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KENYA NATIONAL ASSEMBLY

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ELEVENTH PARLIAMENT – SECOND SESSION

REPORT OF THE COMMITTEE ON REGIONAL INTEGRATION ON THE  
CONSIDERATION OF EAST AFRICAN LEGISLATIVE ASSEMBLY REPORTS OF;

1. THE COMMITTEE ON COMMUNICATION, TRADE AND INVESTMENTS ON  
SINGLE CUSTOMS TERRITORY,
2. THE REPORT OF THE COMMITTEE ON AGRICULTURE, TOURISM AND NATURAL  
RESOURCES ON THE 2<sup>ND</sup> PARLIAMENTARIANS WORKSHOP ON CLIMATE CHANGE,
3. THE REPORT OF THE COMMITTEE ON ACCOUNTS ON INTERNAL AUDIT  
SYSTEMS OF EAC INSTITUTIONS,
4. THE REPORT OF THE COMMITTEE ON GENERAL PURPOSE ON THE EAC  
ANNUAL REPORT FOR THE PERIOD 2011/2012,
5. THE BUDGET FOR THE EAST AFRICAN COMMUNITY FOR FY 2014/2015

PARLIAMENT BUILDINGS  
NAIROBI

JULY, 2014

## PREFACE

Mr. Speaker, Sir,

The Committee on Regional Integration is one of the Select Committees of the National Assembly established under Standing Order 212 and mandated to, inter alia; 'examine the records of the relevant debates and resolutions of the meetings of the East African Legislative Assembly'.

Mr. Speaker, Sir,

The Committee on Regional Integration was constituted by the House on Thursday 2<sup>nd</sup> May 2013 comprising of the following members:

1. The Hon. Florence Kajuju, MP (Chairperson)
2. The Hon. Christopher Nakuleu, MP (Vice Chairperson)
3. The Hon. David Ouma Ochieng, MP
4. The Hon. Dan Kazungu, MP
5. The Hon. Bady Twalib Bady, MP
6. The Hon. Robert Mbui, MP
7. The Hon. Anyanga Andrew Toboso, MP
8. The Hon. Florence Mwikali Mutua, MP
9. The Hon. Ogendo Rose Nyamunga, MP
10. The Hon. Charles Mutisya Nyamai, MP
11. The Hon. Alois Lentoimaga, MP
12. The Hon. Anthony Kimaru, MP
13. The Hon. David Kariithi, MP
14. The Hon. Wanjiku Muhia, MP
15. The Hon. Murungi Kathuri, MP
16. The Hon. Ali Wario, MP
17. The Hon. Eric Keter, MP
18. The Hon. Mary Seneta, MP
19. The Hon. Gideon Konchella, MP
20. The Hon. Dido Ali Rasso, MP
21. The Hon. Ann Nyokabi, MP
22. The Hon. Emmanuel Wangwe, MP
23. The Hon. Peter Shehe, MP

24. The Hon. Alex Mwiru, MP
25. The Hon. Mark Lomunokol, MP
26. The Hon. Sarah Korere, MP
27. The Hon. Cyprian Kubai Iringo, MP
28. The Hon. Timothy Bosire, MP
29. The Hon. Joseph Kahangara, MP

**Mr. Speaker, Sir,**

In accordance with Article 65(a) of the Treaty, the Clerk of the East African Legislative Assembly transmitted to the National Assembly Reports and other business transacted by the Assembly during its 6<sup>th</sup> Meeting held in Arusha for action.

On 3<sup>rd</sup> July 2014, the said Reports from East African Legislative Assembly were tabled in the House by the Majority Leader which were as follows:

1. Report of the Committee on Communications, Trade and Investments on the EAC Single Customs Territory (SCT)
2. Report of the Committee on Agriculture, Tourism and Natural Resources on the 2<sup>nd</sup> Parliamentarians Workshop on Climate Change.
3. Report of the Committee on Accounts on Internal Audit Systems of EAC Institutions.
4. Report of the Committee on General Purpose on the EAC Annual Report for the period 2011/2012.
5. The Budget for the East African Community for FY 2014/2015

**Mr. Speaker, Sir,**

Standing Order 251 provides that whenever the Clerk of the National Assembly receives copies of the records of relevant debates of the meetings of the East African Legislative Assembly, or copies of Bills introduced into the East African Legislative Assembly and Acts of the East African Community, the Clerk shall forward the records of debates, Bills or Acts of the Community to the relevant Committee.

The Committee shall consider this report and submit its report to the House within twenty one days (21) for consideration. Upon consideration of the Committee's report, the Clerk of the National Assembly shall forward the House's resolutions to the Clerk of the East African Legislative Assembly within seven days.

Mr. Speaker, Sir,

In considering the Reports, the Committee noted the following:

1. Report of the Committee on Communications, Trade and Investments on the on-spot assessment of the EAC Single Customs Territory

The East African Community has embarked on improving efficient trade facilitation systems in a bid to implement the Customs Union Protocol. One such system is the Single Customs Territory where the Member States are required to adopt a destination model of clearance of imports whereby the assessment and collection of tax revenues will be done at the first point of entry.

The Committee observed that with the implementation of the Single Customs Territory, the region stands to benefit, in among other ways, the reduced administrative costs and cost of doing business through elimination of duplication of processes. Further, the region will gain from the reduction of smuggling levels.

The Committee further observed that business in the EAC region was still facing challenges due to non-implementation of the EAC Common Market Protocol.

To effectively increase the volume of trade, there is need to fully implement the EAC Common Market Protocol to enable free movement of people, goods, capital and services and to operationalise the Single Customs Territory.

2. Report on Agriculture, Tourism and Natural Resources on the 2<sup>nd</sup> Parliamentarians Workshop on Climate Change

The Committee observed that while climate change is a global issue, the region has been affected as a result through floods and droughts which have impacted negatively on communities, ecosystems and economies which ultimately affect development.

On the EAC Climate Change Policy, the Committee urges Partner States to implement it while also impressing upon the EAC Secretariat to give it legal status by drafting a Regional Climate Change Bill. The Committee further encourages EALA to support such a bill.

3. Report of the Committee on Accounts on Internal Audit Systems of EAC Institutions.

The East African Legislative Assembly as the legislative arm of the Community is mandated to carry out an oversight role on matters pertaining to the Community pursuant to Article 49(2) of the Treaty Establishing the EAC. The Committee on Accounts is mandated to carry out post audit review and scrutiny of the expenditure incurred by the EAC Secretariat, the Organs and Institutions of the Community. In line with this function, the Committee carried out an on-spot assessment of the internal audit systems of three EAC institutions which was necessitated by a number of queries raised in the EAC Audited Financial Statements for the year ended 30<sup>th</sup> June 2012.

The institutions included; the Lake Victoria Fisheries Organization (LVFO), the Inter-University Council of East Africa (IUCEA) and the Civil Aviation Safety and Security Oversight Agency (CASSOA). The Committee noted that with the exception of IUCEA, the other two EAC Institutions lack operational internal audit units and have to rely on ad hoc support. It further noted that all three institutions have capacity challenges due to inadequate funding.

The Committee therefore recommends that these institutions be supported to establish functional internal audit units.

#### 4. Report of the Committee on General Purpose on the EAC Annual Reports for 2009/2010, 2010/2011 and 2011/2012

While considering the reports, the Committee observed that there is need for the EAC Secretariat to present work plans with clear linkages of objectives, implementation status, challenges and the actual outputs in a bid to provide a clear picture of the Community's activities towards the integration agenda.

On the issue of funds, the Committee observed that the Secretariat needed to follow the laid down guidelines on utilization of funds and ensure that any re-allocation of unused funds is approved by EALA and absorption rates for Organs and Institutions clearly indicated. The Committee recommended that operational plans and implementation progress reports should always conform to the principles of planning and financial accountability.

#### 5. Budget for the East African Community for FY 2014/2015

The Budget Speech for the FY 2014/2015 for East African Community was presented to the East African Legislative Assembly (EALA) by Hon. Phyllis Kandie, Chairperson of the Council of Ministers of the East African Community, who is also Kenya's Cabinet

Secretary, Ministry of East African Affairs, Commerce and Tourism, on Thursday, 29<sup>th</sup> May 2014.

The speech centred on advancing the regional integration process through supporting various initiatives for full implementation of the four pillars of the EAC, namely; the Customs Union, Common Market, Monetary Union and the realization of the Political Federation.

The budget speech in summary included a review of progress made in implementing the 2012/2013 budget, achievements for the Financial Year 2013/2014 and planned activities for the Organs and Institutions of the EAC in the 2014/2015 Financial Year, together with specific budgetary allocations and financing.

Mr. Speaker, Sir,

The Committee is thankful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. I wish to express my appreciation to the Honourable Members of the Committee who sacrificed their time to participate in the activities of the Committee and the preparation of this report.

Mr. Speaker, Sir,

It is therefore my pleasant duty and privilege, on behalf of the Committee on Regional Integration, to table its report in the House on the East African Legislative Assembly's Reports.

Signed .....  .....

THE HON. FLORENCE KAJUJU, MP  
CHAIRPERSON,  
COMMITTEE ON REGIONAL INTEGRATION

Date: ..... 30<sup>th</sup>. JULY. 2014 .....

## 1.0 CONSIDERATION OF THE REPORTS

### 1. Report of the Committee on Communications, Trade and Investments on the On-Spot Assessment of the EAC Single Customs Territory (SCT)

The Committee considered the report and observed that;

- a) Under the Single Customs Territory arrangement, the EAC member states will adopt a destination model of clearance of imports whereby the assessment and collection of tax revenues on consignments will be done at the first point of entry. This will allow for free circulation of goods within the EAC market, with variation to accommodate exports from one partner state to another. This will result in minimal internal border controls and more efficient institutional mechanisms for clearing goods out of customs control.
- b) The benefits that the Single Customs Territory will give to the region includes;
  - i. Reduced cost of doing business by eliminating duplication of processes;
  - ii. Reduced administrative costs and regulatory requirements;
  - iii. Enhanced capacity of the private and public sector agencies;
  - iv. Creation of a mechanism for prevention of smuggling at the regional level;
  - v. Reduced risks associated with non-compliance on the transit of goods;
  - vi. Enhanced application of Information Technology and data collection at the regional level;
  - vii. Realization of economies of scale and optimal use of resources in clearance of goods in the EAC.
- c) To fast track the implementation of the SCT framework, EAC partner States Revenue Authorities have established technical working groups (TWGs) with each partner state taking a lead to spearhead the work of the TWGs.
- d) During the on-spot assessment, it was observed that non-implementation of the EAC Common Market Protocol was hindering business people from operating in the country of their choice. Specifically, it was observed that high communication costs were hindering the operationalisation of the single customs territory. The need to upgrade systems used by the Revenue Authorities to fast-track the clearance of goods by customs was identified as an urgent requirement.

- e) The EALA Committee on Communications, Trade and Investments recommended continuous capacity building and sensitization programs to the stakeholders on the operations and processes involved in the SCT. It was further recommended that the implementation of the Common Market Protocol was key to the operationalisation of the SCT.
2. Report of the 2<sup>nd</sup> Parliamentarians Workshop on Climate Change by the Committee on Agriculture, Tourism and Natural Resources.
- i. The EALA Committee on Agriculture, Tourism and Natural Resources held a Climate Change workshop for Parliamentarians in Nairobi from 16<sup>th</sup> - 18<sup>th</sup> December 2013 to deliberate on the status of the EALA Resolution on Climate Change and to evaluate the existing Climate Change legal framework and institutional frameworks in the EAC Partner States as well as the evaluation of the outcome of the 19<sup>th</sup> Conference of Parties to the United Nations Framework Convention on Climate Change that was held in Warsaw, Poland in November, 2013.
- ii. On the status of the EAC Climate Change Policy, legal and institutional framework, it was established that there was need for a clearly defined regional coordination and management to address regional coordination effort and a regional implementation structure that will be guided by the Protocol for Environment and Natural Resources Management. These regional structures will oversee the effective implementation of the EAC climate change policy through the EAC Climate Change strategy, master plan and the EAC climate change fund.
- iii. The need for putting in place the necessary legal instruments in a bid to fast track the operationalisation of the EAC climate change Fund was emphasized. This fund will support the regional climate change negotiations strategies as well as implement regional programmes, policies and strategies.
- iv. The EAC partner states have made significant progress towards the adoption and implementation of National Climate Change Policies and strategies, action plans and institutionalization of Climate Change. There is therefore an enabling policy, legal and institutional framework at EAC and partner states to support the implementation of the Climate Change initiatives.
- v. The region is faced with challenges in the implementation of Climate Change initiatives due to limited finances, technical resources, donor dependence, low



public awareness and communication. There is therefore need to mobilize the participation of the private sector in seeking climate change mitigation solutions.

- vi. The EALA Committee on Agriculture, Tourism and Natural Resources recommended that the EAC Council of Ministers and the EAC Secretariat come up with a Regional Climate Change Bill to fast-track the implementation of the EAC Climate Change Policy. Further, the Committee recommended that the EAC Secretariat engages the private sector on issues of Climate Change as well as ensuring the integration, harmonization and up-scaling of the multiple climate change projects in the region, for wider regional impact.

### 3. Report of The Committee on Accounts for On-spot Assessment of the Internal Audit Systems of the EAC Institutions (LVFO, IUCEA, and CASSOA)

The Committee on Accounts is mandated pursuant Article 49(2) of the Treaty Establishing the EAC to discharge oversight functions on behalf of the Assembly on all financial matters of the Community. The EALA Committee carried out an on-spot assessment of three EAC Institutions, namely; the Lake Victoria Fisheries Organization (LVFO), the Inter-University Council of East Africa (IUCEA) and the Civil Aviation Safety and Security Oversight Agency (CASSOA) all based in Uganda. The assessment was intended to look into the internal audit functions of the EAC Institutions from which the Committee made the following observations;

#### i. Lake Victoria Fisheries Organization (LVFO)

The Committee noted several challenges that LVFO faces which include; the institution not having an internal audit unit despite a Council directive for an internal auditor to be recruited; lack of the recommended accounting systems and proper human resources systems; lack of funds due to over-reliance on donor funding, and institutional governance issues.

The Committee further noted that Rwanda and Burundi, despite having joined the EAC seven years ago, were not members of LVFO yet and therefore there was need to expedite amendment of the LVFO Convention to include them.

The Committee recommended that LVFO be financed adequately to enable it to carry out its functions effectively. The Partner States should also ensure that they avoid delays in remitting their contributions to the institution. The institution should also ensure that its human resource systems are mainstreamed and harmonized with those of other EAC Organs and Institutions. On the issue of governance, the Board should ensure that there are regular meetings in order to provide strategic and policy guidance.

ii. **The Inter-University Council of East Africa (IUCEA)**

The Inter-University Council of East Africa is an EAC institution that facilitates networking among universities in the East African Community and outside the region. It provides a forum for discussion of a wide range of academic matters relating to higher education in East Africa as well as maintaining internationally comparable education standards in a bid to promote competitiveness in higher education.

The Committee while conducting its assessment at the IUCEA noted that the institution has in place internal audit office. However, the institution was not responding to the audit issues on time. The audit office lacked the required independence especially in reporting. Understaffing in the audit unit and missing supporting documents for audit purposes were also noted.

The Committee in its recommendations indicated that the issues of staffing and proper structures for reporting lines be put in place.

iii. **The Civil Aviation Safety and Security Oversight Agency (CASSOA)**

CASSOA was established following the recommendation of the International Civil Aviation Organization (ICAO) to pool regional resources together to create safe and orderly development of international civil aviation. Since its establishment, CASSOA has achieved harmonization of regulations and development of guidance materials which have been promulgated in the Partner States. It has also trained aviation inspectors in the Partner States. CASSOA is however faced with challenges of inadequate funds for continuous training of inspectors to keep up with emerging new technology.

The Committee in its assessment of the institution observed that despite CASSOA having an internal audit unit, the institution depends on external auditors as it has never recruited an auditor. The institution was also faced with issues of underfunding understaffing as well as lack of technical staff in specialized areas. The Committee observed that CASSOA sits on a land whose ownership is not clear as it has never been issued with a land title.

In its recommendations, the Committee emphasized on the need for increased funding for EAC institutions to enable them efficiently carry out their mandates. On the issue of

land ownership for EAC institutions, the Committee recommended that the EAC Council of Ministers ensures that land titles are issued to all Organs and Institutions of the Community.

The Committee further recommended that the EAC Secretary General appoints a representative to Boards of EAC institutions. Capacity building programs, especially for the internal auditors, were also recommended.

#### 4. Report of the Committee on General Purpose on the EAC Annual Reports for 2009/2010, 2010/2011 and 2011/2012

The Committee on General Purpose is mandated to consider the EAC annual reports and submit a report to the Assembly. Since annual reports provide information on organizations achievements within a given framework, the Assembly is able to use these reports to interrogate the EAC programmes in a bid to deepen and widen the integration process.

While considering the EAC Annual Reports for 2009/2010 and 2010/2011, the Committee on General Purpose noted that presentation of the annual reports to the Assembly should be timely and with correct information to avoid information gap during their review and should have a link with the previous annual report in terms of objectives, priorities, implementation status, achievements and challenges. There is therefore need for review of the way the report is presented so that the version that goes to the Assembly meets their needs.

The Committee having considered the EAC Annual Report for 2011/2012 recommended that the Assembly reviews and proposes amendments to the East African Community Budget Act, 2008, and the Administration of the East African Legislative Assembly Act, 2012, in a bid to improve the budgeting process, its implementation, assessment, audit as well as reporting.

#### 5. The Budget Speech for the East African Community for the Financial Year 2014/2015.

##### 1. INTRODUCTION

The budget speech for EAC was presented by Hon. Phyllis Kandie, Chairperson of the Council of Ministers of the East African Community and Cabinet Secretary, Ministry for East African Community Affairs, Commerce and Tourism of the Republic of Kenya on

Thursday 29th May 2014 at the EALA Chambers, EAC Headquarters in Arusha, Tanzania. The theme of this year's budget is 'Consolidating the EAC Common Market and Commencing the Implementation of the Monetary Union Protocol.'

The Budget estimates for the Financial Year 2014/2015 were presented at a time when the momentum of the integration process is increasing and the partner states expect to fully operationalise the Common Market Protocol and realize the time bound objectives set out in the EAC Development Strategy (2011/12-2016/2017).

According to the International Monetary Fund's World Economic Outlook, sub-Saharan Africa's economy is projected to expand by 5.5% in 2014, up from 4.9% in 2013. Despite sluggish global economic performance, economic conditions in sub-Saharan Africa remained robust due to improved agricultural production and investment in natural resources and infrastructure. East African economies are expected to pick up in 2014, riding on a strong performance expected in the agricultural, mining and energy sectors; and easing inflation across the region.

The budget for the Financial Year 2014/2015 increased by 11.45% compared to 2013/14 budget. In summary the budget speech for FY 2014/15 included review of progress made in implementing the 2012/13 budget, achievements (for the FY 2013/14) and planned activities of the institutions and organs of the EAC in the FY 2014/15, sector specific priority areas for FY 2014/15, allocation per priority area, allocation of the budget to institutions and organs of the EAC and sources of funding.

## **2. REVIEW OF EAC PROGRAMME PERFORMANCE FOR THE FINANCIAL YEAR 2012/2013**

Budget performance for the Financial Year 2012/ 2013 was 74% performance reporting is done under the following broad thematic areas;

### **2.1 DEEPENING ECONOMIC CO-OPERATION**

#### **2.1.0 Customs Union-1st Pillar of EAC Integration Process**

##### **(a) Single Customs Territory**

Attainment of a Single Customs Territory was one of the key priorities in the period under review. The framework for operationalisation of the Single Customs Territory was finalized and adopted by the Summit in November 2013. Operationalization commenced on 1st January 2014.

##### **(b) Export Processing Zones and Special Economic Zones**

The Community developed a Special Economic Zone (SEZ) Policy as it is envisaged under Articles 75 and 76 of the Treaty. This will ensure that Partner States embrace the evolution of Economic Zones in a structured and harmonized manner.

(c) COMESA-EAC-SADC Tripartite Arrangement

Under the Tripartite FTA Agreement, negotiations on Market Integration will be concluded by June, 2014 and signed during the 3<sup>rd</sup> Summit of the Tripartite Heads of State and Government in the 2<sup>nd</sup> half of 2014 and ratified by all the Member Partner States by December, 2014.

### 2.1.1 Common Market-2nd Pillar of EAC Integration Process

Article 50 of the EAC Common Market Protocol requires the development of a framework for monitoring and evaluating the implementation of the Protocol. The Community developed an EAC Common Market Scorecard 2014 that was formally launched in February, 2014. The scorecard covers three areas namely; capital, goods and services and created a guide on laws and regulations that should be amended to conform to the protocol.

The Scorecard should be able to assist Partner States to identify areas of slow or limited progress.

### 2.1.2 Monetary Union-3<sup>rd</sup> Pillar of EAC Integration Process

(a) East African Monetary Union Protocol

Protocol on the Establishment of the East African Monetary Union was signed at the 15th Ordinary Summit of EAC Heads of States on 30th November, 2013 in Kampala, Uganda. The EAMU Protocol outlines a ten-year roadmap towards a single currency by the year 2024.

(b) Coordination of Fiscal Policy

Realization of the Monetary Union requires harmonization and coordination of fiscal policies of the Partner States, and that macroeconomic convergence be achieved and maintained for at least three years prior to the adoption of a Single Currency. Areas that require harmonization include; coordination of budget processes, harmonization of tax policies and laws, coordination of public debt management and fiscal management of natural resources.

## 2.2 INFRASTRUCTURE DEVELOPMENT UNDERPINNING PILLARS OF EAC INTEGRATION PROCESS

### (a) Roads

The Community completed the detailed designs of the Arusha – Holili / Taveta – Voi road project in February, 2013.

The designs for Malindi – Mombasa – Lunga Lunga and Tanga – Bagamoyo road are scheduled to be completed by June, 2014.

### (b) EAC Corridors Initiatives

The initiatives include one stop border posts, EAC Vehicle Load Control and one stop inspection stations. Other ongoing initiatives involve weighbridges improvements and rationalization, port capacity enhancement and construction of new ports.

## 2.3 POLITICAL FEDERATION- 4<sup>th</sup> PILLAR OF EAC INTEGRATION PROCESS

The draft Model Structure of EAC Political Federation was considered by the 15<sup>th</sup> Summit of Heads of State. A meeting of Political Federation Experts together with Members of the EALA has been held to consolidate comments from national stakeholders.

Other strategies to lay the foundation for political federation include implementation of the programme on Good Governance, promotion and protection of human rights and strengthening democratic governance through deployment of Election Observation Missions to electoral processes in the Partner States.

## 2.4 COOPERATION IN LEGAL AND JUDICIAL AFFAIRS

Four important pieces of legislation namely; The East African Community Holidays Act 2013; The East African Community Appropriation Act 2013; The East African Community Vehicle Load Control Act 2013; and The East African Community Supplementary Appropriation Act 2013 were enacted during the period under review.

## 2.5 COOPERATION IN THE PRODUCTIVE SECTORS

### (a) Energy Sector

Interconnection projects currently under implementation include:-

- (i) 400 kilo volt interconnection between Kenya and Uganda;
- (ii) 220 kilo volt interconnection between Uganda and Rwanda; and
- (iii) 220 kilo volt interconnection between Rwanda and Burundi.

The Kenya-Uganda and Uganda-Rwanda interconnectors are expected to be ready for commissioning in the first quarter of 2015 while the Rwanda-Burundi interconnector is expected to be ready for commissioning in mid-2016. In preparation for anticipated regional interconnectivity of the power networks in the region, a set of key performance and reliability parameters have been identified that should be regularly collected and monitored.

(b) Agriculture and Food Security

Strategies and measures for control of Aflatoxin contamination in agricultural production have been developed, Sanitary Measures for Fish and Fishery Products were launched this year, draft EAC Livestock Policy has also been developed as well as a draft Plan of Action for enhancing resilience of pastoralists in Arid and Semi-Arid Lands in the Community.

## 2.6 COOPERATION IN THE SOCIAL SECTORS

(a) Health Sector

Four projects were implemented namely the Open Health Initiative, the EAC-UNFPA Collaborative Sexual Reproductive Health and Rights activities, the EAC regional immunization programme in collaboration with the GAVI Alliance supported by KfW and USAID and the European Commission funded Invest in Adolescents project.

(b) Education, Science and Technology

In period under review, strategies and structures for the harmonization of the EAC Education system and training curricula were developed; and the agreement for the hosting of East African Science and Technology Commission (EASTECO) was signed between the Republic of Rwanda and the Community.

(c) Gender, Community Development and Civil Society

During the period, the following policy documents focussing the mainstreaming of Gender, Community Development and civil Society mobilization were adopted: EAC Social Development Policy Framework, 2013; Participatory Gender Audit Report for EAC Organs and Institutions, 2013; and EAC Youth Policy, 2013.

## 3. ACTIVITIES OF THE ORGANS AND INSTITUTIONS OF THE EAC

### i) EAST AFRICAN LEGISLATIVE ASSEMBLY

### Proposed activities and allocations for 2014/15

- Increment of members emoluments effective 1<sup>st</sup> July 2014
- Allocation of USD490, 000 (KES 43.12M) for oversight activities of EALA
- Allocation of USD255, 000 (KES 22.44M) for the sensitization of East African citizens on the EAC integration agenda.

### ii) EAST AFRICAN COURT OF JUSTICE

#### Achievements in FY 2013/14

- Installation of modern Case Management and Recording System which was launched by the EAC Heads of State Summit during its Extra-ordinary meeting on 30<sup>th</sup> April 2014. The system has a provision for online filing of cases.
- The Court embarked on structured quarterly sessions where the Court session is normally organized to last one month in both Divisions. This is to cater for increased number of cases
- The court reviewed its rules of procedures and removed the court filing fees effective from April, 2013.

#### Planned activities for 2014/15 FY

- The Court is planning to link its Sub-Registries in Partner States to the Headquarters in Arusha during the Financial Year 2014/15. A provision of USD 350,000 (KES 30.8M) has been made in the budget.

### iii) LAKE VICTORIA BASIN COMMISSION

During the period 2013/2014, Lake Victoria Basin Commission (LVBC) continued to undertake activities outlined in the Strategic Plan 2011-2016. Some of achievements for period include;

- Strengthening of a resource centre which provides access to documents and reports produced by various Programmes of the Commission
- Development of a Memorandum of Understanding to facilitate the Governments of the Republic of Kenya and the United Republic of Tanzania to manage the trans-boundary Biodiversity and water resources in Mara River Basin.
- LVBC has undertaken the basin-wide strategy for Sustainable Land Management and the regional water hyacinth surveillance and control strategy.
- Establishment of wildlife clubs in 10 Secondary Schools to advocate for anti-poaching of elephants and rhinos in Maasai Mara and Serengeti.



- The Commission also supported two small grant projects in Rwanda and Burundi on Community Driven Development and rural livelihood.

#### Key priorities for the financial year 2014/2015

- Strengthening of institutional and functional capacity of LVBC which will be implemented by the operationalisation of the Result-Based Management System.
- Harmonization of policies, laws and standards to strengthen institutional development and governance in natural resources management.
- LVBC will undertake studies and put in place strategic plans, regional standards and information systems to boost the sustainable development of natural resources in the region and;
- Promotion of Integrated Water Resources Management.

#### iv) INTER UNIVERSITY COUNCIL OF EAST AFRICA-IUCEA

##### Achievements for the FY 2013/14

- IUCEA developed guidelines for the development of a Postgraduate Programme in Climate Change and Food Security, to assist Universities.
- Developed guidelines for mainstreaming HIV/AIDS in the University curriculum
- In collaboration with the East African Business Council and the East African Development Bank, IUCEA organized the Second Academia – Private Sector Partnership Forum and Exhibitions 2013, which was held in Nairobi, Kenya on 24<sup>th</sup> – 26<sup>th</sup> October, 2013 aimed at providing a convergence platform for the academia and the private sector to discuss and strategize on effective mechanisms for promoting academia/private sector partnership in East Africa.

##### Planned activities for the FY 2014/15

- Construction of IUCEA headquarters in Uganda, the construction costs for phase one will be USD 1,537,695 (KES 135,317,160)
- Development of regional research and innovation programme for East Africa to promote enterprise evolution and growth, in collaboration with East African Development Bank (EADB) and East African Business Council (EABC)
- Harmonization of higher education systems to transform East Africa into a common higher education area.

## v) LAKE VICTORIA FISHERIES ORGANIZATION-LVFO

### Achievements for 2013/14

- Provision of scientific information to guide the management of fisheries resources in EA.
- Enforcement of fisheries regulations through joint patrols under the African, Caribbean and Pacific Group of States FISH II and Smart Fish Projects.
- LVFO conducted a study on widening its scope and mandate and transform it into East African Fisheries Organization.
- Establishment of grass-root institutions, the Beach Management Units (BMUs) to be partners in management.

### Priorities for the 2014/15

- Building of the capacities of Beach Management Units (BMUs) through training, mentoring and strengthening the networks at different levels of governance at national levels;
- Establishment of the National Management Committee as foreseen in the Convention establishing LVFO;
- Improvement of internal controls through the migration to the SUN Accounting System and recruiting an Internal Auditor;

## VI) EAC CIVIL AVIATION SAFETY AND SECURITY OVERSIGHT AGENCY (CASSOA)

### Achievements during the Financial Year 2013/2014

- Provision of assistance, support and guidance to the Republic of Burundi in the preparation and performance of the International Civil Aviation Organization (ICAO) Comprehensive Systems Approach Audit;
- CASSOA engaged a Medical Assessor to provide guidance, support and assistance to the Partner States to comply with the ICAO Standards and Recommended Practices relating to aviation medicine;
- The Agency hosted training for technical experts in Runway Safety, Airworthiness, Flight Data Management and Dangerous Goods in partnership with AviAssist, CSI Aviation and International Civil Aviation Organisation; and
- It also developed a harmonized EAC Examination system that will facilitate issuance of harmonised personnel licensing in the Partner States.

## Priority activities planned for Financial Year 2014/2015

- Conducting an all-inclusive Stakeholders' consultations and sensitization programmes to ensure that a harmonized path is achieved in the implementation of the EAC Regulations in collaboration with the Civil Aviation Authorities;
- Assist the Partner States to develop and implement the developed Corrective Action Plans arising out of the ICAO Audits;
- Introduction of additional IT based systems such as the Computer Based Training targeting increased awareness of the aviation security requirements at aviation facilities and installations.

## vi) EAST AFRICAN DEVELOPMENT BANK-EADB

### Achievements for the FY 2013/14

- During the year under review, the Bank's net worth grew by 15% to USD 166 million (KES 14.608 Billion) by end of December 2013 as compared to USD 144 million (KES 12.672 Billion) in 2012.
- Non-performing loans have declined from 5.8% in 2012 to 1.3% in March 2014.
- The bank recorded total comprehensive income of USD 7.029 million (KES 618.552 Million) in 2013.
- The Association of African Development Finance Institution (AADFIs) rated the Bank as "AA" based on AADFIs Rating System thus making the Bank second best financial institution in Africa out of 39 institutions that were assessed.
- On 21<sup>st</sup> March 2014, the Republic of Burundi applied to become a Member of the Bank and the Board of Directors is currently working with the Government of the Republic of Burundi on admission modalities.

### Planned activities in 2014/15

- The bank will work closely with the EAC Secretariat and Partner States in developing a legal and institutional framework for the East African Community Fund and operational modalities for the Public-Private Partnership Resource Centre.
- The Bank will continue to work more closely with the EAC in addressing infrastructure deficit which pose a major constrain in realizing private sector led growth and access to social services.

## CHALLENGES

1. 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 is yet to be fully done by all the Partner States.
2. Re-occurrence of Non-Tariff Barriers (NTBs) that make importation of or exportation of products difficult and costly within the region such as weighbridges, police road blocks, non-recognition of EAC certificates of origin, re-testing of products and lack of mutual recognition of quality marks.
3. **Dependence on Donor funding:** development partners contribute about 60% of funds required to run EAC. This reflects substantial overreliance on donors in driving the activities of the Community.
4. **Monetary Union Protocol and Convergence Criteria:** the protocol requires Partner States to harmonize and coordinate various policies such as monetary and fiscal policies. Given differences in economic development (e.g economic growth) among the Partner States, it is usually not easy to attain convergence. For example, budget deficits and financing sources could vary greatly across member states. Similarly, inflation, interest rates, employment, among other economic factors may differ across states due to varying country-specific policy stances.
5. **Public Participation and Country-Specific Policies:** the Community is seeking to support sensitization of EAC citizens through a budgetary support of Ksh. 101 million in 2014/15. This effort needs to be backed with the integration or coordination of Partner State policies with overall goal of the EAC. For example, there is limited evaluation of how the EAC specific policies, laws and institutions affect institutions and economic and social performance of Partner States.

## 4. EAC BUDGET ESTIMATES FOR FINANCIAL YEAR 2014/2015

### Budget Allocation

The budget for EAC for 2014/2015 has increased by 11.45% compared to the 2013/14 budget. The total budget for the Community in 2014/15 is **KES 10.92 billion** (Table 1). The East African Community Secretariat will receive the largest budget allocation (**KES 6.69 billion**) followed by the EALA (**KES 1.36 billion**) and the Lake Victoria Basin Commission (**KES 1.17 billion**).

In terms of priorities or activities (Annex), the largest allocations are for personnel emoluments and support services (41.4% of the budget) followed by the Implementation of the EAC-Common Market Protocol and implementation of the roadmap towards the establishment of the EAC Monetary Union, with 20.7% and 18.6% allocation, respectively.

**TABLE 1: ALLOCATION TO INSTITUTIONS AND ORGANS OF EAC, FY 2014/2015**

Organ/Institution	Allocation in USD	Allocation in KES
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East Africa Kiswahili Commission	722,102	63,544,976
East African Health Research Commission	924,067	81,317,896
Total		10,918,127,000

### Financing the Budget of EAC

The Budget for the Financial Year 2014/2015 will mainly be financed through contributions by partner states and donors (Table 2). The largest source of financing is the development partners who will contribute KES. 6.44 billion, while the Partner States will contribute KES. 3.69 billion. Development partners contribute 60% of total finances for the operations of the Community, while Partner States contribute about 34%. This reflects substantial overreliance on donors in driving the activities of the Community.

**Table 2: Financing of the EAC budget, 2014/15**

Source of Funding	Amount in USD	Amount in KES
Partner States Contributions through the Ministries responsible for EAC Affairs	41,890,538	3,686,367,344
Partner States through other Agencies	5,067,735	445,960,680
Development Partners	73,180,446	6,439,879,248
IUCEA-Member University	375,190	33,016,720
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### Annex: Allocation per Priority Areas

Priority area	Allocation in USD	Allocation in KES	Percentage
Operationalization of the Single Customs Territory	2,267,790	199,565,520	1.83%
Implementation of the EAC-Common Market Protocol	25,636,170	2,255,982,960	20.66%
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<b>Total</b>	<b>124,069,625</b>	<b>10,918,127,000</b>	<b>100%</b>

## 5.0 THE COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

The Committee considered five reports from the East African Legislative Assembly made the following observations;

1. EALA should be commended for carrying out its oversight function and should be supported. It is worth commending the EAC for moving the Audit Commission from the Secretariat to the Assembly - this re-enforces the oversight role of the Assembly. On the downside, this Committee takes note of the request by the EALA General Purpose Committee that the EAC annual Report be presented in simpler language - while encouraging the EAC Secretariat to do that, the Committee is also concerned about the need for capacity building within EALA so that Committees are able to understand regional programmes and projects not just for the purpose of oversight but so that they can sensitize people effectively.
2. There is need for EAC Institutions to effectively and efficiently utilize the resources that are allocated to them and for this to happen, internal auditors play an important role.
3. East African Community Institutions face funding and staffing shortfalls which make them unable to fully deliver on their mandates. While the Committee recognizes the budgetary challenges in the region, these institutions should be supported even more and the Partner States should also be encouraged to remit their contributions in good time so that the Institutions can plan their work in a timely manner.
4. About 70% of the EAC budget is donor funded and Key EAC programmes and projects are at the mercy of donors which makes it impossible for the EAC to set its own agenda which also raises the question of ownership of the agenda. The Committee takes note of and encourages efforts by the Council of Ministers to seek alternative internal funding mechanisms for the Community so that the current shortfalls can be addressed to reduce the over-reliance on donor funding.
5. Implementation of EAC programmes and projects seems to be lagging behind and Partner States are encouraged to implement what they have committed to so that the regional agenda can move forward. As the region moves towards ratifying the Monetary Union Protocol, Partner States should work to fully implement the

Customs Union and the Common Market Protocols for the benefit of East Africans.

6. The Committee re-emphasizes on the need to conduct the East African sensitization on regional integration agenda to the citizens by the regional and national institutions concerned to inform them of the integration agenda and the opportunities available as a result.
7. The Committee re-emphasizes on the need to adequately fund the EALA Committees to enable them efficiently carry out their over-sight roles to the Community.



# **ANNEX 1**

# **MINUTES**

MINUTES OF THE 27<sup>TH</sup> SITTING OF THE SELECT COMMITTEE ON REGIONAL INTEGRATION HELD ON THURSDAY 17<sup>TH</sup> JULY, 2014 IN THE CONTINENTAL HOUSE, 5<sup>TH</sup> FLOOR, PARLIAMENT BUILDINGS, AT 12.00 PM.

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Present

1. Hon. Florence Kajuju, MP - Chairperson
2. Hon. Mary Seneta, MP
3. Hon. Eric Keter, MP
4. Hon. Kubai Iringo, MP
5. Hon. Mark Lomunokol, MP
6. Hon. Dido Ali Rasso, MP
7. Hon. Sarah Korere, MP
8. Hon. Kathuri Murungi, MP
9. Hon. David Karithi, MP
10. Hon. Wanjiku Muhia, MP
11. Hon. Robert Mbui, MP
12. Hon. Gideon Konchella, MP
13. Hon. Florence Mutua, MP
14. Hon. Rose Nyamunga, MP

Absent With Apology

1. Hon. Christopher Nakuleu, MP - Vice-Chairperson
2. Hon. Alois Lentoimaga, MP
3. Hon. Joseph Kahangara, MP
4. Hon. Dan Kazungu, MP
5. Hon. Emmanuel Wangwe, MP
6. Hon. Charles Nyamai, MP
7. Hon. Anthony Kimaru, MP
8. Hon. Peter Shehe, MP
9. Hon. Alex Mwiru, MP
10. Hon. Ali Wario, MP
11. Hon. Andrew Toboso, MP
12. Hon. Timothy Bosire, MP
13. Hon. Bady Twalib Bady, MP
14. Hon. Ann Nyokabi, MP
15. Hon. David Ouma, MP

## In Attendance

### Kenya National Assembly

- |                         |   |                       |
|-------------------------|---|-----------------------|
| 1. Ms. Esther Nginyo    | - | Third Clerk Assistant |
| 2. Mr. Robert Nyaga     | - | Fiscal Analyst        |
| 3. Mr. Fredrick Otieno  | - | Third Clerk Assistant |
| 4. Mr. Nicodemus Maluki | - | Third Clerk Assistant |
| 5. Mr. Daniel Mwanja    | - | Fiscal Analyst        |
| 6. Ms. Sharon Cheronu   | - | Research Officer      |

## MIN.CRI/NO.115/2014 PRELIMINARIES

The Chairperson called the meeting to order at 12.30 pm followed by a word of prayer.

## MIN.CRI/NO.116/2014 PRESENTATION BY THE PARLIAMENTARY BUDGET OFFICE ON THE BUDGET SPEECH OF THE EAC FOR THE FINANCIAL YEAR 2014/2015

The Parliamentary Budget Office made a presentation to the Committee on the Budget Speech for the East Africa Community (EAC) for FY 2014/2015 as follows;

The Budget Speech for 2014/2015 FY includes a review of progress made in implementing the 2012/2013 budget, achievements (for FY 2013/2014) and planned activities of the institutions and organs of EAC in the 2014/2015 FY, together with specific budgetary allocation and financing.

### 1. REVIEW OF EAC PROGRAMME PERFORMANCE FOR THE FINANCIAL YEAR 2012/2013

Budget performance for the Financial Year 2012/ 2013 was 74% percent. Performance reporting is done under the following broad thematic areas;

#### 1.1 DEEPENING ECONOMIC CO-OPERATION

##### 1.1.0 Customs Union-1st Pillar of EAC Integration Process

###### (a) Single Customs Territory

Attainment of a Single Customs Territory was one of the key priorities in the period under review. The framework for operationalization of the Single Customs

Territory was finalized and adopted by the Summit in November 2013. Operationalization commenced on 1st January 2014.

(b) Export Processing Zones and Special Economic Zones

The Community developed a Special Economic Zone (SEZ) Policy as it is envisaged under Articles 75 and 76 of the Treaty. This will ensure that Partner States embrace the evolution of Economic Zones in a structured and harmonized manner.

(c) COMESA-EAC-SADC Tripartite Arrangement

Under the Tripartite FTA Agreement, negotiations on Market Integration will be concluded by June, 2014 and signed during the 3rd Summit of the Tripartite Heads of State and Government in the 2nd half of 2014 and ratified by all the Member Partner States by December, 2014.

### 1.1.1 Common Market-2nd Pillar of EAC Integration Process

Article 50 of the EAC Common Market Protocol requires the development of a framework for monitoring and evaluating the implementation of the Protocol. The Community developed an EAC Common Market Scorecard 2014 that was formally launched in February, 2014. The scorecard covers three areas namely; capital, goods and services and created a guide on laws and regulations that should be amended to conform to the protocol.

The Scorecard should be able to assist Partner States to identify areas of slow or limited progress.

### 1.1.2 Monetary Union-3rd Pillar of EAC Integration Process

(a) East African Monetary Union Protocol

Protocol on the Establishment of the East African Monetary Union was signed at the 15th Ordinary Summit of EAC Heads of States on 30th November, 2013 in Kampala, Uganda. The EAMU Protocol outlines a ten-year roadmap towards a single currency by the year 2024.

(b) Coordination of Fiscal Policy

Realization of the Monetary Union requires harmonization and coordination of fiscal policies of the Partner States, and that

macroeconomic convergence be achieved and maintained for at least three years prior to the adoption of a Single Currency.

Areas that require harmonization include; coordination of budget processes, harmonization of tax policies and laws, coordination of public debt management and fiscal management of natural resources.

## **1.2 INFRASTRUCTURE DEVELOPMENT UNDERPINNING PILLARS OF EAC INTEGRATION PROCESS**

### **(a) Roads**

The Community completed the detailed designs of the Arusha – Holili / Taveta – Voi road project in February, 2013.

The designs for Malindi – Mombasa – LungaLunga and Tanga – Bagamoyo road are scheduled to be completed by June, 2014.

### **(b) EAC Corridors Initiatives**

The initiatives include one stop border posts, EAC Vehicle Load Control and one stop inspection stations. Other ongoing initiatives involve weighbridges improvements and rationalization, port capacity enhancement and construction of new ports.

## **1.3 POLITICAL FEDERATION- 4th PILLAR OF EAC INTEGRATION PROCESS**

The draft Model Structure of EAC Political Federation was considered by the 15th Summit of Heads of State. A meeting of Political Federation Experts together with Members of the EALA has been held to consolidate comments from national stakeholders.

Other strategies to lay the foundation for political federation include implementation of the programme on Good Governance, promotion and protection of human rights and strengthening democratic governance through deployment of Election Observation Missions to electoral processes in the Partner States.

## **1.4 COOPERATION IN LEGAL AND JUDICIAL AFFAIRS**

Four important pieces of legislation namely; The East African Community Holidays Act 2013; The East African Community Appropriation Act 2013; The East African Community Vehicle Load Control Act 2013; and The East African Community Supplementary Appropriation Act 2013 were enacted during the period under review.

## 1.5 COOPERATION IN THE PRODUCTIVE SECTORS

### (a) Energy Sector

Interconnection projects currently under implementation include:-

- (i) 400 kilo volt interconnection between Kenya and Uganda;
- (ii) 220 kilo volt interconnection between Uganda and Rwanda; and
- (iii) 220 kilo volt interconnection between Rwanda and Burundi.

The Kenya-Uganda and Uganda-Rwanda interconnectors are expected to be ready for commissioning in the first quarter of 2015 while the Rwanda-Burundi interconnector is expected to be ready for commissioning in mid-2016.

In preparation for anticipated regional interconnectivity of the power networks in the region, a set of key performance and reliability parameters have been identified that should be regularly collected and monitored.

### (b) Agriculture and Food Security

Strategies and measures for control of Aflatoxin contamination in agricultural production have been developed, Sanitary Measures for Fish and Fishery Products were launched this year, draft EAC Livestock Policy has also been developed as well as a draft Plan of Action for enhancing resilience of pastoralists in Arid and Semi-Arid Lands in the Community.

## 1.6 COOPERATION IN THE SOCIAL SECTORS

### (a) Health Sector

Four projects were implemented namely the Open Health Initiative, the EAC-UNFPA Collaborative Sexual Reproductive Health and Rights activities, the EAC regional immunization programme in collaboration with the GAVI Alliance supported by KfW and USAID and the European Commission funded Invest in Adolescents project.

### (b) Education, Science and Technology

In period under review, strategies and structures for the harmonization of the EAC Education system and training curricula were developed; and the agreement for the hosting of East African Science and Technology Commission (EASTECO) was signed between the Republic of Rwanda and the Community.

### (c) Gender, Community Development and Civil Society

During the period, the following policy documents to guide the mainstreaming of Gender, Community Development and civil Society mobilization were adopted: EAC Social Development Policy Framework, 2013; Participatory Gender Audit Report for EAC Organs and Institutions, 2013; and EAC Youth Policy, 2013.

## 2. ACTIVITIES OF THE INSTITUTIONS AND ORGANS OF EAC

### i) EAST AFRICAN LEGISLATIVE ASSEMBLY

#### Proposed activities and allocations for 2014/15

- Increment of members emoluments effective 1<sup>st</sup> July, 2014
- Allocation of USD490, 000 (KES 43.12M) for oversight activities of EALA
- Allocation of USD 255, 000 (KES 22.44M) for the sensitization of East African citizens about the EAC integration agenda.

### ii) EAST AFRICAN COURT OF JUSTICE

#### Achievements in FY 2013/14

- Installation of modern Case Management and Recording System which was launched by the EAC Heads of State Summit during its Extra-ordinary meeting on 30<sup>th</sup> April, 2014. The system has a provision for online filing of cases.
- The Court embarked on structured quarterly sessions where the Court session is normally organized to last one month in both Divisions. This is to cater for increased number of cases
- The court reviewed its rules of procedures and removed the court filing fees effective from April, 2013.

#### Planned activities for 2014/15 FY

- The Court is planning to link its Sub-Registries in Partner States to the Headquarters in Arusha during the Financial Year 2014/15. A provision of USD 350,000 (KES 30.8M) has been made in the budget.

### iii) LAKE VICTORIA BASIN COMMISSION

During the period 2013/2014, Lake Victoria Basin Commission (LVBC) continued to undertake activities outlined in the Strategic Plan 2011-2016. Some of achievements for period include;

- Strengthening of a resource centre which provides access to documents and reports produced by various Programmes of the Commission
- Development a Memorandum of Understanding to facilitate the Governments of the Republic of Kenya and the United Republic of Tanzania to manage the trans-boundary Biodiversity and water resources in Mara River Basin.
- LVBC has undertaken the basin-wide strategy for Sustainable Land Management and the regional water hyacinth surveillance and control strategy.
- Establishment of wildlife clubs in 10 Secondary Schools to advocate for anti-poaching of elephants and rhinos in Maasai Mara and Serengeti.
- The Commission also supported two small grant projects in Rwanda and Burundi on Community Driven Development and rural livelihood.

#### Key priorities for the financial year 2014/2015

- Strengthening of institutional and functional capacity of LVBC which will be implemented by the operationalization of the Result-Based Management System.
- Harmonization of policies, laws and standards to strengthen institutional development and governance in natural resources management.
- LVBC will undertake studies and put in place strategic plans, regional standards and information systems to boost the sustainable development of natural resources in the region and;
- Promotion of Integrated Water Resources Management.

### iv) INTER UNIVERSITY COUNCIL OF EAST AFRICA-IUCEA

Achievements for the FY 2013/14

- IUCEA developed guidelines for the development of a Postgraduate Programme in Climate Change and Food Security, to assist Universities.
- Developed guidelines for mainstreaming HIV/AIDS in the University curriculum
- In collaboration with the East African Business Council and the East African Development Bank, IUCEA organized the Second Academia – Private Sector Partnership Forum and Exhibitions 2013, which was held



in Nairobi, Kenya on 24th – 26th October 2013 aimed at providing a convergence platform for the academia and the private sector to discuss and strategize on effective mechanisms for promoting academia/private sector partnership in East Africa.

#### Planned activities for the FY 2014/15

- Construction of IUCEA headquarters in Uganda, the construction costs for phase one will be USD 1,537,695 (KES 135,317,160)
- Development of regional research and innovation programme for East Africa to promote enterprise evolution and growth, in collaboration with East African Development Bank (EADB) and East African Business Council (EABC)
- Harmonization of higher education systems to transform East Africa into a common higher education area.

#### v) LAKE VICTORIA FISHERIES ORGANIZATION-LVFO

##### Achievements for 2013/14

- Provision of scientific information to guide the management of fisheries resources in EA.
- Enforcement of fisheries regulations through joint patrols under the African, Caribbean and Pacific Group of States FISH II and Smart Fish Projects.
- LVFO conducted a study on widening its scope and mandate and transform it into East African Fisheries Organization.
- Establishment of grass-root institutions, the Beach Management Units (BMUs) to be partners in management.

##### Priorities for the 2014/15

- Building of the capacities of Beach Management Units (BMUs) through training, mentoring and strengthening the networks at different levels of governance at national levels;
- Establishment of the National Management Committee as foreseen in the Convention establishing LVFO;
- Improvement of internal controls through the migration to the SUN Accounting System and recruiting an Internal Auditor;

## VI) EAC CIVIL AVIATION SAFETY AND SECURITY OVERSIGHT AGENCY (CASSOA) Achievements during the Financial Year 2013/2014

- Provision of assistance, support and guidance to the Republic of Burundi in the preparation and performance of the International Civil Aviation Organization (ICAO) Comprehensive Systems Approach Audit;
- CASSOA engaged a Medical Assessor to provide guidance, support and assistance to the Partner States to comply with the ICAO Standards and Recommended Practices relating to aviation medicine;
- The Agency hosted training for technical experts in Runway Safety, Airworthiness, Flight Data Management and Dangerous Goods in partnership with AviAssist, CSI Aviation and International Civil Aviation Organisation; and
- It also developed a harmonized EAC Examination system that will facilitate issuance of harmonised personnel licensing in the Partner States.

### Priority activities planned for Financial Year 2014/2015

- Conducting an all-inclusive Stakeholders' consultations and sensitization programmes to ensure that a harmonized path is achieved in the implementation of the EAC Regulations in collaboration with the Civil Aviation Authorities;
- Assist the Partner States to develop and implement the developed Corrective Action Plans arising out of the ICAO Audits;
- Introduction of additional IT based systems such as the Computer Based Training targeting increased awareness of the aviation security requirements at aviation facilities and installations.

## vi) EAST AFRICAN DEVELOPMENT BANK-EADB

### Achievements for the FY 2013/14

- During the year under review, the Bank's net worth grew by 15% to USD 166 million (KES 14.608 Billion) by end of December 2013 as compared to USD 144 million (KES 12.672 Billion) in 2012.
- Non-performing loans have declined from 5.8% in 2012 to 1.3% in March 2014.
- The bank recorded total comprehensive income of USD 7.029 million (KES 618.552 Million) in 2013.
- The Association of African Development Finance Institution (AADFIs) rated the Bank as "AA" based on AADFIs Rating System thus making the Bank second best financial institution in Africa out of 39 institutions that were assessed.
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#### Planned activities in 2014/15

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#### CHALLENGES

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MIN.CRI/NO.117/2014 PRESENTATION BY DR. WANYAMA MASINDE

Dr. Wanyama Masinde made the presentation to the Committee on the Documents from East African Legislative Assembly (EALA) as follows;

A. The Budget Speech

- The Budget speech gives an update of the integration process including a list of achievements which is commendable.
- The speech also gives an update of many developments that have major implications for the region and Members are encouraged to read the document in detail.
- It is also worth noting that the EACC has put in place a Results-Based Performance Management System which is supported by a Monitoring and Evaluation system at the Secretariat. This should be encouraged and strengthened to ensure that regional projects and programmes achieve the intended goal.
- It is also important to highlight the savings brought about by the implementation of the Single Customs Territory on the Northern Corridor where multiple bonds have now been replaced by a single bond. These measures are also planned for the Central Corridor. It is important to support these measures which are intended at making the EAC Customs Union work.

- The Common Market Protocol that is beneficial to our country, and to the region, has not been fully implemented. There are laws that require amendment to conform to the Protocol and the National Assembly should play its rightful role in amending these laws.
- There are important protocols that have not been finalized. The draft Protocol on Good Governance and the draft Protocol on Preventing and Combating Corruption are yet to be finalized and signed. It should be acknowledged that the EAC Sectoral Council on Legal and Judicial Affairs is working to address the outstanding matters with regards to their conformity with the Treaty and national constitutions.
- Issues to look out for: Conclusion of the EAC-EU EPA and the impact of the COMESA-EAC-SADC Tripartite FTA on Kenya.
- The East African Monetary Union Protocol is in the process of ratification. Tanzania has been the first Partner State of the EAC to ratify it.
- There are efforts to make the Community a Common higher Education Area by 2015 - this will ensure that academic standards are common and recognized across the region so that our people can gain employment across the region.
- The budget:
  - Execution has been good this far at 74%
  - Commendable that the Oversight role of EALA has been recognized and budgeted for; and that the EAC Audit Commission has been moved to EALA to strengthen their Oversight mandate.
  - Sensitization of the people on the EAC is still low and it is commendable that there is an allocation to EALA to support this.
  - The dependency on donor funding for the budget is still too high and efforts to seek an alternative funding mechanism for the Community should be supported by all. If the region funds the budget, it will be able to set its own priorities and to own the process.

#### B. Committee Reports

- Commendable effort by Committees to carry out the Oversight mandate of the Assembly. On-the-spot inspections by EALA are an important tool for accountability by EAC institutions and they should be supported.
- We hope that EAC Organs and Institutions will address the recommendations of the Committees.
- With regards to the EAC Annual Report, the Committee on General Purpose requests that the report be put in simpler language. While this is important, it also highlights one fact - that the Committee lacks the necessary expertise to understand the technical language in the report. It defeats the purpose if the committee is not technically competent to understand the report and they should be supported with the requisite expertise.

- Some of the EAC Institutions lack adequate funding and they should be supported to deliver on their important mandates - otherwise, why set up new institutions whereas you cannot adequately fund those that you have already?
- Rwanda and Burundi are yet to join the Lake Victoria Fisheries Organization close to seven years after they joined the community - the Council of Ministers should move quickly to facilitate this.

MIN.CRI/NO.118/2014 MEMBERS CONCERNS

Members raised the following concerns on the Budget Speech that;

1. There is need for the Partner States to take ownership of the EAC and drive the integration agenda by increasing their contributions to reduce the overreliance on the donor funding.
2. The EAC Institutions are underfunded and therefore there is need to have robust funding of these institutions.
3. Implementation of the EAC programs needed to be fast-tracked for the benefits of the integration to be felt by the East African citizens.
4. There is need to ensure the movement of people across the region is made cheaper

MIN.CRI/NO.119/2014 RESOLUTIONS

Members resolved to meet at 4.30 pm to further go through the reports.

MIN.CRI/NO.120/2014 ANY OTHER BUSINESS

1. The Chairperson informed the Members that KEPSA had invited the Committee for breakfast meeting at Intercontinental Hotel on Wednesday, 30<sup>th</sup> July, 2014 starting from 7.30 a.m. to address on issues of the private sector experiences in doing business within the EAC. Members were urged to attend.
2. Ms. Sharon Cheron, a researcher assigned to the Committee was welcomed by the Chairperson.

MIN.CRI/NO.121/2014 ADJOURNMENT

The Chairperson adjourned the meeting at 2.15 pm. The next meeting will be at 4.30 pm.

Signed..........date ..... 24<sup>th</sup> JULY. 2014 .....



MINUTES OF THE 28<sup>TH</sup> SITTING OF THE SELECT COMMITTEE ON REGIONAL INTEGRATION HELD ON THURSDAY 17<sup>TH</sup> JULY, 2014 IN THE CONTINENTAL HOUSE, 5<sup>TH</sup> FLOOR, PARLIAMENT BUILDINGS AT 4.30 PM

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Present:

1. Hon. Florence Kajuju, MP - Chairperson
2. Hon. Andrew Toboso, MP
3. Hon. Kubai Iringo, MP
4. Hon. Timothy Bosire, MP
5. Hon. Dido Ali Rasso, MP
6. Hon. Sarah Korere, MP
7. Hon. Kathuri Murungi, MP
8. Hon. David Karithi, MP
9. Hon. Robert Mbui, MP
10. Hon. Gideon Konchella, MP
11. Hon. Florence Mutua, MP
12. Hon. Rose Nyamunga, MP

Absent With Apology

1. Hon. Christopher Nakuleu, MP - Vice-Chairperson
2. Hon. Alois Lentoimaga, MP
3. Hon. Joseph Kahangara, MP
4. Hon. Dan Kazungu, MP
5. Hon. Emmanuel Wangwe, MP
6. Hon. Charles Nyamai, MP
7. Hon. Anthony Kimaru, MP
8. Hon. Peter Shehe, MP
9. Hon. Alex Mwiru, MP
10. Hon. Ali Wario, MP
11. Hon. Bady Twalib Bady, MP
12. Hon. Ann Nyokabi, MP
13. Hon. David Ouma, MP
14. Hon. Mark Lomunokol, MP
15. Hon. Wanjiku Muhia, MP
16. Hon. Eric Keter, MP
17. Hon. Mary Seneta, MP

In Attendance

1. Ms. Esther Nginyo - Third Clerk Assistant
2. Mr. Fredrick Otieno - Third Clerk Assistant
3. Mr. Nicodemus Maluki - Third Clerk Assistant

MIN.NO. CRI/122/2014                      PRELIMINARIES

The Chairperson called the meeting to order at 5.00 p.m followed by a word of prayer from Hon. Florence Mutua, Mp.

MIN.NO. CRI/123/2014                      CONSIDERATION OF REPORTS FROM EALA

The Committee agreed that the report be done and be ready for adoption on Tuesday 22<sup>nd</sup> July, 2014 and directed the Secretariat to start working on the report and present it to the Committee.

MIN.NO. CRI/124/2014                      ANY OTHER BUSINESS

1. The Members were urged by the Chairperson to go through the reports and present their contributions in the next meeting.
2. The Members raised concerns over the pending visit to the various assemblies of the EAC

MIN.NO. CRI/125/2014                      ADJOURNMENT

There being no Other Business, the Chairperson adjourned the meeting at 5.30 p.m until Tuesday 22<sup>nd</sup> July 2014 at 12.00 noon.

Signed.....

Chairperson

Date.....*24<sup>th</sup> JULY . 2014*

MINUTES OF THE 29<sup>TH</sup> SITTING OF THE SELECT COMMITTEE ON REGIONAL INTEGRATION HELD ON TUESDAY 22<sup>ND</sup> JULY, 2014 IN THE MEDIA CENTRE, PARLIAMENT BUILDINGS AT 12.00 NOON

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Present:

1. Hon. Florence Kajuju, MP - Chairperson
2. Hon. Christopher Nakuleu, MP - Vice-Chairperson
3. Hon. Emmanuel Wangwe, MP
4. Hon. Eric Keter, MP
5. Hon. Dan Kazungu, MP
6. Hon. Gideon Konchella, MP
7. Hon. Kubai Iringo, MP
8. Hon. Andrew Toboso, MP
9. Hon. Peter Shehe, MP
10. Hon. Kathuri Murungi, MP
11. Hon. David Karithi, MP
12. Hon. Robert Mbui, MP
13. Hon. Alois Lentoimaga, MP

Absent With Apology

1. Hon. Joseph Kahangara, MP
2. Hon. Charles Nyamai, MP
3. Hon. Anthony Kimaru, MP
4. Hon. Alex Mwiru, MP
5. Hon. Ali Wario, MP
6. Hon. Bady Twalib Bady, MP
7. Hon. Ann Nyokabi, MP
8. Hon. David Ouma, MP
9. Hon. Mark Lomunokol, MP
10. Hon. Wanjiku Muhia, MP
11. Hon. Rose Nyamunga, MP
12. Hon. Florence Mutua, MP
13. Hon. Sarah Korere, MP
14. Hon. Mary Seneta, MP
15. Hon. Timothy Bosire, MP
16. Hon. Dido Ali Rasso, MP

In Attendance

- 1. Ms. Esther Nginyo - Third Clerk Assistant
- 2. Mr. Fredrick Otieno - Third Clerk Assistant
- 3. Mr. Nicodemus Maluki - Third Clerk Assistant

MIN.NO. CRI/126/2014 PRELIMINARIES

The Chairperson called the meeting to order at 12.34 p.m followed by a word of prayer.

MIN.NO. CRI/127/2014 ADOPTION OF THE COMMITTEE REPORT ON EALA REPORTS

After going through the report, the Committee adopted the report unanimously as proposed by Hon. Andrew Toboso, MP and seconded by Hon. Robert Mbui, MP.

MIN.NO. CRI/129/2014 ADJOURNMENT

There being no Other Business, the Chairperson adjourned the meeting at 1.37 p.m.

Signed.....

Chairperson

Date..... 24<sup>th</sup> JULY, 2014 .....



**EAST AFRICAN COMMUNITY  
EAST AFRICAN LEGISLATIVE ASSEMBLY**

**REPORT OF THE COMMITTEE ON  
COMMUNICATIONS, TRADE AND INVESTMENTS  
ON THE ON-SPOT ASSESSMENT OF THE EAC SINGLE  
CUSTOMS TERRITORY (SCT)**

February 5<sup>th</sup> to 9<sup>th</sup> 2014, Mombasa - KENYA

Clerk's Chambers  
EALA Wing  
EAC Headquarters  
Arusha, Tanzania

May 2014

## **1.0 BACKGROUND**

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Members of the business community are engaged in cross-border trade within the East African Community countries although businesses are severely hampered by inefficient trade facilitation systems. In bid to implement the EAC Customs Union Protocol, EAC Partner States have embarked on fast tracking the Single Customs Territory (SCT) whose framework was adopted by the EAC Summit of Heads of States in November 2013.

Under the SCT arrangement, the EAC member states will adopt a destination model of clearance of imports whereby the assessment and collection of tax revenues on such consignments will be done at the first point of entry. This allows free circulation of goods within the single EAC market, with variations to accommodate exports from one partner state to another. In that regard, Customs administrations in destination states retain control over the assessment of taxes. This will crystallize the gains of regional integration characterized by minimal internal border controls and more efficient institutional mechanisms for clearing goods out of Customs control.

Pursuant to article 49 (2) (e), " the Assembly may for purposes of carrying out its functions, establish any Committee or committees for such purposes as it may deem necessary to exercise both legislative and oversight functions on all matters within the scope of the EAC through meetings, studies, workshops; tours, on spot assessment activities, to mention but a few.

In order to exercise its oversight mandate the EALA Committee on Communications, Trade and Investment has found it imperative to undertake an on-spot assessment on the Port of Mombasa to engage Ports and Customs Authorities, EAC SCT Technical Working Groups, Private Sector on the preparedness and processes for the implementation of EAC SCT. Ports administration play a significant role in the operationalisation of the Single Custom Territory to improve business environment in the EAC region.

## **1.1 Objectives of the On-Spot Assessment**

The objectives of the on spot assessment were to:-

- (a) Understand the framework in place for the operationalisation of the Single Custom Territory;
- (b) Find out the operations and processes that will be involved in the implementation of the EAC Single Customs Territory;
- (c) Identify the expectations, fears/challenges that will be involved and recommendations to address them;
- (d) Visit Ports and Customs Authorities site installations and facilities to acquaint themselves with cargo handling and clearance procedures.

## **1.2 Methodology**

The Members of the Committee on Communications, Trade and Investment held meetings from 5th to 9th February 2014 with various stakeholders. Amongst them were Kenya Revenue Authority (Customs), EAC Technical Working Groups on the SCT, Kenya Ports Authority and the Business Community. The Committee also carried out a guided tour on site installations and facilities in place including cargo handling and clearance processes and procedures. From these visits and meetings, the committee took stock of the observations and recommendations.

## **2.0 FINDINGS**

### **2.1 Framework for the Operationalization of the SCT**

#### **2.1.1 Introduction**

The Treaty for the establishment of the EAC was signed on 30th November 1999 and entered into force on 7th July 2000. Under Article 5(2) of the Treaty establishing the East African Community, EAC Partner States undertook to establish; a Customs Union, a Common Market, a Monetary Union, and ultimately a Political Federation.

The Protocol on establishment of the EAC Customs Union was concluded in 2004 and implementation commenced in January 2005 with the enactment of the EAC Customs Management Act. In addition, to achieve a fully fledged

Customs Union there was need to attain a Single Customs Territory (SCT) which is attainable by the removal of duties and other restrictive regulations and/or minimization of internal border customs controls on goods moving between Partner States with an ultimate realization of free circulation of goods.

In April 2012, the Summit adopted the Destination Model of clearance of goods where assessment and collection of revenue is at the first point of entry. In November 2013, the summit received the report on attainment of the SCT and took note that the framework for the operationalization of the SCT had been finalised and adopted by the Council in November 2013; and the Summit directed that the SCT commences on 1st January 2014 and that all operational requirements be finalised by June 2014.

### **2.1.2 Purpose and Objectives of the SCT**

The main purpose of the Framework is to act as a tool and policy document that spells out the Scope of EAC SCT, and commitment of Partner States to fully operationalize the Customs Union and Common Market. Specific objectives include;-

1. Reducing the cost of doing business;
2. Enhanced application of cross border ICT systems and quality data collection at the regional level;
3. Enhanced capacity and improved coordination of the private and public sector agencies;
4. Enhanced compliance to regional standards and instruments.

### **2.1.3 Benefits of the SCT**

1. Reduced cost of doing business by eliminating duplication of processes;
2. Reduced administrative costs and regulatory requirements;
3. Enhanced capacity of the private and public sector agencies
4. Creation of a mechanism for prevention of smuggling at a regional level;
5. Reduced risks associated with non-compliance on the transit of goods;
6. Enhanced application of Information Technology (IT) and data collection at the regional level;



7. Realization of economies of scale and optimal use of resources in clearance of goods in the EAC.

#### **2.1.4 Pillars of The SCT**

The framework is hinged on the following Pillars; -

1. **Free circulation of goods.** The following goods are classified as follows ;-
  - i) **Imports into the EAC;**- these include goods for direct home use, warehousing, transit, and goods for temporary importation.
  - ii) **Intra-EAC transfer of goods;** - these include transfer of duty paid goods, ex-warehousing between Partner States, treatment of goods in Special Economic Zones, Export Processing Zones and Free Ports, temporary transfer, transfer of locally produced goods, movement of exempted goods and country specific remissions or stay of application of the Common External Tariff (CET).
  - iii) **Export of goods from Partner State to markets outside the EAC;**- this involves preparation of export entries and goods dispatched under seal depending on the level of risk of the consignment, Exports covered by either a single regional bond guarantee and/or monitored by the Electronic Cargo Tracking System (ECTS).
  - iv) **Port and Border Operations;**- there are a number of agencies involved in the port and border operations and these include;- Customs, Port/Airport Authorities, Bureau of Standards, Public health, security, Food and Drugs Authorities, Pest Control bodies, Radiation Authorities, Clearing agencies, Shipping agencies; Banks, Transport, Shipping and handling companies.

There are principles that apply under free circulation of goods and these include; One Stop Border Post Model which will apply where established, Multi agency Coordinated Border Management (CBM) Model which will apply at the Ports through a Single Window System, a mechanism for mutual recognition in respect of certificates and other administrative instruments; Partner States may have representation of their governments and licensed agencies at the ports of entry or exit.

## **2. Revenue Management in SCT**

On the issue of Revenue Management, Partner States agreed to adopt a destination principle where assessment and collection of revenue is at the first point of entry, this policy takes into account the following; efficiency in clearance of goods, confirmation and notification of payments, tracking of goods after release from the first point of entry, and reconciliation of customs transactions among Partner States.

Effective information and communication systems among the Partner States where declaration process of goods will be initiated in the Partner States of destination and taxes will be paid to the respective Partner States, and finally goods will be released upon confirmation that taxes have been paid and appropriate customs procedures have been fulfilled.

The preconditions for the operationalization of free circulation of goods and revenue management in the SCT include;-

- i. ICT requirements such as Compatible and interfaced Customs systems, all major customs stations must have functioning ICT systems,
- ii. Regional Cargo tracking systems,
- iii. Implementation of the Regional Customs Transit Guarantee Scheme to enable the operationalization of a regional bond.

With regard to road map of the SCT, all key activities that enable the implementation of the SCT will be accomplished by June 30th 2014.

### **2.1.5 Milestones achieved in the SCT**

The progress so far made with regard to the framework for the implementation of the SCT is highlighted as below; -

1. The EAC meeting of the Committee on Customs composed of Commissioner Generals of Revenue Authorities and Commissioners for Customs was held on 17th January 2014 and the Technical Working Groups (TWGs) were established;
2. Each Partner State was assigned to take lead of the work of TWG;
3. Each Partner State and the Secretariat appointed the focal persons;

4. The scope of work of the TWGs was developed;
5. The sessions of the TWGs and Committee on Customs were agreed.

#### **2.1.6. Other Key Issues Agreed**

1. **Piloting.** The implementation process of the SCT will apply a phased approach based on the priorities to be piloted as determined by the TWGs in consultations with Commissioners of Customs of Partner States;
2. **Resources.** The SCT has financial implications, therefore the Secretariat will mobilise resources to cover activities of the TWGs and the need for logistical support from Partner States;
3. **Monitoring and Evaluation (M&E).** The Commissioners of Customs constitute the M&E Team in liaison with the EAC Directorate of Customs;
4. **Capacity Building.** Strengthen the human resource capacity of the EAC Directorate of Customs.

#### **2.1.7 Establishment of the Technical Working Groups (TWGS) and Scope of Work**

The Committee was informed that the establishment of TWGs was a response to the directives of the 28th Council of Ministers and the 15th Ordinary Summit both held on 28th and 30th November 2013 respectively; that the SCT commences on 1st January 2014 and that all operational requirements be finalized by June 2014.

The EAC meeting of the Commissioner Generals constituted Technical Working Groups (TWG) and agreed that each Partner States shall take a lead to spearhead the work of TWGs. In order to ensure efficient and effective coordination of the TWGs activities, Partner States appointed focal persons at Senior Management level to work closely with the EAC Directorate of Customs. The approved TWGs and focal persons are as indicated below:

S/N	TWGs Name	Country to take Leadership	Country/Secretariat Coordinators
1	Business Flows and Legal	Uganda	Ms. Sarah Mwesigye
2	ICT	Rwanda	Robert Mugabe
3	Compliance and Enforcement-	Kenya	Mr. Nicholas Kinoti
4	Capacity Building and change Management-	Burundi	Mr. Leonce Niyonzima
5	Inter-agency Cooperation	Tanzania'	Dr. Patrick Mugoya
6	SCT Coordinator	EAC	James Kuleiye-

### 2.1.8 Scope of Work of the TWGs

Partner States further agreed on the scope of work that will be undertaken by the TWGs as indicated below:-

S/N	Name of TWGs	Areas to be covered
1.	Business Flows and Legal	a) Review and develop SCT Business Flows b) Review and propose an appropriate regional Bond Management Systems. c) Integration of other regional trade facilitation initiatives in the SCT operational mechanism. d) Develop a detailed schedule of activities leading to the operationalisation of the SCT including process documentation, inspection of facilities, testing and piloting. a) Review existing laws and regulations to cater for: <ul style="list-style-type: none"> <li>• Cross border ICT,</li> <li>• Regional Bond,</li> <li>• Operations of Customs from other Partner States at the first point of entry</li> </ul> e) Identify and review any other legal instruments relevant to the operationalization of the SCT f) Any other work relevant to the achievement of SCT
2	ICT	a) Develop solutions for interconnecting customs systems including Cargo tracking systems and any other trade facilitation systems b) Any other work relevant to the achievement of SCT
3	Compliance and Enforcement	a) Review Enforcement and Compliance Regulations and processes to cater for the SCT. b) Develop monitoring mechanism for compliance. c) Any other work relevant to the achievement of SCT
4	Capacity Building and Change Management	a) Identify, develop and implement capacity building interventions to support the SCT b) Any other work relevant to the achievement of SCT
5	Inter-agency cooperation	a) To develop mechanisms for inter-agency cooperation to facilitate the SCT. b) Any other work relevant to the achievement of SCT

### 2.1.9 Other findings observed during the On-spot Assessment

1. It was observed that Kenya Revenue Authority (KRA) introduced the cash bonds to prevent against the possibility of dumping of imports transiting through Mombasa destined to the hinterland, a scenario called “short landing”, where importers deliver less or no cargo to the final destination. If no dumping or short landing happens, the money paid for the cash bonds is refundable; but refund is an arduous process and therefore a disguised non-tariff barrier that cripples the hinterland import sector.
2. The Simba System used by KRA does not allow automatic bond cancellation. It is therefore done manually and this causes delays on bond cancellation.
3. Non-implementation of the EAC Common Market Protocol. For example unharmonized work permits’ requirements in the EAC still hindering the business people to operate in any country of their choice.
4. High communication costs in the EAC region may affect the operationalisation of the single customs territory.
5. A study on cost reduction is in the offing and it intends to come up with quantitative analysis on the central corridor as a result of the Single Customs Territory.
6. The legal team is in the process of amending the EAC Customs Union Protocol to support the operationalisation of SCT especially to cater for extra territorial and single bond issues among others.
7. Some items are being piloted on single customs territory operational basis. This piloting started on 1st February 2014 and the items being piloted include; Clinker, Petroleum products, and wheat.
8. Clearing agents decried difficulties of accessing *seals* and *passwords* for respective Partner States to clear goods using Asycuda World System. However clearing agents from Uganda have already started training programs in Mombasa to train their fellow clearing agents.
9. Full implementation of the EAC Single Customs Territory is slated for July 2014.
10. Partner States agreed to come up with their respective cargo tracking systems that would be integrated and harmonized for purposes of the SCT.

11. The capacity of the port of Mombasa has been expanded to meet the increased number of ships due to completion of berth no.19, ICT upgrading has been made, and Kenya Ports Authority has established offices in all EAC Partner States. All these are aimed to handle the fast growing demand at the port of Mombasa.
12. The committee visited the One Stop Centre in Mombasa where all government agencies are housed including those of Uganda Revenue Authority and Rwanda Revenue Authority. The Manifest Management System (MMS) is in place, a system that facilitates the process of the scanning and cargo clearing in a single customs territory.

### **3.0 RECOMMENDATIONS**

1. Capacity building and sensitization programs undertaken to various stakeholders on the operations and processes involved in the SCT should be continuous and given timeframes;
2. Efforts should be made to fully implement the East African Common Market Protocol i.e free movement of people, goods, capital and services to enable the operationalisation of the SCT;
3. EALA should keep track of the progress of the SCT until is fully implemented and liaise with the TWGs to determine the required legal instruments necessary for its operationalization;
4. The Committee should also visit the port of Dar es Salaam for purposes of EAC Single Customs Territory.


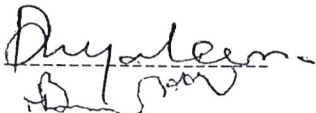
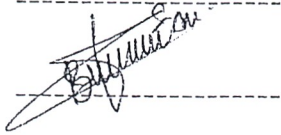

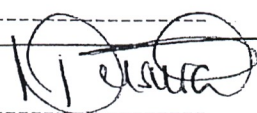
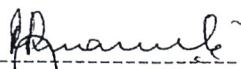
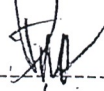
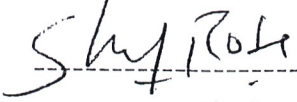


### **4.0 ACKNOWLEDGEMENTS**

1. The committee wishes to express its utmost appreciation for efforts and commitment made by EAC Partner States in the process of fast tracking the EAC Single Customs Territory.
2. The committee is also indebted to all stakeholders who spared their precious time to participate in this activity and also for their support and cooperation throughout the activity period.
3. Special thanks go to EALA management for the tireless efforts in mobilizing resources and all logistical arrangements to make this activity a reality.

**MEMBERS OF THE COMMITTEE ON COMMUNICATIONS, TRADE AND INVESTMENT**

**Report for On-spot Assessment on the Single Customs Territory (SCT)**

*February 5<sup>th</sup> – 9<sup>th</sup> 2014, Mombasa - Kenya*

<b>Name</b>	<b>Signature</b>
1. Hon. Angela Charles Kizigha	
2. Hon. Adam Omar Kimbisa	
3. Hon. Dan F. Kidega	
4. Hon. Dora K. Byamukama	
5. Hon. Dr. James Ndahiro	
6. Hon. Emerence Bucumi	
7. Hon. Frederic Ngenzebuhoro	
8. Hon. Joseph Kiangoi Ombasa	
9. Hon. Nancy Abisai	
10. Hon. Nusura Tiperu Omar	
11. Hon. Patricia Hajabakiga	
12. Hon. Peter Mathuki	
13. Hon. Shy-Rose S. Bhanji	
14. Hon. Straton Ndikuryayo	
15. Hon. Yves Nsabimana	



**EAST AFRICAN COMMUNITY**

**EAST AFRICAN LEGISLATIVE ASSEMBLY**

**COMMITTEE ON AGRICULTURE, TOURISM AND NATURAL  
RESOURCES**

**REPORT OF THE 2ND PARLIAMENTARIANS  
WORKSHOP ON CLIMATE CHANGE**

**16<sup>TH</sup> - 18<sup>TH</sup> DECEMBER, 2013  
NAIROBI, KENYA**

Clerk's Chambers  
EAC HQ, EALA wing  
Third Floor  
Arusha, TANZANIA

February 2014



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## ACRONYMS

AfDB	African Development Bank
AGN	Africa Group of Negotiators
AUC	African Union Commission
AMCEN	African Ministerial Conference on the Environment
CC	Climate Change
CCU	Climate Change Unit- Uganda
CCCU	Climate Change Coordination Unit
CAHOSCC	Committee of African Heads of State and Governments on Climate Change
CDM	Clean Development Management
CER	Certified Emission Reduction
CEO	Chief Executive Officer
COP19	19 <sup>th</sup> Conference of Parties
CMP9	9 <sup>th</sup> Meeting of Parties to the Kyoto Protocol
COMESA	Common Market for East and Southern Africa
DNA	Designated National Authorities
DRR	Disaster Risk Reduction
EAC	East African Community
EALA	East African Legislative Assembly
EACCCF	EAC Climate Change Fund
EACCX	EAC Carbon Credit Exchange
EADB	East African Development Bank
EDPRS	Economic Development and Poverty Reduction Strategy
ETS	Emissions Trading Scheme
FONERWA	Rwanda National Climate and Environment Fund
GCF	Green Climate Fund
GEF	Global Environment Facility
IGEBU	Geographic Institute of Burundi
JI	Joint Implementation
KenGen	Kenya Electricity Generating Company
LDC	Least Developed Countries
LCCF	Least Developed Countries Fund
LPAR	Legal Preparedness Assessment Report
MINRENA	Ministry of Natural Resources
MIE	Multi-lateral Implementing Entity
NAPAs	National Adaptation Programmes for Action
NIE	National Implementing Entity
NCCSAP	National Climate Change Strategy and Action Plan
ODA	Overseas Development Aid
PREPARED	Planning for Resilience through Policy, Adaptation, Research and Economic Development in Eastern Africa Project
PDD	Project Development Document
RDB	Rwanda Development Board
REMA	Rwanda Environment Management Authority
RCC	Regional Collaboration Centre on CDM
REC	Regional Economic Community
RIE	Regional Implementing Entities (RIEs)
SADC	Southern Africa Development Community
SCCF	Special Climate Change Fund
UNFCCC	United Nations Framework Convention on Climate Change
USAID/EA	United States Agency for International Development East Africa

## 1.0. INTRODUCTION

### 1.1. Background

Climate change is defined as the change in the state of the natural environment which persists for an extended period, typically for decades or centuries. The effects of climate change particularly climatic disasters of floods and droughts have serious and significant impacts on communities, ecosystems and economies with negative impact on sustainable development in developing countries and least developed countries are most vulnerable to climate change.

As representatives of the citizens of the East African Region, the Members of East African Legislative Assembly showed concern on this regional threat and searched for understanding it better with a view to contributing to finding a lasting solution, which can come, in the future as a law on Climate Change. As a result, the East African Legislative Assembly Committee on Agriculture, Tourism and Natural Resources followed very specialized workshops based on Climate Change issues where technical presentations and exchanges of experiences between focal points from the East African Region took place. The first workshop came out with a Resolution which has been adopted by the Assembly in January 2013. The 2<sup>nd</sup> Climate Change Workshop for Parliamentarians was held from **16<sup>th</sup>-18<sup>th</sup> December 2013 in Nairobi Kenya**, to evaluate the level attained in the implementation of the said resolution.

### 1.2 Objectives of the Workshop

The overall objective of the Workshop was to deliberate on the implementation status of the EALA Resolution on Climate Change and to consider and deliberate on the following:

- (i) *the existing Climate Change Legal and Institutional Frameworks in the EAC Partner States;*
- (ii) *the implementation status of the EALA Climate Change Report and Resolution;*
- (iii) *the outcome of the 19<sup>th</sup> Conference of Parties (COP19) to the United Nations Framework Convention on Climate Change (UNFCCC), also serving as the 9<sup>th</sup> Meeting of Parties to the Kyoto Protocol (CMP9) held from 11<sup>th</sup>-22<sup>nd</sup> November 2013 in Warsaw, Poland;*
- (iv) *the climate change financing options for the region; and*
- (v) *the best practices in climate change adaptation and mitigation projects in the energy sector with a focus on the Olkaria Geothermal Power Project (1<sup>st</sup> and largest Geothermal Power Station in Africa).*

### 1.3 Participation

The Meeting was attended by Honourable Members of the Committee on Agriculture, Tourism and Natural Resources of the 3<sup>rd</sup> East African Legislative Assembly (EALA), Hon. Jessica Eriyo, Deputy Secretary of the East African Community, Productive and Social Sectors, representatives from the EAC Partner States National Parliaments and National Focal Points on Climate Change. Experts on Climate Change from COMESA Secretariat as well as staff members of the EAC Secretariat and the East African

Legislative Assembly also participated to the workshop.

The List of Participants is hereto attached as **Annex I**.

#### 1.4 Opening Remarks

In the remarks by the Committee Chairperson, it was noted that climate change is a major challenge to sustainable development with adverse impacts. Emphasis was on the need to focus on concrete solutions to ensure mainstreaming of climate change in development planning. The Assembly's commitment on climate change through the Committee on Agriculture, Tourism and Natural Resources was also pointed out, noting that the 1<sup>st</sup> Session of the 4<sup>th</sup> Meeting of the East African Legislative Assembly (EALA) held from 21<sup>st</sup> January to 1<sup>st</sup> February, 2013 in Bujumbura, Burundi adopted the *Climate Change Workshop Report and the EALA Resolution on Climate Change*. Participants were equally informed that the Committee provided support on the draft on EAC Disaster Risk Reduction and Management Bill 2013 that was introduced as a Private Member's Bill and has since been taken by Council.

The remarks ended with appreciation of the ongoing collaboration between the EAC Secretariat and the East African Legislative Assembly and congratulations to Hon. Jesca Eriyo, the Deputy Secretary General for her dedicated support and appreciation to the EAC Secretariat and the Development Partner USAID for supporting the workshop.

*Hon. Jesca Eriyo, EAC Deputy Secretary General for Productive and Social Sectors*, welcomed the Honourable Members of EALA to the Workshop and thanked them for finding time to deliberate on climate change issues during the early days of the 3<sup>rd</sup> Assembly. She highlighted recent EAC's achievements noting that the 27th Meeting of the Council of Ministers held on 31<sup>st</sup> August 2013 approved amongst others the following key climate change strategic documents:

- (i) consolidated Proposals for Human Resource Capacity Enhancement for the Department of Environment and Natural Resources (*EAC/CM 27/Decision 24*) that includes a the Technical Proposal for the Establishment of the EAC Climate Change Coordination Function
- (ii) the EAC Climate Change Strategy and EAC Climate Change Master Plan (*EAC/CM 27/Decision 26*);
- (iii) Operational Modalities for the EAC Climate Change Fund (*EAC/CM 27/Decision 28*);
- (iv) EAC Disaster Risk Reduction and Management Strategy (*EAC/CM 27/Decision 28*);

She further noted that the Climate Change documents are in accordance with the EAC Climate Change Policy that was approved by the 9th Extra Ordinary Meeting of the EAC Heads of State Summit on 19th April 2011 in Dar es Salaam, Tanzania.

She also informed the Committee that EAC participated for the very first time as an accredited organization at the 19th Conference of Parties (COP19) to the United Nations Framework Convention on Climate Change held from 11-22 November 2013 in Warsaw, Poland based on the earlier recommendations of EALA. EAC also co-hosted a joint COMESA-EAC-SADC side event at the margins of COP19/CMP on 20<sup>th</sup> November 2013

in Warsaw, Poland. The theme of the side event was *“Enhancing Climate Smart Innovations in Eastern and Southern Africa: Sharing Key Successes and Partnerships for Climate Change Adaptation in Eastern and Southern Africa”*. She concluded by thanking the Hon. Members for finding time to attend to the Meeting and their continuous support on sectoral issues.

## **2.0 METHODOLOGY**

The workshop was conducted in an interactive approach where technical presentations were made by experts from EAC Partner States and EAC Secretariat and facilitators from COMESA Secretariat, PREPARED Project and Kenya Electricity Generating Company (KenGen) followed by interactive sessions. A field visit was also used as a methodology to allow participants explore best practices in climate change adaptation and mitigation projects in the renewable energy sub-sector.

## **3.0 FINDINGS OF THE WORKSHOP AND THE FIELD VISIT**

The Session of technical presentations was based on the status of climate change policy, legal and institutional frameworks in EAC region; it also considered the status of implementation of the East African Legislative Assembly Report of the Workshop on Climate Change held in Mwanza in November 2012 and the Resolution of the Assembly on Climate Change.

### **3.1. Status of EAC Climate Change Policy, Legal and Institutional Framework**

An overview of the EAC Climate Change Policy priorities with a focus on financial and institutional arrangements with regards to implementation of the Policy was presented to Members. It was pointed out that the Policy also elaborates on regional adaptation, mitigation, research and development as well as cross cutting issues with regards to climate change. The presentation highlighted the following:

- (i) need for establishment of a clearly defined regional coordination and management structure to address regional coordination efforts;
- (ii) information on the Policy which further states that the establishment of an appropriate regional implementation structure will be guided by the Protocol for Environment and Natural Resources Management and the proposal for the establishment of an EAC Climate Change Function;
- (iii) information on the Policy which recognizes the Sectoral Council on Environment and Natural Resources as the highest decision making body on all matters regarding climate change as per the EAC Treaty;
- (iv) proposed regional institutional arrangements mandated to oversee the effective implementation of the EAC Climate Change Policy through the EAC Climate Change Strategy, Master Plan and the EAC Climate Change Fund. The coordinating institution shall be vested, inter alia, with the specific mandate to design climate change policies, strategies and plans; designing relevant projects; promoting the introduction of climate change in education curriculum; and building the capacity of research institutions involved in climate change-related issues;

### 3.2 Status of the EALA Report on Climate Change and Resolution on Climate Change

The status of the EALA Report on Climate Change and Resolution on Climate Change was presented to participants. It was reminded that the 1<sup>st</sup> Session of the 4<sup>th</sup> Meeting of the East African Legislative Assembly (EALA) held from 21<sup>st</sup> January to 1<sup>st</sup> February in Bujumbura, Burundi considered and adopted amongst others, the Climate Change Report and resolution. The Report observes the need to fast track the operationalization of the EAC Climate Change Fund established by the Council of Ministers in 2010 through putting in place necessary legal instruments and recommended the following amongst others:

- (i) need for the Council of Ministers to introduce a Bill aimed at operationalizing the EAC Climate Change Fund and providing a legal framework for the EAC Climate Change Policy;
- (ii) need to capitalize the EAC Climate Change Fund to support regional climate change negotiation strategies and effectively implement regional programmes, policies and strategies;
- (iii) need to build synergy with other Regional Economic Communities (RECs) and the African Union Commission (AUC) towards consolidating common position for Africa on climate change through the African Ministerial Conference on the Environment (AMCEN);

### 3.3. Status of Climate Change Policy, Legal and Institutional Framework in the EAC Partner States.

Climate Change Experts from Partner States made presentations on the status of the Climate Change Policy, Legal and Institutional Frameworks in their respective Partner States.

#### 3.3.1. Climate Change Policy and Legal Framework in Burundi

Mrs. Renilde Ndayishimiye, Director General, Geographic Institute of Burundi (IGEBU), gave an overview of the Burundi National Climate Change Policy and Comprehensive National Climate Change Strategy and Action Plan (NCCSAP) as well as the existing and proposed climate change institutional framework and budget of the Action Plan. She highlighted the following :

- (i) Burundi has submitted the 1<sup>st</sup> and 2<sup>nd</sup> National Communications on Climate Change, the 3<sup>rd</sup> National Communication is under preparation,
- (ii) National Platform on Disaster Risk Reduction;
- (iii) Adaptation and Disaster Risk Reduction Strategy ( DRR)
- (iv) National Strategy on Biodiversity
- (v) Policy and Strategy on Water Resources
- (vi) Sector group on Environment, Water and Sanitation

### 3.3.2. Climate Change Legal and Institutional Frameworks in Rwanda

Mr. Fred Daniel Nzasabimana, Environment Expert, Ministry of East African Community, Rwanda gave an overview of the National Environment and National Development Policies promoting environmental management and climate change adaptation and mitigation; institutional arrangements and ongoing projects and programmes. He highlighted the following:

- (i) The Constitution of Rwanda, the Environment Policy; Economic Development and Poverty Reduction Strategy (EDPRS II); National Green Growth and Climate Resilience Strategy and the Five years Government Climate Change Strategic Plan
- (ii) Climate Change Institutional Framework in Rwanda comprises of the Ministry of Natural Resources (MINRENA) and the Rwanda Environment Management Authority (REMA). REMA has a Department in Charge of Climate Change & International Obligations has been established under REMA; Rwanda Development Board (RDB) and the National Climate and Environment Fund (FONERWA)
- (iii) The following Environment and Natural Resources laws are in place:
  - (a) Organic Law N° .04/2005 of 08/04/2005 determining the modalities of protection, conservation and promotion of environment in Rwanda.
  - (b) Ministerial Order regulating the importation and exportation of ozone layer depleting substances products and equipment containing such substances, 2008
  - (c) Ministerial Order preventing activities that pollute the atmosphere, 2008
  - (d) Ministerial Order determining the list of chemicals and other prohibited pollutants, 2008
  - (e) Ministerial Order on the establishment of the National Man and Biosphere Committee, 2010
  - (f) Law determining the organization, functioning and mission of the National Fund for Environment (FONERWA), 2012;

### 3.3.3. Climate Change Legal & Institutional Frameworks in Kenya

Ms. Fatuma Mohamed Hussein, Ag. Director, Ministry of Environment, Water & Natural Resources, Kenya highlighted the following:

- (i) Kenya Constitution 2010;
- (ii) Kenya National Climate Response Strategy(NCCRS);
- (iii) National Climate Change Action Plan (NCCAP 2013-2017);
- (iv) Kenya has undertaken an assessment of existing policies, laws and institutional frameworks through the Legal Preparedness Assessment Report (LPAR). LPAR identified gaps, barriers and opportunities for effective climate change -provides the analytical basis for strengthened and reformed to support climate response
- (v) there are over 90 relevant laws –fragmented & gaps in the existing climate change related institutions and policy frameworks;
- (vi) Ministry of Environment, Water & Natural Resources (MEW&NR); National Climate Change Secretariat at MEW&NR; Climate Change Desk Offices/Units

- in several ministries/institutions; National Climate Change Activities Coordination Committee (NCCACC);
- (vii) Proposes the establishment of a high level National Climate Change Council (at the Office of the Presidency) for policy coordination, direction, oversight and guidance across all levels of government;
  - (viii) Proposes the establishment of a Kenya Climate Change Fund in the Ministry of Finance to facilitate implementation of the Action Plan; and
  - (ix) Kenya is also in the process of preparing a coherent standalone climate change policy, climate change law and undertaking institutional reforms.

### 3.3.4. Climate Change Legal & Institutional Frameworks in Uganda

*Mr. James Magezi-Akiiki*, Assistant Commissioner of Meteorology-Ministry of Water and Environment, Uganda submitted a copy of Uganda's presentation in absentia. The presentation highlighted the following key issues:

- (i) Climate Change Coordination Unit has been established at the Ministry of Water and Environment;
- (ii) the functions and mandate of the Climate Change Unit include: acting as the National Focal Point on Climate Change, to the United Nations framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol; co-ordinate climate change stakeholder involvement in different sectoral actions; acting as the Secretariat to the Designated National Authority (DNA) for Clean Development Mechanism (CDM) projects; ensuring Uganda's effective participation in the climate change negotiations at National, Regional and International levels; monitoring the implementation of adaptation and mitigation activities, advising the Government on climate change matters, raising awareness and communication amongst the citizenry and reporting to the UNFCCC;
- (iii) other Directorates include: Directorate of Water Resources Management, Directorate of Water Development, Directorate of Environmental Affairs;
- (iv) National Climate Change Policy aimed to ensure a harmonised and coordinated approach towards a climate resilient and low carbon development path for sustainable development in Uganda is in place;
- (v) a draft National Climate Change Implementation Strategy costed strategy is meant to complement the National Climate Change Policy and offers a way forward towards its operationalisation;
- (vi) the need for development of a National Climate Change Communication Strategy to raise further awareness has been prioritized; and
- (vii) National Climate Change Monitoring & Evaluation Framework is in place to assist effective and efficient implementation of the Policy and Strategy.

Experts from the United Republic of Tanzania were unable to attend the Workshop. However, the Secretariat reported that the Tanzania's National Climate Change Strategy was developed in 2012.



### Specific Observations from the presentations by representatives of Partner States

- (i) the National process has greatly been influenced by the EAC Climate Change Policy;
- (ii) EAC Partner States have made significant progress toward the adoption of and implementation of National Climate Change Policy and Strategies and Action Plans and institutionalization of climate change;
- (iii) National climate change institutional structures have been established under ministries responsible for environment and natural resources;
- (iv) there are a number of existing projects and programmes currently under implementation and hence the need for integration & harmonization for regional replication and broader impact;
- (v) legal and regulatory instruments to support the effective implementation of policies still remain as a one of the major challenges at the national and regional level;
- (vi) There is enabling policy, legal and institutional framework at EAC and Partner States to support implementation of CC initiatives (in line with national constitutions, planning documents, EAC Treaty, ENR. Policy etc);
- (vii) Implementation challenges include: resource constraints (finance, technology, institutional-human resources, regulation), donor dependence, weak public awareness and communication;
- (viii) need for existing political will to be translated into political action and reporting to the EAC Heads of State Summit on the status of implementation of the EAC Heads of State Declaration on Food Security and Climate Change of 2010.

### 3.3.4. Outcome of the 19<sup>th</sup> Conference of Parties to the United Nations Framework Convention on Climate Change

*Dr. George Wamukoya*, Climate Change Advisor in COMESA presented on the outcome of the 19<sup>th</sup> Conference of Parties to the United Nations Framework Convention on Climate Change also serving as the 9<sup>th</sup> Meeting of Parties to the Kyoto Protocol (COP19/CMP9) was held from 11<sup>th</sup>-22<sup>nd</sup> November 2013 in Warsaw, Poland. The overall objective of COP19/CMP9 is to review the progress made in the implementation of the decisions of COP18/CMP8 (Doha Gateway) which was held from 26<sup>th</sup> November to 7<sup>th</sup> December 2012 in Qatar, Doha. He highlighted the quest for a new international climate change regime- outcome of various COP. He singled out the need for EAC to follow on key issues of regional interest in the ongoing negotiations highlighting the following:

- (i) the need for EAC Partner States to strategically engage with the international community to address the challenge posed by climate change including key decisions of COP19 including the Warsaw International Mechanism for Loss and Damage ;
- (ii) issues related to work streams I and II of the Ad hoc Working Group on the Durban Platform for Enhanced Action (ADP). The ADP's mandate is to "develop a *protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties, which is to be completed*

*no later than 2015* for it to be adopted at the COP21 and for it to come into effect and be implemented from 2020.”;

- (iii) definition of common interests specific to the EAC region to inform the common African position through: *the African Group of Negotiators (AGN); African Ministerial Conference on the Environment (AMCEN)*, and the *Committee of African Heads of State and Governments on Climate Change (CAHOSCC)* and other negotiating blocs;
- (iv) the need for EALA to galvanize political will to support the negotiations and to ensure that that EAC’s interests within the broader African interests are reflected in the final outcome; and
- (v) need for EAC to make its contribution and early preparations for the Ministerial Dialogue on ADP to be held in May, 2014 in Bonn, Germany and the Climate Summit scheduled for 23<sup>rd</sup> September 2014 in New York, USA amongst other international policy meetings;
- (vi) EAC position on the Warsaw International Mechanism for Loss and Damage?

### **3.3.5 Consideration of Climate Change Financing and Clean Development Mechanisms**

The Session featured two key presentations on the International Climate Change Financing Mechanisms, and Clean Development Mechanism (CDM).

#### **3.3.5.1 International Climate Change Financing Mechanisms**

Mrs. Emily Ojoo-Massawa, Climate Change Adaptation Technical Advisor for the Planning for Resilience through Policy, Adaptation, Research and Economic Development in Eastern Africa (PREPARED) Project presented an overview of the international climate change financing mechanisms. The presentation focused on the following amongst others:

- (i) provisions on financial mechanism under Article 11 of the UN Framework Convention on Climate Change that established a financial mechanism to provide financial resources on grant or concessional basis under the guidance of the Conference of Parties;
- (ii) operation of the financial mechanism is entrusted to one or more existing international entities. Currently, the operation of the financial mechanism is partly entrusted to the Global Environment Facility (GEF);
- (iii) the developed country Parties may also provide and developing country Parties avail themselves of, financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels;
- (iv) modalities for accessing climate change funding through National Implementing Entities (NIEs), Regional Implementing Entities (RIEs) and Multi-lateral Implementing Entities (MIEs);
- (v) direct access opens a new opportunity for developing countries, since they will be able to access the AF financing and implement projects through national and regional legal entities that attain accreditation;
- (vi) the accreditation requirements include: *Financial Integrity and Management; Institutional Capacity; Project and Programme Management Capacity; Transparency and Self-investigative Powers*

## Key Climate Change Funds established under the UNFCCC

- (i) the Special Climate Change Fund (SCCF) - to finance projects relating to adaptation and technology transfer amongst others;
- (ii) the Least Developed Countries Fund (LCCF)- the work programme to assist Least Developed Country Parties (LDCs)-the preparation and implementation of National Adaptation Programmes of Action (NAPAs);
- (iii) the Adaptation Fund (AF)- established to finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change. It is financed from the share of proceeds on the Clean Development Mechanism project activities and other sources of funding [amounts to 2% of certified emission reductions (CERs) issued for a CDM project activity];
- (iv) the Green Climate Fund (GCF)- established in 2010 at the 16<sup>th</sup> Conference of Parties and designated as the operating entity of the financial mechanism of the Convention, in accordance with Article 11 of the Convention at the 17<sup>th</sup> Conference of Parties in 2011;

### 3.3.5.2. Clean Development Mechanisms: Case Study of the Kenya Electricity Generating Company Ltd (KenGen)

*Dr. Pacifica F. Achieng Ogola*, Chief Officer, Clean Development Mechanisms at Kenya Electricity Generating Company (KenGen) presented on "*KenGen Clean Development Mechanism (CDM) Projects Experience and Future Plans*". Her presentation focused on KenGen carbon assets and plans, existing and potential benefits accruing from CDM project, challenges and lessons learnt. The presentation highlighted the following:

#### *Existing CDM Challenges*

- (i) delay in project registration as result of the long validation process and updating of the Project Development Document (PDD);
- (ii) delay in project construction due to finance and rigorous procurement requirements;
- (iii) demonstration of additionality requirement by proof whether a project would have occurred without CDM;
- (iv) high transaction and project registration fees; and
- (v) market risks such as no guarantee of Certified Emission Reductions (CER) sales in European Union-Emissions Trading Scheme (EU-ETS) from a non-LDC country project.

#### *Key CDM Eligibility Requirements for Participating Countries*

- (i) ratification of the Kyoto Protocol
- (ii) establishment of Designated National Authorities (DNA) charged with approval of CDM projects in host countries;
- (iii) project must demonstrate additionality (ability to reduce emissions to what would have occurred under business-as usual scenario);
- (iv) Projects must assist the host country to achieve its national sustainable development goals;

- (v) CDM project should not result in diversion of Overseas Development Assistance (ODA) i.e ODA should not be used for project financing and purchase of CER, however, ODA can be used for CDM-related capacity building;

#### *CDM Governance Framework*

- (i) CDM shall be subject to the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/CMP) and be supervised by the CDM Executive Board. The CDM Executive Board consists of 10 members and 10 alternates as follows: 2 representatives each from Annex I and non-Annex I, 1 representative each from each UN region and Small Island Developing States (SIDS).;
- (ii) Emission reductions resulting from each project activity shall be certified by Operational Entities to be designated by the Conference of the Parties serving as the meeting of the Parties to Kyoto Protocol, on the basis of: *real voluntary participation approved by each Party involved; , measurable, and long-term benefits related to the mitigation of climate change; and Reductions in emissions that are additional to any that would occur in the absence of the certified project activity (business as usual scenario).*

#### **Key Observations**

- (i) the Clean Development Mechanism (CDM) is one of the three flexible mechanisms established under Article 12 of the Kyoto Protocol aimed at mitigating climate change by reducing global emissions of green house gases;
- (ii) CDM is a unique arrangement involving trading in emissions between developed and developing countries. The other two mechanisms established under the Kyoto Protocol: the Joint Implementation (JI) applies in transitional economies mainly covering the former Soviet Union and Eastern Europe; and Emissions Trading (ET) only allows trading of emissions between developing countries parties only;
- (iii) CDM has the dual purpose of assisting Parties not included in Annex I (developing countries) in achieving sustainable development in contributing to the ultimate objective of the Convention (reducing greenhouse emissions), and to assist Parties included in Annex I (developed countries) in achieving compliance with their quantified emission limitation and reduction commitment;
- (iv) Developing countries are therefore expected to benefit from project activities resulting in certified emission reductions (CER); while developed countries may use the CERs accruing from such CDM project activities to contribute to their compliance commitments;
- (v) Regional distribution of CDM projects in Africa according to UNEP RISO data indicates that Africa has a total of 258 projects of which 120 are in South Africa. East African countries have very few CDM projects (Kenya- 29, Uganda-18, Tanzania-6), Rwanda and Burundi (no data).;
- (vi) non-LDCs will not be eligible to sell carbon credits in the EU Markets in the 2<sup>nd</sup> Commitment Period that commenced from 2013 and runs upto 2020 despite the emergence of new carbon markets e.g. bilateral offsets and domestic emission trading schemes;

- (vii) ability to generate more revenue from the carbon markets, will depend on access to green energy financing;
- (viii) CDM institutional capacity enhancement are key in demonstrating the sustainability of the CDM projects;
- (ix) Need for experience and lesson sharing such as KenGen's benchmarking with geothermal carbon credit projects in Indonesia and seeking alternative post 2012- CER buyers such as Norwegian, Swedish and UK government buyers.

### **3.4. Field visit to KENGEN's OLKARIA II Geothermal Power Station**

The field visit was facilitated by Kenya Electricity Generating Company Ltd (KenGen) with an aim of exploring best practices in climate change adaptation and mitigation projects in the energy sector. The Kenya Electricity Generating Co. Ltd (KenGen) is a public limited company with 70% and 30% shareholding owned by the public and private sectors respectively. KenGen has a total of national installed capacity of 1239 MW and 1721 MW (incl. IPPs and EPP). KenGen's CDM's project development was initiated in 2006 with potential 6 CDM projects under the World Bank Community Development Carbon Fund (CDCF), where only 3 projects qualified. The CDM Section was established in 2008 to provide technical support to KenGen's CDM project portfolio.

Olkaria Geothermal Project is the 1<sup>st</sup> and largest Geothermal Power Station in Africa under the management of Kenya Electricity Generating Company (KenGen). Olakaria is partly located in Hellsgate National Park in Naivasha managed by Kenya Wildlife Service.

## **4.0 GENERAL OBSERVATIONS**

The Committee on Agriculture, Tourism and Natural Resources made the following general observations:

- (i) There is an enabling policy framework at EAC and Partner States level to support implementation of climate change initiatives that includes National Constitutions, National Development and Strategic Plans, National Visions, National Environment Policies, EAC Treaty, Protocol on Environment and Natural Resources Management, Climate Change Policy, Strategy, Master Plan, Operational Modalities for the EAC Climate Change Fund etc;
- (ii) The implementation of climate change initiatives in the region is faced by a number of challenges including limited financial, institutional, technical resources such as: human resources capacities; lack of legal regimes for enforcement), donor dependence, weak public awareness and communication;
- (iii) Need to mobilize the participation of private sector in climate change mitigation solutions;
- (iv) there are a number of existing projects and programmes currently under implementation in the region;

- (v) EAC has developed a Concept Note for Establishing an EAC Carbon Credit Exchange Mechanism to facilitate the region to benefit from the international carbon trading mechanisms.
- (vi) it was observed that the report and resolution on climate change was not sent to Partner States as it is stipulated in art. 65 of the Treaty for the establishment of the East African Community.

## 5.0. COMMITTEE RECOMMENDATIONS

The Committee of Agriculture, Tourism and Natural Resources made the following recommendations based on the technical presentations, field visit and general observations and discussions:

1. urged the EAC Council of Ministers to translate the existing political will into political action at the regional level through implementation of the EAC Climate Change Policy by introducing a Regional Climate Change Bill and reporting to the Heads of State on the status of the EAC Heads of State Declaration on Climate Change and Food Security;
2. urged the EAC Secretariat to initiate a draft EAC Climate Change Bill to give legal effect to the EAC Climate Change Policy through: (a) *establishing a Regional Institutional Structure to coordinate Climate Change initiatives;* (b) *legally establishing and operationalizing the EAC Climate Change Fund;* and (c) *establishing an EAC Carbon Credit Exchange Mechanism;*
3. urged the EAC Partner States to jointly engage on the ongoing climate change negotiations as part of the collective international effort to come up with a new climate change regime in 2015 under the Ad hoc Working Group on Durban Platform for Enhanced Action to take effect by 2020;
4. urged the EAC Secretariat to ensure that the next round of the Secretary General CEOs Forum to focus on the role of Private Sector in Climate Change Mitigation as a theme;
5. urged EAC Secretariat to ensure the integration, harmonization, replication and up-scaling of multiple climate change projects and programmes currently under implementation in the region, for wider regional impact;
6. urged the EAC Secretariat to take advantage of EAC's accreditation status as an Observer to the UNFCCC as a basis for seeking further accreditation as a Regional Implementing Entity (RIE) to position itself to access international climate change financing available through multilateral and bilateral sources including the United Nations Framework on Climate Change (UNFCCC);
7. urged the EAC Secretariat to promote Clean Development Management (CDM) capacity enhancement through collaboration with regional and continental institutions such as the African Green Fund (AfDB) and the Collaboration with Regional CDM Collaboration Centre hosted by East African Development Bank (EADB) to amongst others: (a) strengthen monitoring, reporting and verification (MRV) of registered CDM projects; (b) review of on-going CDM modalities and procedure; developing greenhouse gas inventories; and (c) develop and design CDM projects as well as developing regional CDM project guidelines and supporting the

- establishment of the EAC Carbon Credit Exchange Mechanism to facilitate the region to benefit from the international carbon trading mechanism;
8. urged Office of the Clerk to submit the Report of the 1<sup>st</sup> Parliamentarian's Workshop on Climate Change and the EALA Climate Change Resolution to the EAC Secretariat for onward submission to Partner States;
  9. recommends to this august House to adopt this report with its recommendations.

## 6.0. ACKNOWLEDGEMENTS

The Committee appreciates the Speaker of the East African Legislative Assembly for allowing Members of the Committee to attend this important workshop. The Committee expresses thanks to the EAC Secretariat for organizing a second Parliamentarian Workshop on Climate Change and inviting key national and regional stakeholders and experts, resource persons to effectively facilitate the Workshop by providing empirical and detailed data and information to the Legislators. These include:

Hon. Jesca Eriyo, EAC Deputy Secretary General for Productive and Social Sectors; Mrs. Renilde Ndayishimiye, Director General, Geographic Institute of Burundi (IGEBU); Mr. Fred Daniel Nzasabimana, Environment Expert, Ministry of East African Community, Rwanda; Ms. Fatuma Mohamed Hussein, Ag. Director, Ministry of Environment, Water & Natural Resources, Kenya; Mr. James Magezi-Akiiki, Assistant Commissioner of Meteorology-Ministry of Water and Environment, Uganda; Dr. Pacifica F. Achieng Ogola, Chief Officer, Clean Development Mechanisms at Kenya Electricity Generating Company (KenGen); Dr. George Wamukoya, Climate Change Advisor, COMESA; Mrs. Emily Ojoo-Massawa, Climate Change Adaptation Technical Advisor for the Planning for Resilience through Policy, Adaptation, Research and Economic Development in Eastern Africa (PREPARED) Project. The Committee would also like to appreciate the financial support provided by development partners, specifically the Government of the United States of America through USAID-East Africa.

Finally, the Committee appreciates all the Technical Staff from the Department of Environment and Natural Resources at the EAC Secretariat and the East African Legislative Assembly for organizing the workshop and preparing this report.

## ANNEXES

### ANNEX I: LIST OF PARTICIPANTS TO THE WORKSHOP

#### MEMBERS OF THE EAST AFRICAN LEGISLATIVE ASSEMBLY

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## ANNEX II: PROGRAMME

### SUNDAY 15<sup>TH</sup> DECEMBER 2013: PRE-WORKSHOP ACTIVITIES

TIME	ACTIVITY	RESPONSIBLE
6.00pm	Arrival in Nairobi, Kenya	EALA and EAC Secretariat

### DAY ONE: MONDAY 16<sup>TH</sup> DECEMBER 2013

TIME	ACTIVITY	RESPONSIBLE
8.30am-9.00am	Arrival and Registration	EAC Secretariat/EALA
9.00am-9.10am	<b>SESSION I: OPENING</b> Welcome Remarks	<b>Hon. Isabelle Ndahayo</b> Chairperson of EALA Committee on Agriculture and Natural Resources
9.10am-9.25am	Key Note Address	<b>Hon. Jesca Eriyo</b> Deputy Secretary General Productive and Social Sectors (EAC)
9.25am-9.35am	Objective of the Workshop	EAC Secretariat
9.35am-9.45am	Group Photo Session	
9.45am-10.00am	<b>HEALTH BREAK</b>	<b>EAC SECRETARIAT/EALA</b>
10.00am-11.30pm	<b>SESSION II: CONSIDERATION OF CLIMATE CHANGE LEGAL AND INSTITUTIONAL FRAMEWORKS IN THE EAC PARTNER STATES</b>  <ul style="list-style-type: none"> <li>• Burundi</li> <li>• Kenya</li> <li>• Rwanda</li> <li>• Tanzania</li> <li>• Uganda</li> </ul> Plenary Discussions	National Focal Point- United Nations Framework Convention on Climate Change (UNFCCC)
11.30am-1.00pm	<b>SESSION III: CONSIDERATION OF THE IMPLEMENTATION STATUS OF THE 1<sup>ST</sup> PARLIAMENTARIANS' WORKSHOP ON CLIMATE CHANGE</b>  <ul style="list-style-type: none"> <li>• Implementation Status of the EALA Climate Change Workshop Report and Resolution</li> <li>• Proposals for EAC Legal and Institutional Framework on Climate Change</li> </ul>	EAC Secretariat  EALA  Facilitator(s)



	Plenary Discussions	
1.00pm-2.30pm	<b>LUNCH</b>	<b>EAC SECRETARIAT/ EALA</b>
2.30pm-3.30pm	<b>SESSION III: CONSIDERATION OUTCOME OF THE 19<sup>TH</sup> CONFERENCE OF PARTIES TO UNFCCC COP19/CM9</b> <ul style="list-style-type: none"> <li>• Legal Implications of COP19/CMP9 and Legal Form of Post 2020 Climate Regime</li> <li>• Plenary Discussions</li> </ul>	EAC Secretariat <b>Dr. George Wamukoya, COMESA</b>
3.30-4.00pm	<b>HEALTH BREAK AND END OF DAY ONE</b>	<b>EAC SECRETARIAT</b>

**DAY TWO : TUESDAY, 17<sup>TH</sup> DECEMBER 2013**

<b>TIME</b>	<b>ACTIVITY</b>	<b>RESPONSIBLE</b>
9.00am-9.15am	Recap of Day One	EAC Secretariat/Facilitator
9.15am-10.30am	<b>SESSION III: CONSIDERATION OF CLIMATE CHANGE FINANCING OPTIONS AND MECHANISMS</b> <ul style="list-style-type: none"> <li>• International, Regional and National Climate Change Financing Mechanisms</li> <li>• Plenary Discussions</li> </ul>	EAC Secretariat Facilitator (s)
10.30am-11.00am	<b>HEALTH BREAK</b>	<b>EAC SECRETARIAT</b>
11.00 am-12.15pm	<ul style="list-style-type: none"> <li>• EAC Climate Change Fund</li> <li>• Market based Mechanisms: <i>The Clean Development Mechanism and REDD+</i></li> <li>• Proposal for Establishment of the EAC Carbon Credit Exchange</li> <li>• Plenary Discussions</li> </ul>	EAC Secretariat <b>Kenya Electricity Generating Company Ltd (Kengen)</b> EAC Secretariat
12.15pm- 12.45pm	Technical and Administrative Briefing on the Field Visit: Climate Change and Energy	EAC/EALA

12.45pm-1.00pm	Wrap Up and Closing	
1.00pm-2.30pm	LUNCH	EALA/EAC SECRETARIAT

DAY THREE : WEDNESDAY, 18<sup>TH</sup> DECEMBER 2013

TIME	ACTIVITY	RESPONSIBLE
8.00am-10.00am	Travel to Naivasha	Facilitator
10.00am-1.00pm	Tour of CDM Olkaria II Geothermal Expansion Project	Kenya Electricity Generating Company (Kengen)
1.00pm-2.30pm	LUNCH	EAC SECRETARIAT
2.30pm- 4.30pm	Travel Back to Nairobi	EAC/EALA

**REPORT OF THE COMMITTEE ON AGRICULTURE, TOURISM AND NATURAL RESOURCES ON THE 2<sup>ND</sup> PARLIAMENTARIANS WORKSHOP ON CLIMATE CHANGE HELD FROM 16<sup>TH</sup> – 18<sup>TH</sup> DECEMBER 2013, NAIROBI, KENYA**

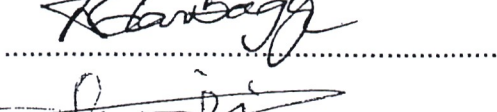
1. Hon. Isabelle Ndahayo



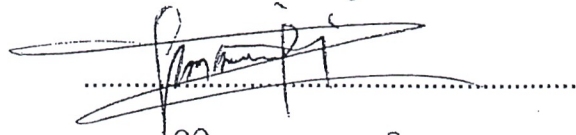
2. Hon. Dr. Martin Nduwimana



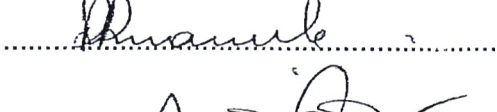
3. Hon. Leonce Ndarubagiye



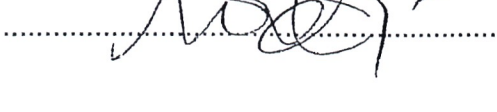
4. Hon. Christophe Bazivamo



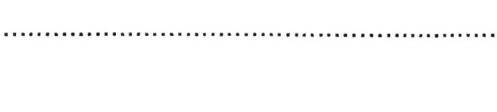
5. Hon. Patricia Hajabakiga



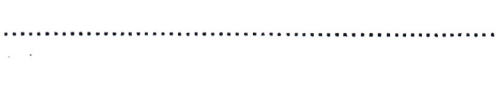
6. Hon. Dr. Odette Nyiramilimo



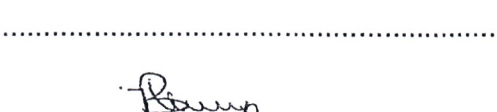
7. Hon. Chris Opoka - Okumu



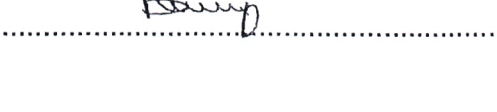
8. Hon. Daniel F. Kidega



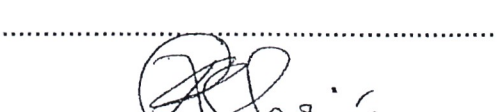
9. Hon. Mike Kennedy Sebalu



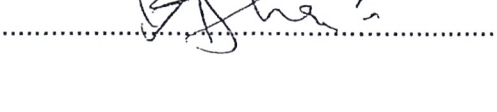
10. Hon. Musomi Bernard Murunya




11. Hon. Charles Makongoro Nyerere



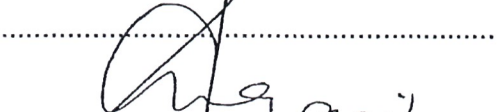
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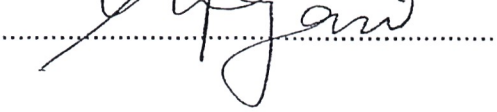
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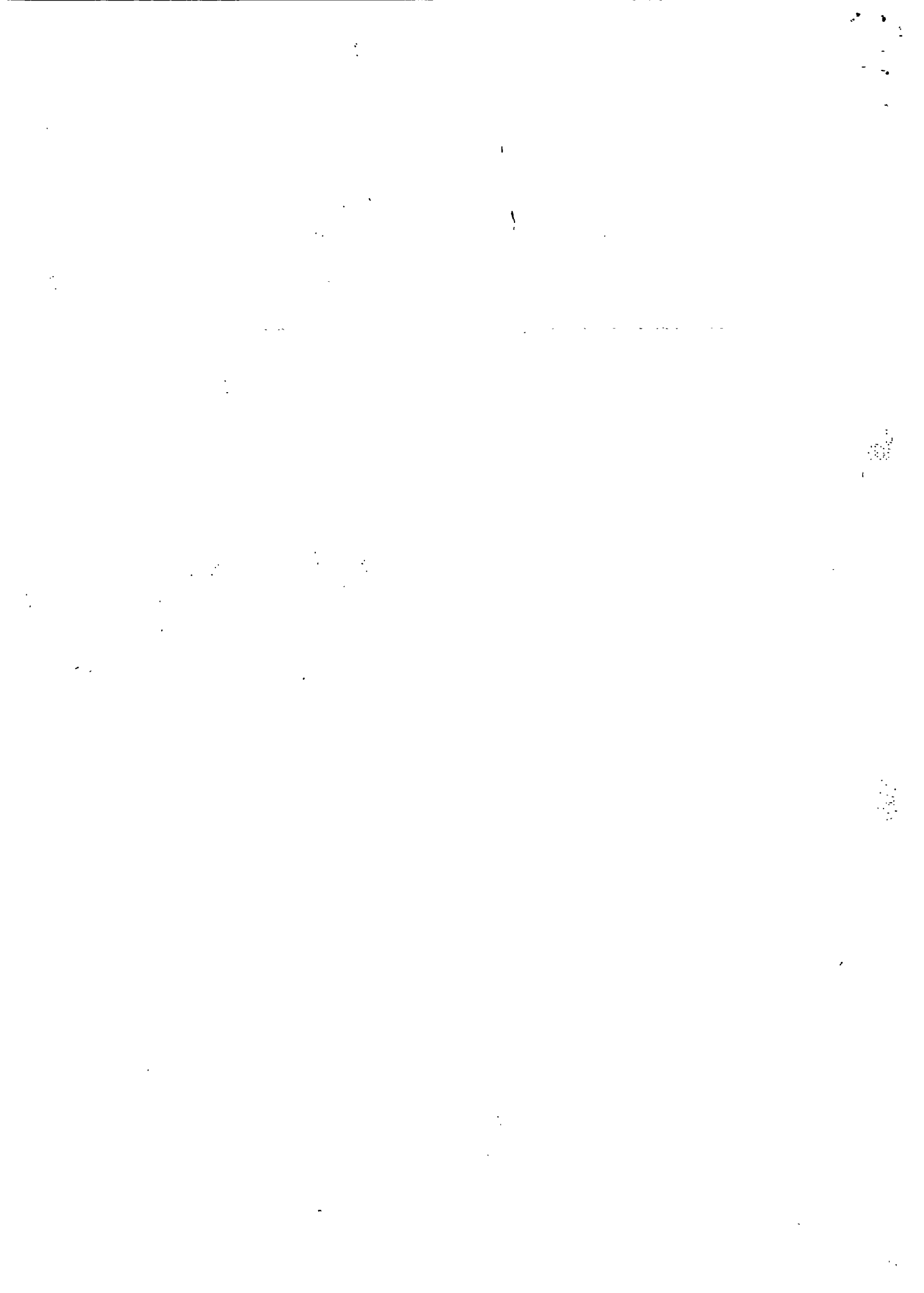


14. Hon. Saoli Ole Nkanae



15. Hon. Mumbi A. Ng'aru







**EAST AFRICAN COMMUNITY  
EAST AFRICAN LEGISLATIVE ASSEMBLY**

**Report for On-spot Assessment of the Internal Audit Systems of  
The EAC Institutions (LVFO, IUCEA and CASSOA)**

by

**The Committee on Accounts**

**9<sup>th</sup> – 14<sup>th</sup> February 2014: Jinja, Kampala and Entebbe in UGANDA**

**Clerk's Chambers  
3<sup>rd</sup> Floor, EALA Wing  
EAC Headquarters  
Arusha, TANZANIA**

**May 2014**

## 1.0 INTRODUCTION

The East African Legislative Assembly is the Legislative Organ of the East African Community responsible for, among other things, carrying out oversight function on all matters pertaining to the Community. Article 49 (2) (c) of the Treaty Establishing the EAC empowers the Committee on Accounts to discharge oversight functions on behalf of the Assembly on all financial matters of the Community. In accordance with the Rules of Procedure of the Assembly, particularly Annex 5A, the Committee on Accounts is particularly mandated to:-

- i) Carry out a post audit review and scrutiny of the expenditure incurred by the EAC Secretariat, the Organs and Institutions of the Community the sums appropriated in an annual budget approved by the EALA upon presentation by the Chairperson of the Council of Ministers of the EAC.
- ii) Carry out post audit review and scrutiny of the expenditure on the basis of an annual audit report of the Audit Commission, pursuant to provisions of Article 49(2) (c) and 134 of the Treaty for the Establishment of the EAC. This function is post budget and implementation of the budget by organs and institutions of the EAC.
- iii) Carry out post audit function that encompasses the need to monitor the implementation of the budget in a manner similar to internal audit, pursuant to Rule 72(1) of the Rules of Procedure of the Assembly.
- iv) Present a report with recommendations to the House for debate and adoption after the post audit review and scrutiny.

### **Madam Speaker,**

Article 134(3) requires the Audit Commission to submit its reports to the Council which shall cause the same to be laid before the Assembly within six months of receipt for debate, adoption and such other action as the Assembly may deem necessary.

Over the last couple of years the Accounts Committee has expressed its disappointment on weak internal controls and poor resource management. The Committee took note and wished to strengthen the internal audit function which was seen as a major entity impacting negatively on the internal controls.

During the review and consideration of EAC Audited Financial Statements for the year ended 30<sup>th</sup> June 2012, a number of queries were reported especially in the institutions of the EAC namely; the LVFO, the CASSOA and the IUCEA. The issues arose largely from lack of the Internal Audit Unit or inefficiency where it exists. It is against this background that the Committee on Accounts decided to carry out an oversight assessment of the internal audit functions of the aforesaid EAC Institutions.

The assessment mainly looked into the following:-

- (i) Role of Internal Audit Units;
- (ii) Reports of the Internal Audit Units;
- (iii) Reporting and structure of the Internal Audit Units;
- (iv) Systems control;

- (v) Annual Audit plans;
- (vi) Challenges faced by the internal Audit Units; and
- (vii) Any other related internal audit matters.

### **1.1 Objectives of the Assessment**

- i) To assess whether the Internal Auditors of the above institutions discharge their professional duties;
- ii) To establish if the said EAC Institutions are using modern auditing techniques and new applied technologies to assist them in carrying out their duties;
- iii) To understand any related challenges facing the Internal Audit systems of the EAC institutions;
- iv) To strengthen the Internal Audit Units of the EAC Institutions through appropriate internal audit policies and procedures in accordance with international standards; and
- v) To recommend on the improvement of the EAC Institutions Management.

### **2.0 METHODOLOGY**

As a method of assessing the Internal Audit Systems in the EAC Institutions, the Committee undertook the following:-

- (i) Observed the work place set up and environment;
- (ii) Interacted and discussed with Management of Institutions of the Community;
- (iii) Reviewed the reports made by the Internal Auditors;
- (iv) Received presentations from the Internal Audit units on their role and challenges faced while executing their duties; and
- (v) Held plenary discussions.

This report is divided into three (3) Parts:

### **3.0 PART ONE: LAKE VICTORIA FISHERIES ORGANISATION (LVFO)**

#### **3.1 Meeting with LVFO Management**

The Committee met the Deputy Executive Secretary, the Visiting Internal Auditor, the Principal Administrative Officer and other staff.

The Committee briefed the Deputy Executive Secretary (DES) on the purpose of the activity as a review and assessment of the internal audit systems of LVFO. While doing so, the Committee sought to understand the manuals and other issues regarding the internal audit systems.

The DES gave an overview of the functions of the LVFO, financial status and the functions of the internal audit. She informed Members that LVFO is a regional inter-governmental organization formed by the Convention signed in 1994 by the three founding members of the East African Community (the Republic of Kenya, the United Republic of Tanzania and the Republic of Uganda). The main objective of LVFO among others, is to ensure proper management and optimum utilization of fisheries and other living resources of the lake. In addition, she informed Members that the institution is faced with serious financial

challenges due to delayed remittance of contributions from the three founding members, resulting in under budgeting of key activities as well as delay in program implementation.

### **3.2 Structure of the Internal Audit Unit**

The LVFO does not have an internal audit unit, but it depends on external auditors on a quarterly basis. At the time of assessment, the institution had borrowed an Internal Auditor from the EAC Secretariat to audit financial statements, procedures and advise Management on improvement in preparation for external audit. The Committee was informed that the Council directed recruitment of an Internal Auditor but never provided funding for the same.

### **3.3 Committee Findings and Recommendations**

1. The Committee noted that the Republic of Burundi and the Republic of Rwanda are yet to become members of LVFO yet the Republic of Rwanda and the Republic of Burundi are members of the Community.

***The Committee recommends that instruments of amendment of the LVFO Convention be expedited to include the two other EAC Partner States, and expedite Council directive to fast track the process.***

2. The Committee also noted that LVFO does not have an Internal Audit Unit to carry out day-to-day internal audit activities. Because of this, LVFO relies on short-term auditors to advise the institution. The structure and budget of the Internal Audit Unit is not in existence under the current structure and the Institution depends on external auditors on a quarterly basis.

***The Committee recommends that the Council provide funds to LVFO to enable fulfillment of its directive authorizing recruitment of an Internal Auditor. The directive was issued in 2009 and 2013 – Ref: to Council directive (EAC/CM27/Directive 8.4.4; and (EAC/CM28/Directive 10.1.7.6), respectively.***

3. LVFO does not make use of the recommended Sun System in its accounting procedures and processes. However, the Committee noted that the EAC Secretary General has committed to procure the Sun System and support LVFO to get the Sun System operational. The Committee was further informed that the Secretary General had provided funds to enhance capacity of LVFO staff to be able to use the Sun System.

***The Committee recommends that the Secretary General expedite the procurement of Sun System to help LVFO upgrade its accounting procedures to the internationally accepted Standards by December 2014.***

4. The Committee further noted that there is discrepancy between harmonized terms of services of staff members, procedures, regulations, grades, salaries and daily subsistence allowances, and clear retirement policies and procedures. In addition, LVFO has not approved human resource and procurement manuals. Moreover, the ones in use are not harmonized with those of the EAC Secretariat.