Union. The extension of the Jurisdiction of the Court has enhanced confidence of the East African citizens in a legally-butressed regional legal system.

### ***EAC Integration Challenges and Way Forward***

#### **Honorable Speaker,**

During the past few years, the EAC region experienced major threats, to its development, peace and security concerns. The food and fuel crisis; the rise of piracy in the Indian Ocean waters off the East African coast; and the terrorist threat posed by the Al Shabaab militia operating from bases in Somalia, served as a wakeup call on the need to expedite and deepen East African integration on all the fronts, including the economic, social and political fronts.

At the pragmatic level, there are several challenges impacting negatively on the integration agenda. Some of these include; resource availability to implement regional development programs that are critical for attracting investments in the region by reducing the costs of doing business (eg. Railway and road networks linking EAC Partner States and reliable energy); Domestication of National Laws to conform to the EAC Common Market Protocol to enable the citizens enjoy the rights and freedoms enshrined in the Protocol and its subsequent implementation.

#### **Honourable Speaker,**

A major challenge is on the removal of Non-Tariff Barriers (NTBs) or restrictions other than customs duties or tariffs and other specific market requirements that make importation or exportation of products difficult and costly within the Region; and lastly inadequate sensitization and awareness on the benefits of regional integration among the ordinary citizens in the Region.

The Summit of the EAC Heads of State together with the Council of Ministers and all the Organs and Institutions are already addressing some of these challenges.

As Leaders, we need to intensify sensitization and awareness creation among our people for them to realize the full benefits of the integration process. The EAC Secretariat, EALA and the Ministries responsible for EAC Affairs in the Partner states have an eminent and premier role to contribute to the sensitization and mobilization of the East African citizenry towards the integration agenda.

### ***Conclusion***

#### **Honorable Speaker,**

In conclusion, let me state that the EAC should maintain constant orientation as a decisive organization with clear, results focused appreciation of the mission in practical, measurable and demonstrable interventions. In our pursuit of the regional program, we must leave no doubt as to our seriousness of purpose and commitment to protect our sovereignty and promote peace, security, stability and development in the East African region. Our singular resolve must be to ensure the sustainability of our enlarged Community.

Let me reiterate that the EAC is today positioned to overcome many of the challenges that confront it and decisively move to a higher stage of integration. We need to be bold and resolute in our commitment and in our resolve.

Once again, I thank the Assembly for its contributions to the cause of East African unity and development and I thank the Honorable Speaker for accepting me to address this august Gathering. There is no doubt that with determination and consistency of purpose we shall overcome all obstacles and take our Region to greater heights of achievement.

Finally, let re-affirm my Governments commitment and support to the East African Integration and Development Process.

With these many words, I thank you once again Honourable Speaker and members of this Assembly for the invitation and wish the 5<sup>th</sup> Meeting of the 4<sup>th</sup> Session of the 3<sup>rd</sup> Assembly great success.

**I thank you all.**