

**THE REBIRTH OF EAST AFRICA COMMUNITY; THE SECOND  
DEVELOPMENT STRATEGY AND ITS SOCIO-ECONOMIC AND POLITICAL  
DIMENSIONS, 2001-2005**

**By**

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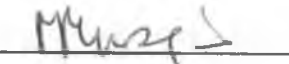
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This Dissertation has been submitted to the Board of Post Graduate Studies at the University of Nairobi for Examination with my approval as University Supervisor.

Signed: 

Date: 2/11/06

**Prof. Makumi Mwangi**

## ACKNOWLEDGEMENTS

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Lastly, I must glorify the almighty God who gave me good health to finish the course. Thanks to the lord.

Nyaga .I. Gitonga  
University of Nairobi

November 2006

## **DEDICATION**

### **TO OUR DAUGHTER PRUDENCE WAWIRA**

My academic success poses a challenge to you, I hope that you will put more effort and achieve more than I did in your modern time.

## **ABSTRACT**

The revival of the East Africa Community started in 1993 and it was spearheaded by the three heads of the East African states through the formation of Permanent Tripartite Committee for the cooperation among the states. The formation of the commission was followed by the signing of the East Africa Community Treaty in 1999. The treaty came up with several cooperation protocols which were to be observed by the partner states.

Following the signing of the treaty by the member states, several strategies were mooted to further their cooperation in political and socio-economic spheres. This led to the formulation and implementation of the first development strategy (1997-2000) and the second development strategy (2001-2005). The second development strategy which is subject of this study concentrated in deepening of cooperation in political, economic, social-cultural, security, research, technology and legal affairs among the member states. The strategy focused on all areas of development with an aim of forming a common market and later a political federation. Its activities were to be implemented in the agreed time period.

Despite efforts made by the states to implement the development strategy, some challenges have arisen in the process thus slowing its implementation. This has been as a result of differences in political and socio-economic policies of the states. This work will seek to find out the achievements and difficulties encountered in the strategy's implementation. The study will provide for possible future policies solution. To achieve this, the necessary information and data will be gathered through interviewing of stakeholders and from other source of secondary data. The findings will be analysed, concluded and recommendations made. It is envisaged that the findings of the study will provide for more knowledge in the field of regional integration and also give possible solutions to the challenges faced by the partner states in their endeavour of eventually forming a political federation.

## LIST OF ABBREVIATIONS

ACP	-	Africa Caribbean and Pacific
AGOA	-	African Growth Opportunity Act
CBK	-	Central Bank of Kenya
CET	-	Common External Tariff
COMESA	-	Common Market for Eastern and Southern Africa
CCPL	-	Common Competition Policy and Law
EAC	-	East African Community
EADB	-	East African Development Bank
EADS	-	East African Developments Strategy I & II
EIA	-	Environmental Impact Assessment
EU	-	European Union
HIV/AIDS	-	Human Immune Virus/ Acquired Immune Deficiency Syndrome
IGAD	-	Inter-governmental Authority on Drought
KRA	-	Kenya Revenue Authority
OUA	-	Organization of African Union
SADC	-	Southern Africa Development Corporation
STD	-	Sexually Transmitted Disease
TCU	-	Trade and Customs Unit
USA	-	United States of Africa
WTO	-	World Trade Organization
EAHC	-	East African High Commission
EACSO	-	East African Common Services Organization
EACLA	-	East African Central Legislative Assembly
ECA	-	Economic Commission of Africa
KANU	-	Kenya African National Union
KADU	-	Kenya African Democratic Union
UN	-	United Nations
PTA	-	Preferential Trade Area
SADCC	-	Southern African Development Cooperative Community

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## CHAPTER ONE

### BACKGROUND OF THE STUDY

#### Introduction

There has been concern over the slow pace of EAC's integration. Efforts have been made in order to examine the possibility of expediting and compressing the process of integration so that the ultimate goal of a political federation is achieved through a fast track mechanism.

Empirically history reveals that international relations is all about conflict, competition and co-operation, that is a struggle between law and politics, because of the inborn characteristic of the international political system namely anarchy. International cooperation as a matter of fact has been a major characteristic of that system and in reference to these different levels, methods and avenues has been used to achieve cooperative ventures that bring unity in the absence of a world government.

In the last two centuries, Africa has witnessed several socio-economic and political changes that have greatly affected its place in the global political and socio-economic systems. Over the years and especially after the end of cold war, African countries have experienced problems that included, natural calamities, domestic conflicts, political instability and the influence of the external forces including very complex conditions imposed by the donor community and the imperfection in the international trade regimes.

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Due to these predicaments the unfavourable conditions of the spirit of cooperation in this global world in terms of regional integration in several parts of the continent is high as countries seek to join together to reap fruits of integration. The basic purpose of such cooperative ventures such as EAC is to help in the evolution of peaceful international relations.<sup>1</sup>

The overall milestones of creating cooperative ventures as evidenced in the African past independence political disposition is one that was laid down by the greatest healers of Africa and the fathers of Africa who included Kwame Nkrumah, Sisaka Stevens, Jomo Kenyatta amongst other prominent African leaders.<sup>2</sup>

After the genesis of such important principles and their evolution it was the need of East Africa leaders to come up with modalities and strategies to form the EAC to realize dymistity and unshackle the political and socio-economic predicaments of the time and therefore lay strong foundation that would conglomerate and later culminate to the realization of political and socio-economic benefits.

The collapse of the former EAC in 1977 was due to several factors which made its goals unattainable. Subsequently, the partner states on 14<sup>th</sup> May 1984 at Arusha signed the EAC mediation agreement stipulating the division of the liabilities and the assets owned

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<sup>1</sup> <http://www.eac.int/history.htm>

<sup>2</sup> Robert Niaxon (ed) "The Colonial Roots of EAC" in Walter O. Oyugi *Politics and Administration in E.A.* 1994, University of Nairobi, Kenya P. 80

The Second EAC Development Strategy 2001-2005 EAC Secretariat 2001 Arusha.

by each state.<sup>3</sup> Through the mediation agreement the three states agreed to explore and identify areas of future cooperation and make arrangements. This was not attained until 30<sup>th</sup> November 1993 when a Permanent Tripartite Commission for cooperation between the partner states was established. Serious efforts to re-establish the EAC began when the commission was launched on 14<sup>th</sup> March 1996.<sup>4</sup>

As a means to help in the development of a new stronger EAC, the first development strategy (1997-2000) was developed to help in organizing a full force organization in the name of EAC. This strategy came to an end in the year 2000. The coming to an end of the first development provided the context for formulating the second development strategy. Thus in 2001 another development strategy was developed.

The EAC Development Strategy 2001-2005 is a systematic way of charting out action towards achieving the goals of regional integration in the EAC. The broad goal as epitomized by the Development Strategy was to widen and deepen cooperation among partner states in political, economic, socio-cultural, field research and technology, defence, security, legal and judicial affairs for their mutual benefits.<sup>5</sup>

Even after the coming of the second Development Strategy, guided by lessons achieved from the first Development Strategy still there remain some socio-economic and political dimensions arising from it. Hence this paper seeks to look into these arising difficulties in the process of EAC integration based on the second Development Strategy.

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<sup>3</sup> The EAC Mediation Agreement Act, 1984 Section 4, pg. 4, Government Press, Nairobi

<sup>4</sup> See *Daily Nation*, 14<sup>th</sup> March, 1996

<sup>5</sup> East African Community Development Strategy 2001-2005 Pg. VIII

## **Statement of the Research Problem**

The study seeks to investigate the socio-economic and political dimensions arising from the second Development Strategy, 2001-2005 and analyze how they affect the implementation of the EAC treaty.

The creation of a new EAC since its collapse in 1977 has been filled with a lot of disappointment as the implementation of development strategies as envisaged by the three states has remained elusive. This means that the inherent problems that hindered the implementation of the organization in 1977 still persist.

After the establishment of a Permanent Tripartite Commission for cooperation in 1993, leaders of the three states met on 29<sup>th</sup> April 1997 in Arusha to review the progress of the commission in areas of fiscal/monetary, immigration, infrastructural services, among others. The leaders therefore approved the first EAC cooperation development strategy for the period 1997-2000 and directed the Commission to embark on negotiation to facilitate establishment of the commission into a treaty. As a result the treaty for establishment of EAC was signed in 1999.

The second EAC Development Strategy was slated for implementation in the period 2001-2005. With such developments and despite the initial break up of the<sup>6</sup> first organization the desire to derive benefits from this unity has lived. The second strategy concentrates on policy issues stipulated in the EAC treaty.

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<sup>6</sup> Ibid



Indeed even after the 2001-2005 strategy comes up to help create a more unified EAC with the treaty agreeing on the establishment of a customs union then a common market, a monetary union and ultimately a political federation, the whole process has been characterized by a myriad of problems (socio-cultural, political and economic) which are some of the biggest impediments in all cooperative ventures.

The EAC Development Strategy 2001-2005 addresses economic areas of cooperation with the view of articulating policy and programme actions to be undertaken by partner states during the strategy timeframe. Given that the treaty intends to establish first a customs union, policy actions should target the conclusion of a customs union protocol within the timeframe of the strategy.<sup>7</sup>

The second Development Strategy 2001-2005 addresses the distribution of benefits and costs and underscores the necessity of taking measures to address imbalances arising from the process of establishing a customs union or a common market.<sup>8</sup> The strategy envisages a study to be commissioned which would analyze the experiences of other regional blocks and the establishment of a fund to address imbalances, with a view to adopt the most appropriate way to deal with key political socio-economic dimensions arising from the cooperation.

The basis of implementing the strategy by the three countries was built on doubtful political will and weak socio-economic platform, which means that if the treaty is fully

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<sup>7</sup> Ibid P.8

<sup>8</sup> Viner Jacob *The Customs Union Issue* 1950, New York Carnegie Endowed for International Peace.

implemented, it will have problems such as political mistrust and severe trade imbalances. These fears should have been dealt with conclusively other than looking at short term benefits of the cooperation.

Under the second Development Strategy, there is need to evaluate the emerging political and socio-economic issues occasioned by the implementation of the strategy. The mere notion of looking at the second Development Strategy as full of success is wrong, politically unrealistic and shortsighted because after the implementation of this strategy issues have come up; issues that this paper seeks to address. Legally, economically, socially and politically, lack of proper creation of structural apparatus capable of giving institutional expression to the basic principles of a proper regional organization remain a dream hence the implementation of full fledged EAC.

Purportedly, such political disposition that seems to give precedence to one state over others has not been properly addressed and in no uncertain terms the EAC risks becoming a useless venture because it has been adopted after a long period of diplomatic slogging, each state trying to play tricks to make sure that the overall decision is one that will favour its policies.

The above stated considerations will pragmatically be appraised against the implementation of the second Development Strategy (2001-2005) because the organization remains not fully institutionalized and functional.

## **Objectives of the study**

The study will be guided by the following objectives:

The main objective of this paper is to address the hurdles and obstacles that have delayed the process. The specific objectives will be;

- a. To investigate the second development strategy (2001-2005) on the basis of how far it has been implemented
- b. To establish the socio-economic dimensions arising from the implementation of the second development strategy 2001-2005
- c. To investigate the political dimension arising from the implementation of the Second Development Strategy 2001-2005

## **Literature Review**

The study is to investigate the dimensions arising from the implementation of the Second Development Strategy. In short the study will look into socio-economic and political dimensions arising from the implementation of the Second Development Strategy 2001-2005.

In this accord the literature review will be divided into two sections. The first section will review literature that gives a general overview on regional cooperation in East Africa and the second part will review literature that gives a general background and purposes of the Second Development Strategy.

## **An Overview of Regional Cooperation in East Africa**

In post colonial Africa motives for regional cooperation include broad economic, social and political interests and the need for a greater international power. Today it is very rare to find an African country that has not shown overt interest in at least one of the several existing regional cooperation schemes in the continent.<sup>9</sup>

In African politics the idea of solving African problems through regional organizations was an original idea of Siaka Stevens former President of Sierra Leone who emphasized only on regional cooperation while Kwame Nkrumah emphasized on creating an organization with all the African states, becoming the father of OAU. EAC is an example of what Siaka Stevens sought to achieve in his political career when he said that “we believe in regional cooperation with equal fervour, because it is only after developing African states have coordinated their efforts and organized themselves at regional levels that we can have the strength or purpose which will make people listen to us not only at the OAU, but also at the United Nations”.<sup>10</sup> In essence therefore the research will give credit to the ideas of regional cooperation at the expense of other levels of cooperation and specifically focus on the EAC.

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<sup>9</sup> Victor O. Adedula, “Regional Integration in Africa: Prospect for Closer Cooperation between West, East and Southern Africa,” May 2-4<sup>th</sup> 2004.

<sup>10</sup> Arthur Hazlewood, *The End of East Africa Community; What are the lessons for Regional Integration?* in Onwuka R.I and A Sesay, *The Future of Regionalism in Africa*, 1983, Macmillan Publishers, London.

## Background

The Economic Commission of Africa (ECA)<sup>11</sup> is the earliest apostle of regional cooperation in Africa. The ECA had perceived the internal markets in Africa as generally too small and therefore a constraint on industrialization and development. Consequently, the creation of an effective regional market was strongly advocated. The ECA had its understanding of the problems of economic development in the region. Right from its inception, the ECA considered the fragmented political geography of Africa as a serious impediment to the realization of its development goals. Therefore, economic cooperation and regional integration among African states was encouraged.<sup>12</sup>

Until the 1960s, the ECA concentrated on the establishment of sub-regional institutional arrangements. By the end of the 1960's the ECA had shifted emphasis towards providing direct assistance to the existing economic groupings in Africa. The idea of building economic links among African countries was equally accorded some prominence by the OAU. The collaboration between the OAU and ECA especially from the late 1970s ushered in a new phase of regional cooperation in Africa.

This phase witnessed the adoption of several regional organizations and hence the EAC in 1967. The catalogue of predicaments of regional integration in Africa in spite of the plan is a matter of concern. A case worth noting for instance, by 1979, the East African Community, EAC-I had disintegrated. Its reconstituting and revival led to EAC-II. The East African Community has its roots in a colonial era administrative federation of

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<sup>11</sup> Victor O. Adedula, "Regional Integration in Africa: Prospects for Closer Co-operation Between West, East and Southern Africa." May 2-4<sup>th</sup>, 2004, P.19

<sup>12</sup> Ibid, P. 24

Kenya, Uganda and Tanzania. It is worth knowing that regionalism has been a stronger force in East African politics than in many others parts of Africa. Political integration is one of the EAC II stated goals and its institutions include a regional, Court of Justice and a Legislative Assembly.

The new EAC is partly a new organization. The first attempt to integrate the East African economies was the East African High Commission, established in 1948 with the purpose of controlling the public service in the British colonies; Kenya, Uganda and in the British mandated territory Tanganyika. After the independence of Tanganyika, the High Commission was transferred to the East African Common Service Organization. Built on these steps towards integration, the (old) East African Community was established in 1967.

The efforts to institutionalize the concept of Pan-Africanism in the 1960s shaped the debate on the proper form of unity and African development. The debate was dominated by two schools that were the leading protagonists in their approach to African development. These included the Casablanca School (instant Unity School) and the Monrovia School (Gradualist). The Casablanca School envisaged direct surrender of sovereignty<sup>13</sup> to a new central authority to operate a federalist arrangement in the whole African continent (United States of Africa). The tussle rested on which should come first;

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<sup>13</sup> Anyan'g Ny'ong'o, *Regional Integration in Africa: Unfinished Agenda* (Academy Science Publisher, 1990)

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<sup>13</sup> Anyan'g Ny'ong'o, *Regional Integration in Africa: Unfinished Agenda* (Academy Science Publisher, 1990)

economic<sup>14</sup> or political federation? The Gradualist school favoured incremental cooperation in certain sectors which would culminate in future transfer of authority to a central unity spear-headed by Mwalimu Julius Nyerere, the first president of Tanzania; a step by step approach was seen as the way to continental unity. The gradualist school won and the 1960s and 70's epoch was filled with cooperation and integration. These unity and cooperation have revolved around economic unity to date 2005.

The tendency to treat East Africa (EA) as a single political entity is often quite tempting. Her peoples overlap the common borders; the three countries (Kenya, Uganda and Tanzania) have a common colonial background and did share common services from the colonial period upto 1977 when the East African Economic Community collapsed and even since the collapse of the community, the talk of some form of cooperation in the future has persisted.<sup>15</sup>

The old EAC made progress in creating important institutions and infrastructure, such as the East African Development Bank and the East African Legislative Assembly. Moreover important services facilities for example the East African Harbours Corporation, East African Railways and East Africans Airways became decentralized from the beginning. Probably important problem threatening the existence of the old EAC was the industrial dominance of Kenya in the region leading to growing deficits of Tanzania and Uganda in their trade with Kenya. Tanzania in particular was complaining

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<sup>14</sup> Morara H. Ongwenyi, "Regional Co-operation and Integration The Case of EAC 1993-1999" (1990) M.A. Thesis, University of Nairobi, Nairobi, Kenya

<sup>15</sup> Oyugi O. Walter (ed) *Politics and Administration in East Africa 1993* University of Nairobi.



about this situation and made a proposal to mitigate the problem. But attempts to improve the competitiveness of Tanzania and Uganda failed.

The second Development Strategy 2001-2005 is based on the lessons learned from the first strategy and sets out the priority programmes to be implemented in that period.

With a new process of creating a better regional organization in the name of EAC the implementation of the idea remains to be faced with so many predicaments as the main purpose of the idea was to create a political federation . The EAC treaty provides for such federation under Article 123 but this has not been actualized upto today. This paper therefore posits to carry a critical research to pin down those socio-economic and political dimensions that arise from the integration.

### **Significance of the study**

The study will focus on investigating the socio-economic and political dimensions arising from the development of the second Development Strategy. The study is therefore justified on two important realms academic and policy realms. If the study is implemented it will come up with recommendations that will improve the EAC policy adoption. Its performance will help meet its basic objectives in its preamble. This will improve performance in policy formulation.

The study will come up with concrete modalities of overcoming the shortfalls of the organization's principal goal of coming up with a political federation at the end of the day.

The study also will contribute in the academic debate on how and why the second Development Strategy has in practice refrained from simply following the pattern laid down in its basic document and has instead improvised policies related to the general problem of coming up with a strong organization to unify all the countries in the region.

### **Theoretical Framework**

The study attempts to investigate the socio-economic and political dimensions arising from the second Development Strategy 2001-2002. Various theories of integration fit very well in the context of this study but for the sake of this study alone, functionalism is preferable. The leading proponent and advocate of functionalism is David Mitrany who after the World War II argued in favour of constructing an international system that would solve the problem of security. He was not in favour of an institutionalized<sup>16</sup> supranational system as the federalists wanted. He instead argued that concrete areas of cooperation from which states could reap immediate benefits should be defined. He believed in the gradual development of transnational networks of economic and social organizations. The problem with his thinking was his assumption that political and economic functions of the state could be separated from each other. In most developing

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<sup>16</sup> Mitrany David, *The Prospects of Integration: Federal or functional?*, (Boston: Little brown and Company, 1968)

countries this is unlikely due to weak class formation and the limited role of interest groups.

Mitrany's functionalism was later modified by Ernest B. Haas who developed a neo-functionalism theory at a time when European Coal and Steel Community was formed. He combined the method of functionalism with federalist objective.<sup>17</sup> The important actors in functionalism and neo-functional theory are not governments but interest groups and integrationist technocrats. Functionalism and neo-functionalism too agree that international cooperation should be initiated in technical or core functional areas. Functionalists argue that once success has been achieved in these areas, it would give rise to a spill over to other areas.

Ernest B. Haas stipulated that once sector cooperation was attained in one area, the sector imbalance that it caused would create incentives to initiate integration in other areas to centre the imbalances. The integration in functional areas would lead to political spill over. As functional sectors merged, politicians would look for alternatives and redefine their tasks in order to control the new system. Interest groups would work on the regional level once they realize that their demands could be better met at the regional than the national level.

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<sup>17</sup> Jeannette Edbled, "The Political Economy of Regional Integration in Developing Countries", Regional Dimensional Working Paper No. 3 1996, Centre for Regional Science, Cerum Unea University pg. 17.

countries this is unlikely due to weak class formation and the limited role of interest groups.

Mitrany's functionalism was later modified by Ernest B. Haas who developed a neo-functionalism theory at a time when European Coal and Steel Community was formed. He combined the method of functionalism with federalist objective.<sup>17</sup> The important actors in functionalism and neo-functional theory are not governments but interest groups and integrationist technocrats. Functionalism and neo-functionalism too agree that international cooperation should be initiated in technical or core functional areas. Functionalists argue that once success has been achieved in these areas, it would give rise to a spill over to other areas.

Ernest B. Haas stipulated that once sector cooperation was attained in one area, the sector imbalance that it caused would create incentives to initiate integration in other areas to centre the imbalances. The integration in functional areas would lead to political spill over. As functional sectors merged, politicians would look for alternatives and redefine their tasks in order to control the new system. Interest groups would work on the regional level once they realize that their demands could be better met at the regional than the national level.

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<sup>17</sup> Jeannette Edbled, "The Political Economy of Regional Integration in Developing Countries", Regional Dimensional Working Paper No. 3 1996, Centre for Regional Science, Cerum Unea University pg. 17.

The collapsed EAC, was organized along functional lines. Functionalism operated on two propositions; first the ultimate goal of integration was to build a supra- national authority in which the strong importance of the state was to be eliminated, and secondly that the end product of the integration was to build an international community that was to be tied together by virtue of functional interactions without eliminations of the states.

The functional thinking is that, the degree of centralization and transfer of authority should be away from the nation-state to a supra-national body structure. They stress an economic and political determination of elites to seek positive outcomes while economically, the economy and technology are seen as generating demands and pressures on existing political institutions and decision makers to compel them to adopt more creative policies and bargaining skills.

The main reason why EAC was reformulated was to come up with strong ties within the three countries that would later lead to the formation of a political federation. The basic assumptions of functionalism and neo-functionalism have been the core principles that EAC members have sought to reformulate the organization but it has been too difficult for the three countries to implement the organization on ground because of some socio-economic and political dimensions that remain unsolved.

The research will therefore demystify such dimension hence the theory will be appraised against the principles of the organization. It will look at why the EAC as an organization remains too difficult to realize. The study will also investigate whether EAC as an

organization that fits best can be understood through the lenses of functionalism as the cooperation on socio-economic avenues would to political entity.

### **Hypothesis**

- (i) There exist a number of economic variables that have paralyzed the implementation of the second development strategy in full force
- (ii) Strong belief on state system as a political variable in East Africa has affected the implementation of the second development strategy (for example differences in policy making among member states of EAC)

### **Methodology and Data Collection**

The study will utilize both secondary and primary sources of data.

#### **Secondary data**

This basically will involve library research, published and unpublished materials like books, journals, periodicals, newspapers, reports, documents and bulletins, magazines, public documents, seminar papers and other papers seen as relevant to this study. The internet will act as an important source of secondary data.

#### **Primary data**

Primary data will be gathered by use of personal interviews. Questionnaires will also be used to source information from individuals possessing relevant information. The information or data collected will finally be analyzed to ascertain how such dimensions affect the EAC as a regional organization.

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## **Chapter Outline**

- Chapter 1: Is the background to the study, it includes the statement of the problem, the objectives of the study, the justification, hypotheses, literature review, theoretical framework and methodology.
- Chapter 2: Gives a short historical context of the EAC, its beginning in the colonial era upto the present attempt to re-establish the community.
- Chapter 3: Gives the overview of the second Development Strategy 2001-2005. It provides the content of the strategy and issues addressed therein.
- Chapter 4: Focuses on the socio-economic and political dimensions emerging from the second Development Strategy and how they act as important milestones towards the creations of EAC.
- Chapter 5: Offers a critical analysis on the socio-economic and political dimensions emerging from the second Development Strategy (2001-2005). It discusses the impact of the strategy to the overall goal of the EAC.
- Chapter 6: Is the last one, giving a synopsis of the other chapters. It is the summary of the study. Apart from the conclusion, it also offers findings of the study and recommendations for future research.



## CHAPTER TWO

### HISTORICAL CONTEXT OF EAST AFRICAN INTEGRATION

#### Introduction

This chapter aims to trace the path of EAC to the present. It is a concise history of the efforts made from colonial times, post independence period and after the collapse of the EAC in 1977.

#### Historical Context of East African Integration

East African Integration has its roots in the British Colonial administration. The British argued that successful developments of the region could be achieved through integration.<sup>18</sup>

Formal East African cooperation started in 1895 with the construction of the Uganda Railway from Mombasa to Kampala. In the course of construction, Kenya was discovered as a viable white settler economy, leading to the first common customs collection arrangement of 1900, through which customs levies, on all Uganda bound goods were to be collected in Mombasa and Dar es Saalam.

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<sup>18</sup> Adar Korwa, "An Investigation and Analysis of the Causes of the Disintegration of East African Community" (MSc- Scholarly Paper, Indiana State University, 1981), P. 47

This arrangement did not work as planned and therefore a customs union in which custom dues were pooled and shared between Uganda and Kenya was forged in 1917, with Tanganyika joining later.<sup>19</sup> Further colonial efforts can be seen in the creation of the East African Currency Board in 1905 which was followed by a Postal Union in 1911. In 1924, a commission chaired by Ormsby-Gore gave a report on East African Integration.

Following the Ormsby-Gore Commission Report of 1924 on the East African Federation, a Governors Conference was established in 1926, for policy and executive management of all common East African issues such as customs, common currency, court of Appeal, posts and telegraph and the common market. It is however important to point out that the Ormsby-Gore Commission concluded that federation was undesirable for practical reasons of the expense and because of strong opposition from Indians and Africans. The commission approved of increased economic coordination and recommended the holding of conferences of territorial governors to achieve it.<sup>20</sup>

Although the issue of the federation of the colonies did not constitute the focus of the discussions, its feasibility remained a contentious issue. Settlers were ready to establish a federal capital in Nairobi so as to reduce British influence in the area<sup>21</sup>. The idea of federation met some resistance from the Kabaka of Buganda and the Lukiko (Buganda Parliament) who feared that ties with Kenya and Tanganyika would jeopardize their

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<sup>19</sup> See: Arthur Hazlewood, *Economic Integration: The East African Experience*, (London: Heinemann, 1975) p. 21

<sup>20</sup> Ibid, pp. 29-30

<sup>21</sup> W.P. Lineberry, *East Africa* (New York: Penguin Books, 1964), P. 40

special position under the 1900 agreement with the British and would subject their people to the designs and whims of the settlers in Kenya.<sup>22</sup>

Another issue that weakened hope for federation was the recommendation of the Hilton-Young Commission of 1928 which concluded that time was not ripe for a federation<sup>23</sup>. The Commission recommended the institutionalization of the common services such as tax collection. An organizational framework for managing common services was agreed upon with the establishment of the East African High Commission (EAHC) in 1948. It put into operation the East African Railways and Harbours, the East African Post and Telegraph, the mechanism for revenue collection, the East African Income Tax Management and the Makerere College.<sup>24</sup>

The EAHC's main organs were the High Commission and the central Legislative Assembly. The High Commission was composed of the governors of Kenya, Uganda and Tanganyika. It was given powers to legislate upon the advice and consent of the Assembly. It also had the power to enact laws with the advice and consent of the three legislatures.<sup>25</sup> The Central Legislative Assembly consisted of seven ex officio members, three nominated (one from each territory) thirteen un-official members of the Legislative Council of each territory, one Indian and one African member appointed by the High Commission.<sup>26</sup>

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<sup>22</sup> Ibid

<sup>23</sup> Delupis I.D., *East African Community and Common Market* (London: Longman, 1970) P. 22

<sup>24</sup> Adar Korwa and Mutahi Ngunyi, "The Politics of Integration in East Africa," In Oyugi W. O.; (ed), *Politics and Administration in East Africa*, (Nairobi: East African Educational Publishers, 1994), P. 397

<sup>25</sup> Delupis, I.D; Op Cit, P. 28

<sup>26</sup> Ibid

The High Commission was the supreme organ. The role of the Legislative Assembly was centered on the "consideration of East African Legislation before it became law by the assent of the High Commission."<sup>27</sup>

Due to persisting problems the Raisman Commission was appointed in 1960 to study the activities of the EAHC. It recommended that the EAHC should have its own revenue independent of the territories. It also recommended equitable distribution of profits within East Africa through a formula designed to favour Uganda and Tanganyika.<sup>28</sup>

The EAHC was disbanded in 1960 and replaced by the East African Common Services Organization (EACSO). This was because Tanganyika was approaching independence in 1961. The EACSO was seen as a forerunner of a federation of East Africa. Indeed immediately after independence of the East African territories (Tanganyika, Uganda, Kenya) EACSO was the overall organization running the most important activities such as external trade, fiscal and monetary policy, the transport and communications infrastructure, and university education.

The first clearly recorded East African-driven initiative for an East African Federation was by the late Mwalimu Julius Nyerere. In 1960, he proposed that the independence of Tanganyika be held back until both Uganda and Kenya were independent so that the three East African countries, could form a federation on a simultaneous attainment of independence. This was a clear indication of a powerful sense of solidarity which led

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<sup>27</sup> Ibid, P. 29

<sup>28</sup> K.G. Adar and M. Ngunyi, Op Cit; P. 398

Nyerere later to argue that “if Kenya says yes to Federation, we will sit down and federate tomorrow.”<sup>29</sup>

Nyerere’s efforts did not go far largely because White Hall, the Colonial British Government, was not so minded. Again, the most popular African nationalists in Kenya like Kenyatta, were in detention and Uganda’s leading nationalists were yet to emerge with a clear East African Vision.

The three East African states attained independence generally and without a shared vision for East African Cooperation; Tanganyika on 9<sup>th</sup> December 1961, Uganda on 9<sup>th</sup> October 1962 and Kenya on 12<sup>th</sup> December 1963.

The modern period of cooperation can be seen to have began in 1945 with the publication by the UK government of proposals for the future management of the inter-territorial services in East Africa. From these proposals, came the establishment of a permanent executive authority in 1948, the East Africa High Commission. It administered the common services until the creation of the East African common services organization (EACSO) at the end of 1961.<sup>30</sup> The high commission was composed of the governors of the three East African territories. Their policy decisions were affected through a secretariat established in Nairobi and consisting of the administrator, legal and financial secretariat, the post master general and the commissioner for transport.

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<sup>29</sup> See An Article in the *Kenya Weekly News*, 25 June 1965, from a Tanzania Correspondent

<sup>30</sup> Arthur Hazlewood, “Economic Integration in East Africa” in Arthur Hazlewood (ed) *African Integration and Disintegration* (London: Oxford University Press, 1967) P. 71

## Post-Independence Efforts

In June 1963, President Nyerere, Prime Minister Kenyatta of Kenya and Obote of Uganda declared:

“We, the leaders of the people and governments of East Africa assembled in Nairobi and on 5 June 1963, pledge ourselves to the political federation of East Africa.”<sup>31</sup>

This declaration caused heated debate in the countries leading to the slow pace that has persisted to date. In Kenya, party politics between KANU and KADU was the main cause of the debate. Both parties accepted the idea of federation but their policies were opposed to each other. KADU wanted the regions (Majimbo) to maintain their own powers. This was an ethnic oriented policy. KANU on the other hand emphasized the need for a unified Kenya. Personal ambitions and regionalism (majimboism) could not be accepted against the vital move towards East African Unity. The two engaged in protracted debate that only abated with the dissolution of KADU later in the year.

In Uganda, two views pulling apart emerged. Initially, the Uganda government had supported the idea of federation. However, the Buganda Kingdom opposed the idea of federation. It had also opposed Uganda's independence as a unified state. This was because the autonomous positions of the kingdom in Uganda were enshrined in Uganda's

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<sup>31</sup> A.J. Hughes, *East Africa: The Search For Unity*, Kenya, Tanganyika, Uganda and Zanzibar (Baltimore; Penguin Books, 1963), P. 265

federal constitution. It has been argued that this internal opposition made Uganda to shift its stage on Nairobi Declaration.<sup>32</sup>

In Tanganyika, the leadership was supportive of the federation issue. It was their belief that a political federation among the three countries would alter the economic disparities. It would lead the leader believed, to economic equality. The emerging scenario was that the three countries could not federate as easily as envisaged earlier. To Kenya, true federation had to exercise control over foreign policy and foreign relations of the countries. Tanzania wanted federation immediately with or without Uganda. This was opposed by Kenya despite the fact that earlier on, Kenya had favoured federation with Tanganyika while waiting for Uganda to make up her mind about her many important issues.<sup>33</sup>

The federation did not take place clearly because of the changing policy positions of the three countries. Of the three, it can be said that only Tanganyika stuck to her position of immediate federations. The other two, Kenya and Uganda, had their own interests which stood in the way of federation.

### **The Treaty for East Africa Cooperation**

This treaty was signed in 1967 to deal with economic activities in the region. In their interest and desire for wider unity of the continent, the countries resolved to co-operate

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<sup>32</sup> Joseph S. Nye, *Pan Africanism and East African Integration*, (Cambridge: Harvard University Press, 1965), P. 185

<sup>33</sup> *East African Standard*, May 12, 1964

with one another and with other African countries in the economic, political and cultural fields.<sup>34</sup>

The treaty's objective was to strengthen and regulate the development of the three countries (industry and commerce) and fairly distribute the benefits of co-operation among the staff. It gave the EAC a personality enabling it to enter into agreements with other international entities. What the treaty failed to do was to provide for a mechanism for conflict resolution in the event of disagreement among member states.<sup>35</sup>

The treaty tried to help Tanzania and Uganda against Kenya's perceived favourable position in the region. It thus established a transfer tax system designed to protect industries in Tanzania and Uganda, against those in Kenya. This, it was assumed, would allow the two countries to protect competition from Kenyan industries.<sup>36</sup>

The treaty also made provision for the East African Development Bank. This was designed to enhance the distribution of EAC investments. It was to act as a catalyst for complementary industrial development rather than to undertake a major part of industrial investment itself.<sup>37</sup>

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<sup>34</sup> Kenya, *Treaty for East African Cooperation* (Nairobi: Government Printers, 1967), P.1.

<sup>35</sup> K.G. Adar and M. Ngunyi, *Op Cit*, P. 401

<sup>36</sup> Arthur Hazzlewood, "The End of the East African Community; What are the Lessons for Regional Integration Schemes?" in R.I. Onwuka and Amadu Sesay (eds), *the Future of Regionalism in Africa* (London: Macmillan Publishers, 1985), P. 176

<sup>37</sup> *Ibid*



The treaty also made provision for the relocation of the headquarters of some of the common services from Nairobi. Kenya became the headquarters of East African railways and East African Airways. Tanzania was allocated the Harbours Corporation and the headquarters of the East African Community at Arusha. The East African Development Bank and the East African Post and Telecommunications were located in Kampala, Uganda. However, these relocations did not do much for Uganda and Tanzania as most of the economic activities relating to the common services continued to be in Kenya.<sup>38</sup>

The treaty also made provision for an Authority comprising of the three heads of state. The authority was charged with the responsibility of controlling the community and ensuring its efficient and effective operation. Harmonious relationship of the three presidents was the key to the success of the system envisaged by the treaty.<sup>39</sup>

The environment of the three presidents limited the capacity of the lower levels of the administration in the functions of the community. The authority was an avenue of propagating and protecting national interests. Centralization of power within the authority turned out to be a limiting factor in the operations of the community.<sup>40</sup>

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<sup>38</sup> Adar and Ngunyi, Op Cit; P. 402

<sup>39</sup> Ibid

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<sup>38</sup> Adar and Ngunyi, Op Cit; P. 402

<sup>39</sup> Ibid

<sup>40</sup> Ibid

## The Collapse of the EAC

The collapse of the EAC was gradual. The decentralization of common services was the beginning of the collapse of EAC, which effectively ended in 1977 after the member states failed to approve the 1977 – 78 budget for the community.<sup>41</sup>

Five major factors have been found to be responsible for the collapse; ideological rift in the scheme, uneven levels of development, political trends in Uganda; lack of political commitment to the scheme; and the fragility of the EAC authority. It is a combination of these factors that account for the collapse.

Ideologically, the three countries were very different. Kenya adopted capitalism, leaning more to the West; Tanzania adopted socialism leaning towards China, while Uganda also was going leftist. Kenya feared socialist regimes developing in East Africa. The only hope for Kenya was that her economic axis with Uganda would keep the growing Tanzania-Uganda socialist ideological axis in check, and ensure her hegemony in the region.

Amin's Coup of 1971 broke the Tanzania-Uganda axis as Tanzania refused to recognize Amin and gave political asylum to Obote. Kenya's reaction to Uganda's Coup was indifferent.<sup>42</sup> This made Tanzania to become suspicious of Kenya's intentions and thus,

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<sup>41</sup> Arthur Hazlewood, "The End of the East African Community; What are the Lessons for the Regional Schemes?", Op Cit; P. 410

<sup>42</sup> Adar and Ngunyi, Op Cit, P. 410.

her interests in the EAC waned. With the formation of the frontline states<sup>43</sup> and the construction of the Tanzania- Zambia railway, Tanzania's interests shifted from the community to the Southern Africa sub-region. This is how Tanzania came to join SADCC. Ideological conflict between Kenya and Tanzania could be seen in their principles of Asian socialism. While Kenya emphasized the role of foreign investments in her development process, Tanzania de-emphasized it.<sup>44</sup>

Kenya's manufacturing investments produced a major share of East Africa's gross product. The investments were foreign controlled and the foreign firms in Kenya ended up controlling a substantial part of intra-EAC trade. Tanzania saw intra-regional trade as benefiting the foreign investors in Kenya who had captured both the markets in Uganda and Tanzania. This led to the closure of Kenya- Tanzania border and a lot of political acrimony in the relations of the two.

Uneven levels of development among the three states were equally blamed for the collapse of the EAC. The colonial policy had made Kenya an industrial power in the region. Kenya was superior in the industrial sector, service sector and trade. This has created 'back-wash effects'<sup>45</sup> instead of the 'spread effects'.<sup>46</sup> Controversy over gains from co-operation ruined any efforts to correct the imbalance. The measures to redress

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<sup>43</sup> Frontline States: States such as Tanzania, Malawi, Zambia, Zimbabwe, Lesotho, Swaziland and Botswana, aimed at Stopping Aggression from South Africa and reducing Dependence on S. African Economy

<sup>44</sup> For the Principles of African Socialism, see: Kenya Sessional Paper No. 10 of 1965 on *African Socialism and its Application to Planning in Kenya and Arusha Declaration* of 1967

<sup>45</sup> A situation where gains from co-operations are concentrated in only one member state.

<sup>46</sup> A situation where gains from co-operations are spread evenly among the Member States. See: Bela Balassa, *The Theory of Economic Integration* (London: George Allen and Unwin, 1961).

the problems of mal-distribution of gains were inadequate and the EAC collapse was inevitable.

Political trends in Uganda especially after the Idi Amin coup of 1971 destroyed the little hope that had remained for integration. Success of integration depended on the political stability of the three states. The case of Uganda slowed and eventually destroyed the prospects for integration. While Kenya could not do without Uganda's market, Tanzania did not recognize Amin's government inter- state relations between the three states worsened by 1977 and the demise of EAC was the result.

Another problem that led to the collapse of EAC was the lack of political will. Before independence, the three states only cooperated due to the machinations of the colonial government. After independence, the new East African leaders got busy with consolidating power. It has also been argued that the leaders found it difficult to 'breast-feed' a baby they did not bear. There was no sincere political will or commitment to carry on with integration.

Again, Uganda and Tanzania viewed EAC as a 'zero-sum' game or even a 'negative-sum game' given the dominant position held by Kenya. So, they may have wished the EAC to collapse than proceed on smoothly.

Finally, the EAC Authority became insignificant after the Coup in Uganda due to personal differences between Amin and Nyerere. Decision-making therefore, became hard as the authority could not meet.

### **Efforts of Integration after 1977**

After 1977, the idea of integration was abandoned. The United Nations (through its Economic Commission for Africa) and OAU led new initiatives of regional economic co-operations rather than political integration. This led to the Lagos Plan of Action of 1981. This blueprint envisaged the creation of several regional economic schemes with a hope that they would eventually merge into one African Economic Community. This led to formation of the Preferential Trade Area, (PTA) and Southern Africa Development Cooperation Community, SADCC. These two bodies led to continuation of the rivalry between Kenya and Tanzania. Hence, the initial and immediate post independence initiatives for an East African Federation ended up with economic cooperation and integration, but short of political federations. The purpose of an East African Federation is best described by the following quotation by Yoweri Museveni, President of the Republic of Uganda.<sup>47</sup>

“This balkanization of African into 53, mostly sub-optimal states, has meant that Africa cannot have a large internal market under one political authority; have no power to negotiate with the rest of the world. This balkanization must stop.”

Former president of Tanzania, Benjamin Mkapa said.

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<sup>47</sup> East African Community, Report of the Committee on Fast Tracking East African Federation, OP  
Cit. p. 8

“We have everything to gain in East African Federation in returns in terms of political stability greater feeling in safety in numbers and as an economic entity better able to sight poverty.”<sup>48</sup>

Kenya’s president, Mwai Kibaki on his part said:

“I firmly believe that regional integration is not a choice but a necessary strategy for sustainable development on a cultural level, regional integration solidifies the unity of countries with personal ties and common history, language and culture.”<sup>49</sup>

The above statements show the visionary purpose for the establishment of an East African Federation i.e. the accelerated economic development for all, to enable the region to move away from a least developed region to a developed region, in the shortest possible time. In order to understand the reasons for the failures of most attempts at integration, it is important to review the lessons and experiences from the past. These will be important and instructive in the design of the best option for fast tracking they process of the integration towards political federation.

### **Summary**

History helps us to understand the present situations and enables us to predict the future. The history of East African integration has been problematic. Most of those problems have persisted. From the pre-colonial period, the post independence period and the present efforts of re-establishing EAC, the politics of integration has rotated around benefit distribution. Unless an equitable format of addressing economic imbalance

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<sup>48</sup> Ibid

<sup>49</sup> Ibid p. 9

emanating from unequal distribution of regional benefits is found, EAC will remain a dream.

## **CHAPTER THREE**

### **THE SECOND DEVELOPMENT STRATEGY: GENERAL OVERVIEW OF THE STRATEGY (2001-2005)**

#### **Introduction**

This chapter focuses on the second development strategy. It will give a general overview of the strategy (2001-2005) looking into the content of strategy because it is from this, that the socio-economic and political dimensions will be analyzed. This chapter therefore looks at the issues addressed by the strategy.

#### **The East African Community Treaty**

Article 5 (2) of the EAC Treaty states: "In pursuance of the provisions of paragraph 1 of this article, the partner states undertake to establish among themselves and in accordance with the provisions of this treaty, a customs unions, a common market, subsequently a monetary union and ultimately a political federation in order to strengthen and regulate the industrial, commercial, infrastructure, cultural, social, political and other relations of the partner states to the end that there shall be accelerated, harmonious and balanced



development and sustained expansion of economic activities, the benefit of which shall be equitably shared.”<sup>50</sup>

From the above statement, it is important to review the status of implementation of the projects and programmes of the countries various stages of integration. The hurdles and obstacles to integration must also be identified.

### **First Development Strategy: 1997-2000: The Basis of the second Development Strategy**

The East African Development Strategy (2001-2005) is the second development strategy following the end of the first strategy which was launched in 1997 covering a period of four years. The first Development Strategy was instituted with the objective of transforming East Africa into a single market and investment area. The idea of transforming the East African co-operation into a community came after the summit directed the Tripartite Commission to upgrade the Agreement for the establishment of the tripartite Commission for East African Co-operation into a treaty of co-operation on the 29<sup>th</sup> April 1997 the day the first strategy was launched.<sup>51</sup>

Several policy actions which were earmarked for implementation during the period are not yet completed. The overall strategy aimed to achieve and promote the spirit of regional co-operation which was deeply rooted in the history of the region, to support existing forces which have major interest in the strengthening of regional institutions and

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<sup>50</sup> East African Community Treaty 1999, EAC Secretariat, Arusha

<sup>51</sup> EAC Second Development Strategy 2001-2005.

the free movement of people, capital goods, as well as services and information within the region; to place immediate emphasis on economic co-operation with a view to promoting enhanced political co-operation and integration in the long run and to reinforce institutional capacities for regional co-operation.<sup>52</sup> Although the overall process of implementing the strategy was not fully successful, it was established that all partner states were committed to integrations. It was further evident that consensus on many policy and programme actions were reached in accordance with the provisions of the East African Community Treaty. This led to the signing of the EAC Treaty which gave the impetus to the second development strategy.

### **The Second EAC Development Strategy 2001-2005**

The Second Development Strategy succeeded the first strategy that was launched in 1997 covering a period of four years. As shown above the strategy led to coming into force of the treaty which transformed the East African co-operation into a community.

The second strategy expands on the experience gained during the implementation of the first one; the provisions of the treaty, implications of globalization on intensification of competition and influence of the EAC in the world market. The vision of regional integration in East Africa is to create wealth, raise living standards of all people and enhance international competitiveness in the region, through increased production, trade and investments into the region. The treaty provides that a customs union will be

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<sup>52</sup> <http://www/eac.int/fasttrack/committees.htm>

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established as the entry point of the community, followed by a common market; a monetary union and ultimately a political federation.<sup>53</sup>

The Second EAC Development Strategy is based on lessons learned from the first strategy and sets out priority programmes to be implemented in that period. The first strategy was characterized by institutional inertia, slow decision making process, inappropriate sequencing of activities and delays in implementation due to resource constraints. It also raised challenges in managing the distribution and costs of integration. The development strategy concentrates on the policy issues stipulated<sup>54</sup> in the EAC Treaty and puts emphasis on areas of co-operation among the member states and consideration of international competitiveness. It has also taken into cognizance agreements with other groupings such as SADC and COMESA, and international organizations particularly WTO, ACP and EU.<sup>55</sup>

The strategy importance was to promote a market driven, people centered and people driven economic, political, and social development among the three countries. The strategy also emphasizes the vital roles that the private sector, civil society and market mechanisms are to play in regional co-operation, integration and development. Also the strategy ensured that the role of the Government this time round was to provide the enabling policies and environment for the private sector to thrive and play its rightful role as the engine of economic growth.<sup>56</sup>

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<sup>53</sup> EAC Secretariat, Second East Africa Development Strategy 2001-2005 Arusha, Tanzania.

<sup>54</sup> EAC Secretariat 2001

<sup>55</sup> Ibid

<sup>56</sup> Wwv. Eac.int

The EAC Development Strategy 2001-2005 address economic areas of co-operation with the view to articulating policy and programme actions to be undertaken by partner states during the strategy's timeframe. Given that the treaty intends to establish first a customs union, policy actions should target the conclusion of a customs union protocol within the time-frame of the strategy. It also sets in motion all prerequisite conditions for successful implementation of the subsequent stages of integration i.e. the common market, monetary union and political federation.<sup>57</sup>

### **Purpose of the Strategy**

The EAC development Strategy 2001-2005 is a systematic way of charting out action towards achieving the goals of regional integration in the EAC. The broad goal of the EAC is to widen and deepen co-operation among partner states in political, economical, social and cultural fields, research and technology, defence, security, legal and judicial affairs for their mutual benefits. The vision for the regional integration was to create wealth in the region and enhance competitiveness through increased production; trade and investment in the region.

### **Main Focus of the Strategy**

The strategy focuses on establishment of a customs union and a common market while laying the foundations for attaining a strong and competitive productive base. Political

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<sup>57</sup> HEEp://www. EAC. Int/news 2004

co-operation was to be pursued to ensure facilitation of progress towards a custom union and common market.<sup>58</sup>

The strategy has considered developments in globalization and implications on the intensification of competition, influence on the position of EAC in the world market and the importance of implementing regional co-operation programmes which are consistent with building a strong supply capacity with a view to attaining international competitiveness. In the context, policy and program actions have placed emphasis on two main areas. First priority is accorded to achieving a customs union and a common market. Second, the development strategy gives priority to building the supply capacity in the region. The strategy emphasizes on enhancing the capacity of the productive sectors notably agriculture, industry, tourism and natural resource. Building the supply capacity in the productive sectors needs to be facilitated by appropriate investments in infrastructure, supportive services, science and technology and human resource development.<sup>59</sup>

Progress made in macro-economic policy coordination and currency convertibility provides a good basis for a smooth transition towards a single currency for the region in the foreseeable future. However, partner states are encouraged by the strategy to strengthen and speed up implementation of issues already in progress and resolve those that are still in dispute. Continued efforts will be made to ensure co-ordination of macro-economic policies and economic reform programme. Priority is given to harmonization of macro-

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<sup>58</sup> [www. Eac.int/news](http://www.Eac.int/news) 2005  
<sup>59</sup> <http://www.eac. Int/about eac.htm>.

economic policies starting with exchange rate policies, interest rate policies and monetary and fiscal policies. Sharing of relevant information measures and policies will continue to be encouraged to enable convergence of macro-economic variables which is a prerequisite condition for attainment of a monetary union and establishment of a single currency in the region. These actions in monetary union and fiscal co-operation will lay the foundation for introducing a single currency. The strategy prioritizes resource mobilization especially for investment projects. The role of the East African development Bank (EADB) in financing regional projects shall be strengthened. EADB shall be revamped by allowing broader purchasing of shares within East Africa and enhancing its capacity to issue international bonds.<sup>60</sup> The strategy establishes a customs union which will eliminate internal tariffs and adopt a Common External Tariff (CET). As envisioned by the strategy given the different levels of economic development among partner states, elimination of internal tariffs needs will be implemented under the principle of asymmetry where the less developed partners will be permitted to reduce internal tariffs relatively more gradually over a transition period. The adoption of CET shall be accompanied by measures to stimulate investments and tap opportunities of the comparative advantages in the partner states.<sup>61</sup>

The integration of the three customs administration into one will require a separate coordinating body with the secretariat to oversee, guide and advise partner states. In that respect a separate Trade and Customs Unit (TCU) would be created. The proposed TCU within the secretariat would be the mechanism linking national customs departments by

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<sup>60</sup> The Second EAC Development Strategy, 2001-2005, EAC Secretariat 2001, Butha  
<sup>61</sup> Policy Action Matri For EAC Development Strategy 2001-2003 EAC Secretariat pg. 4

ensuring standardized procedures and harmonization of treatment through out the EAC. Mechanisms of how the regional customs institutions will operate shall be explored further. The strategy at this point will come up with a study in customs union administration drawing lessons from the experience of relevant regional integration schemes.<sup>62</sup>

In order to gear up a common market, the development strategy will ensure the formulation of common competition policy, harmonization of export promotion policies, co-operation in developing their capacity to compete internationally, and to collectively build the capacity to negotiate internationally. A Common Competition Policy and Law (CCPL) for East African community will be instituted with the objective of ensuring protecting and promoting free competition to implement the CCPL, a competent, strong and independent autonomous central common authority shall be established. This authority shall draw member from East African Business Council (EABC) East African Law Society, Investment Promotion Centres, fair trade practices institutions and any other stakeholders who are key to CCPL issues.

According to the strategy, the external policies of the partner states will therefore be harmonized with a view to enabling the region to attain international competitiveness in terms of exports to third countries. The principles that govern the practical achievement of export promotion will be private sector driven. Incentives on export of series will also be harmonized. Consistent with the objective of developing the capacity to compete and participate more effectively in the world economy, EAC partner states will pay greater

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<sup>62</sup> The Second EAC Development Strategy 2001-2005



attention to trade in services with a view to promoting efficiency and expanding exports of services.<sup>63</sup>

The strategy emphasizes that each partner state shall identify areas of competitive advantage and focus on building capabilities in those areas. At the regional level, analyses shall be carried out to identify those areas where the region shall build international competitiveness. Partner states shall undertake comparative competitiveness studies within the region with a view to identifying areas where cost of doing business is relatively high so that measures to address those areas can be taken. In order to tap opportunities which arise in such arrangements, efforts will be made to collectively build the capacity to identify and articulate the interests of EAC as a block and negotiate in that context. Collective building of the capacity to negotiate is not only more cost effective but it is also a way of building solidarity through collective bargaining.

The EAC Treaty emphasizes co-operation in infrastructure to involve coordinated harmonized, and complementary infrastructure development.<sup>64</sup> The strategy in this area shall aim at improving the existing transport and communication links and establish new ones as a means of furthering the physical cohesion of the partner states. Priority was to be placed on completion of rehabilitation of roads and sequenced implementation of new ones. To facilitate and promote the movement of traffic within the community, the strategy was to harmonize and simplify regulations, goods classification, procedure and documentation required for multinational transport within the community.

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<sup>63</sup> [http://www.eac.int/news2004\\_12\\_customsbill.htm](http://www.eac.int/news2004_12_customsbill.htm)

<sup>64</sup> Treaty for the Establishment of the East African Community

The on-going process of restructuring and privatization shall be harmonized along the lines which would be agreed as the regional approach to the revitalization. As regards the energy sector, the first priority in this sector was in the completion of the EA power Master plan as part of the overall regional energy master plan. Partner states were to be committed to adopting policies and mechanisms to promote the efficient exploitation, development, joint research and utilization of various energy resources available within the region. To this end, the partner states were encouraged by the strategy to engage in promoting within the community the development and transmission of electronic power, development of integrated policy on rural electrification, and inter-connection of partner states' electric grid.

The Development Strategy emphasizes the importance of information as a resource and tool for development. The present day information as envisaged by the strategy is one characterized by the high level development in information technology and so the use of computerization in all aspects of social, economic and technical life of human activity is recognized as one of the pillars of the regional integration and development, globalization and modernization. In the strategy, partner states recognized the fundamental importance of science and technology in economic development and in attaining competitiveness. Cooperation in this area is accorded much emphasis in joint research, development of indigenous science and technology, exchange of scientific information, collaboration in the training of personnel in various scientific and technological disciplines and formulation of science and technology (S&T) policy for EAC. As such S &T policy was to aim at putting in place policy measures that would create a science based culture and

ensure diffusion and utilization of results of research and development based on a comparative analysis of national interest. In Science and Technology (S&T) policy, partner states were to establish a regional S&T coordinating body which was to act as an intermediary between policy makers and sector-specific working groups.<sup>65</sup>

The strategy envisages for EAC complementary with other regional groupings with a view to realizing faster economic development in Africa consistent with principle of variable geometry and the spirit of the Lagos Plan of Action and Abuja Treaty. In this context the EAC was to play the role of a fast track core group with larger regional co-operation arrangements. According to the strategy the EAC was to continue to harmonize its policies towards global level agreements and organizations such as EU; AGOA and WTO with a view to promoting market access mainly through an enhanced capacity to supply competitively.

The implementation of this development strategy was to continue to be particularly effectively bringing a bond participation of key stakeholders. This meant enhancing roles of women, the private sector and the civil society. The strategy makes proposals on strengthening the role of these key stakeholders and enhancing their participation in implementing the development strategy. Of importance the development strategy recognizes for its implementation development of appropriate institutional frameworks. The strategy, therefore, provides for cooperation in legal and judicial affairs and in political matters such as peace, security and good neighbourliness. Appropriate

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<sup>65</sup> Policy Action Matrix for EAC Dev. Strategy 2001-2005 EAC Secretariat.

institutional arrangements at the level of partner states and at the level of the secretariat with a view to facilitating implementation of the strategy is to be set up.

The strategy encourages partner states to revisit this institutional framework for synchronizing demands of EAC programmes of action with national programmes and commitments. Provides at the national and regional levels shall be harmonized. Institutional arrangements of harmonizing and coordinating the formulation and implementation of decisions at regional and national levels would be revised with a view to strengthening them. In addition, institutional mechanisms for managing inter-sectoral and cross-cutting issues were to be strengthened its capacity to be in line with the implementation requirements of the strategy. The development strategy was to involve taking measures to address imbalances arising from process of establishing a customs union and common market. Priority will be given to measures which would promote widespread facilitation and attraction of investments in the region including the currently less disadvantaged parts of the region. In this context, the partner states would put much emphasis on infrastructure development projects such as, the regional roads, railways, telecommunications and inter-grid electricity connection projects. Considering that other regional blocks have grappled with this challenge and various approaches have been adopted with mixed levels of success, the development strategy envisages that a study would be commissioned to make a systematic and comprehensive survey of experiences from other regional blocks with a comprehensive survey of experiences from other regional blocks with a view to adopting most appropriate approaches for the EAC.

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## Key policies of the second Development Strategy 2001-2005

The policy and programme action matrix in chapter 4<sup>66</sup> of the development strategy capture the main activities arising from the cooperation. The main policy areas of cooperation included: harmonization of fiscal and macro-economic policies which are supposed to be implemented by central banks and the relevant ministries. The time frame of the implementation of these policies was to be continuous. This according to the strategy is expected to result in use of a single currency. The establishment of credit rating of all financial institutions and instruments by capital market authorities was to be done by 2001. The policy of free movement of capital was to be implemented by central banks, capital market authorities and the ministries of finance by the year 2003. It was intended to lead to the establishment of East Africa Stock exchange, liberalization of capital account in all partner states and harmonization of capital market policies.<sup>67</sup>

Trade liberalization and development is another crucial area covered by the strategy was expected to lead into establishment of a customs union, Common External Tariff (CET), Common market, enactment of competition laws and harmonization of export promotion schemes to allow fair play by partner states. Most of these activities were supposed to have been established by the year 2003 whereas others were to be implemented continuously by the relevant ministries. The partner states came up also with a policy of enhancing supply capacity in productive sectors which called for co-operation in agriculture and food security, harmonization and adoption of common agricultural policies. establishment of East Africa system of early warning to manage food storage

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<sup>66</sup> Policy Action Matrix of EAC Development Strategy 2001-2005 EAC Secretariat, pp 39-44

<sup>67</sup> Delupis I.D, East African Community and Common Markets ( London Longman Group Ltd 1970)

and a joint promotion of trade and investment and the policy was supposed to be implemented by the relevant authorities by June 2002. Tourism and Wildlife management policies were also included in this policy. The member states were supposed to study the impact of liberalization of tourism and formation of a single market in East Africa and establishment of a framework of cooperation on tourism and develop a collective and coordinated policy for conservation and sustainable utilization of wildlife and other sites in the community. The timeframe of implementation by the relevant ministries was 2002.

The policy of development of areas of common economic interest is supposed to result in formulation of a comprehensive development strategy for Lake Victoria and its basin, management and conservations of shared catchments areas and ecosystem and to address cross border trade in forestry products and harmonization of environmental regulations and environmental impact assessment (EIA). The ministries of natural resources and environmental of EAC secretariat were expected to implement the policy by 2002. The policy of cooperation in integrated water resources, management and development and development of minerals was to lead to development of EAC water policy and harmonization of national policies on minerals management and development and was to be implemented by 2004. The development of infrastructure and supportive services is to cover roads, telecommunication, civil aviation, railways, inland waters, meteorological services and information technology. The implementation of this policy was to be done by 2005.

Another important area of policy areas is the development of human resources science and technology and it is expected to result in establishment of regional science and technology co-ordinating body, harmonize curricula, examinations certificates and accreditation of education and training institutions and joint research and development exchange programmes.<sup>68</sup>

The policy of cooperation in social sector issues focuses on health, culture and sports and social welfare and it is expected to enhance the capacity of EAC to co-ordinate implementation of health services, harmonization policies for culture and sports and develop in harmonized approach toward social welfare. Most of activities pertaining to this policy would be implemented continuously. Easing of border crossing is to be implemented by the member states and would include; introduction of inter-state pass harmonization of air port charges and development of a protocol and free movement of persons, labour, services, right of establishment and residence after conclusion of the custom union protocol and introduction of common standards travel documents and employment policies. Related to this is the policy of labour and employment which is intended to come up with review and update of relevant municipal laws in the context of international labour conversions and harmonization of labour laws. The time frame was 2004. The partner states also agreed to cooperate in legal and judicial affairs by harmonization of legal training certifications and sector laws and regulations.

Political matters, peace and security policies have also been put into considerations and they include strengthening political cooperation undertaking joint measures to maintain

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<sup>68</sup> Policy Action Matrix of EAC Development Strategy 2001-2005 EAC Secretariat



peace and security. The implementation of the policies on the role of women private sector and the civil society has been included in the strategy. This include; the facilitation of formulation of national gender policies, finalizing of EAC private sector development strategy; building international capacities for private sector development strategy; building internal capacities for private sector development strategy; building internal capacities for private sector business organization and developing ways of harmonizing of trade policies towards global level agreement and organizations and enhancing negotiating capacity on global issues. To strengthen the capacity of the EAC secretariat relevant policies have been included in the strategy and they include effective consultation and participation of the private sector and strengthening consultancy fund and looking for reliable source of funds.

### **Summary**

In the light of the above analysis; it has emerged that the second development strategy 2001-2005 is a very comprehensive document that has broken new grounds of cooperation and as a matter of fact, also new dimensions have arisen as a result of this.

The strategy has very important policies that if implemented to the full, would give forth a viable East African Community. Be as it is, the strategy has used very attractive language to attract full force implementation by the partner states. Even after coining such powerful policies to enhance the transformation of the East Africa cooperation into a full fledged community, several dimensions have come up which have affected the same.

There is therefore need to pragmatically address the political, social and economic dimensions that have arisen from the second Development Strategy (2001-2005) for a better regional international organization in the name of EAC. This forms the next chapter.

## CHAPTER FOUR

### **SOCIO-ECONOMIC AND POLITICAL DIMENSIONS EMERGING FROM THE SECOND DEVELOPMENT STRATEGY**

#### **Introduction**

The main focus of this chapter is on the socio-economic and political dimensions emerging from the second Development Strategy and how they act as important milestones towards the creation of a community in the name of East Africa. This will be done by exploring the inner socio economic and political logistics and the dynamic propensities with reference to the strategy so as to derive the socio-economic and political dimensions. The first Development Strategy 1997-2000 set the foundation for the creation and adoption of the second Development Strategy because by doing so it emphasized on promoting the spirit of regional cooperation which was deeply rooted in the history of the region. In its area of policy and programme action, the programme earmarked twelve policy and programme areas of action for implementation by partner states all which were geared towards promoting the spirit of regional cooperation.

In this regard the second Development Strategy recognized that regional integration is a progressive process. However it is appreciated that in the implementation of the different phases of integration, some elements belonging to future stages of integration may need to be brought forward in order to support the overall integration process. This chapter

will therefore look at socio economic and political dimensions that were developed by the second development strategy to help in the integration.

## **Customs Union**

In the treaty that was adopted by the three East African countries, one of the main agreements was to establish a customs union. They agreed to establish a customs union of which details would be contained in a protocol. It is the second Development Strategy that gave way to establish a customs union.

The second Development Strategy states that the integration of the three customs administration into one will require a separate coordinating body within the secretariat to oversee, guide, and advise partner states on custom matters. In that report the strategy adds that a separate Trade and Customs Unit (TCU) would be established. The trade and customs unit (TCU) will be the mechanism linking national customs departments by ensuring standardized procedures and harmonized treatment throughout the EAC. The unit will deal with matters concerning the application of the principle of asymmetry, the elimination of internal tariffs and other changes of equivalent effect, the elimination of non tariff barriers ,the establishment of a common external tariff, rules of origin, dumping, subsidies and countervailing duties, security and other restrictions to trade, competition, duty drawback, refund and remission of duties and taxes, customs cooperation, re-exportation of goods and simplification and harmonization of trade documentation and procedures. All the above considerations have been seen as the main areas of cooperation within the customs union. The customs union was concluded in

2003. Issues to be addressed by customs union include skewed distribution of benefits and the need to put in place an efficient mechanism for sharing benefits and compensating losses. Another important issue is revenue loss due to over-dependence on trade taxes; thus the need to shift from trade taxes to internal taxes as the economic performance picks up. A higher consumer cost that may arise by importing from a high cost member is another issue. Hence, the common external tariff would be appropriately positioned to minimize trade diversion. Finally, there is the issue of low trade flows within the EAC countries creating the need for deliberate effort to enhance regional trade. To facilitate smooth operations of the customs union it would be necessary to harmonize macroeconomic policies, liberalize interest rates and exchange rates regimes; harmonize investment incentives, fiscal policies and put in place double taxation regimes.

### **Common market**

According to the Article 5 (2) of the EAC Treaty, after the customs union, partner states are expected to progress to a common market. The smooth functioning of a common market entails enhanced macroeconomic policy, harmonization and coordination particularly with regard to the fiscal regimes. Article 104 of the treaty stipulates the following: "The partner states agree to adopt measures to achieve the free movement of persons, labour and services and to ensure the enjoyment of the right of establishment and residence of their citizens within the community" and that for this purpose, ".....the partner states agree to conclude a protocol on the free movement of persons, labour, services and right of establishment and residence at a time to be determined by

the council.”<sup>69</sup> The article goes further to articulate the means by which the partner states are to achieve this objective, i.e. easing border crossing by citizens of the partner states, harmonizing and maintaining common employment/labour policies, programmes and legislation. In actualizing the provisions of the Article, the current development strategy (2001-2005) of the EAC states that: “free movement of persons, labour, services right of establishment and residence shall be adopted during the development strategy. The partner states shall prepare, agree and adopt a protocol on the above to facilitate easy border crossing, common standard of travel documents, common employment policies, training facilities to people from partner states and enhance employer/worker organizations.”<sup>70</sup>

A common market is based on the custom union. Under the second Development Strategy, a common market was to be established. The strategy points that the EAC partner states would work towards ensuring free movement of capital, labour goods and services within the community. A production of common market would be concluded. In order to operationalize<sup>71</sup> the common market, the Development Strategy would ensure the formation of a common competition policy, harmonized export promotion policies cooperation in developing the capacity to compete internationally and to collectively build the capacity to negotiate internationally. Competition policy is important to prevent abuse arising from a market based economy.

<sup>69</sup> East African Community, Op-Cit; P. 25

<sup>70</sup> East African Community Development Strategy 2001-2005, p. 49

<sup>71</sup> The Second EAC Development Strategy, 2001-2005 EAC Secretariats, 2001 Arusha.

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<sup>69</sup> East African Community, Op-Cit; P. 25

<sup>70</sup> East African Community Development Strategy 2001-2005, p. 49

<sup>71</sup> The Second EAC Development Strategy, 2001-2005 EAC Secretariats, 2001 Arusha.

The strategy also under the common market envisages cooperation in export promotion<sup>72</sup>. Co-operation export promotion strategies are critical as the process towards establishment of a custom union and common market gains momentum. Once a custom union and common market is established under the strategy, the region will trade with other countries as a single block<sup>73</sup>. In this respect the external policies of the partner states shall therefore be harmonized with a view to enabling the region to attain international competitiveness in terms of exports to other countries. The strategy recognizes that the EAC partner states have common interests in various international arrangements such as WTO, EU and AGOA. In order to tap opportunities which arise in such arrangements, partner states will collectively build the capacity to identify and articulate the interests of EAC as a bloc and negotiate in that context. Collective building of the capacity to negotiate is not only more cost effective but is also a way of building solidarity through collective bargaining.

Under the strategy, the EAC was to build steps to enhance international competitiveness. The states were to identify areas of competitive advantage and focus on building capabilities in those areas. At the regional level analysis during the implementation of strategy was to be carried out to identify those areas where the region should build international competitiveness. Also the countries were to take concerted action to pursue action on factors which hinder competitiveness and in particular establish programmes for: facilitation of export activity, promotion of technologies upgrading in production

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<sup>72</sup> EAC Mediation Agreement Act 1984 Government Press, Nairobi

<sup>73</sup> Viner Jacob, *The customs union issue* 1950, New York Carnegie, Endowment for International Peace



activities, promotion of investment in the necessary infrastructure and monitoring improvements in the level of competitiveness in terms of quality, reliability and cost.<sup>74</sup>

### **Monetary Union**

Monetary integration is not a new phenomenon to East Africa and can be traced back to the time of the East African Currency Board which was established in 1919 and operated through the years until it was dissolved in 1966.<sup>75</sup> In pursuance of the EAC treaty are provisions on the monetary union, partner states agreed on macroeconomic convergence criteria aimed at fully integrating the three economies and thus pave the way for a sustainable monetary union. At least, currency convertibility in the three states has been a success story. More still need to be done as regards exchange rate, interest rate, monetary and fiscal policies. Sharing of relevant budget information under the pre and post budget consultations of the ministers of finance, will enable convergence of macroeconomic variables as a prelude to monetary union and a single currency.

### **Political Federation**

The East African Community has already established two institutions, which also serves as building blocks to a political federation and these are: the East African Court of Justice and the East African Legislative Assembly. In addition, there are memoranda of understanding guiding cooperation in defence security and foreign policy.

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<sup>74</sup> Article 89 to Article 101 Treaty for the Establishment of East Africa Community 1999 EAC Secretariat Arusha

<sup>75</sup> Arthur Hazlewood, "Economic Integration in East Africa," Op Cit, PP 101-103

The East African Court of Justice (EAC) was inaugurated in November 2001 and is composed of six judges, two from each partner state. The East African Legislative Assembly (EALA) was inaugurated on 29<sup>th</sup> November 2001 and is composed of thirty two members, nine from each partner state who are elected by their respective national parliaments, three ministers responsible for regional cooperation; the secretary general and the counsel to the community.

### **Trade in services**

Consistent with the objective of developing the capacity to compete and participate more effectively in the world economy, EAC partner states shall pay attention to trade in services with a view to promoting efficiency and expanding exports of services. It is in recognition of vital role that the services sector plays in the economic growth and development that the treaty for the establishment of the East African community has placed emphasis on co-operation in services. Actually Article 89 to 101 of the treaty identifies the areas of co-operation infrastructure and services to include transport and communication (e.g. postal services and telecommunication) energy and other transport supportive services. Other areas of co-operation comprise education and training (Article 102): tourism (article 115) financial services (Article 85&86) and health (article 118)<sup>76</sup>

During this Development Strategy the EAC would take the following steps to promote trade in services where competitiveness could be built up at the community level and undertake liberalization programmes at the regional level prior to possible liberalization

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Article 102-118 Treaty for Establishment of EAC 1999 EAC Secretariat, Arusha

at multi-lateral level. Develop economic and policy audit on services sectors at the regional level. Develop mutual recognition of qualifications at the regional level to facilitate the movement of professionals. General immigration legislation, labour market regulations and entry quotas and pre-employment requirements shall be appropriately regulated in order for them to be accommodative

### **Social sectors immigration and labour policies dimensions in the strategy**

The Development Strategy (2001-2005) mentions core areas of cooperation on the sector that the three partner states of EAC would venture in. These areas include health, culture and sports, social welfare, immigration labour standard cooperation in legal and judicial affairs. On health under the strategy three working groups for the region have been formed for the purpose of controlling and preventing Sexually Transmitted Infections (STI) and HIV/AIDS, control of communicable diseases, health research policy and health system development. Regional programmes that are being developed in the health sector include control of communicable and vector-borne diseases such as HIV/AIDS, malaria, yellow fever, cholera and particular reference for the Ebola epidemic.

On culture and sports the partner states on the strategy resolved to promote cooperation in culture and sports emphasis shall be placed on harmonization of policies on culture and sports and facilitation of cross border trade in cultural artefacts and materials. On social welfare the partner states have undertaken to cooperate in the field of social welfare. Priority was to develop and adopt a common approach towards the welfare of disadvantaged and marginalized groups.

On labour standards the strategy recognizes the need to facilitate free movement of labour. Partner states were to review and standardize labour laws and regulations related to labour standards. Liberalization of labour markets was to be harmonized to allow smooth movement of labour by the time partner states were at a common market stage of integration. In addition, the strategy states that the following actions would be taken; conduct a comparative study of the partner states with the view to review and update the relevant municipal laws in the context of the international labour conventions, identify core labour areas of regional nature that need harmonization, carry out labour force surveys and establish national data and labour market information systems. The strategy also stipulates that during its implementation the following would be attained; harmonization of labour laws and legislation, procedures and charges for work permits, procedures and fees for granting residence permits.<sup>77</sup>

### **Political Matters**

The development strategy (2001-2005) puts a lot of emphasis on the development of a political federation but understands the fact that a political federation is usually the last stage of integration.

In the strategy in order to achieve economic cooperation, partner states undertake to sustain political will and vision for regional co-operation by among other things, strengthening political cooperation and implementing common foreign and security policies [article 123 (1)] and good neighbourliness, increased liaison and cooperation

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<sup>77</sup> Second EAC Development Strategy 2001-2005

among partner states; political players and working towards a political federation; political co-operation was to be realized and sustained at various levels. Heads of summit, ministers responsive for foreign affairs, ambassadors and high commissioners and national parliaments.<sup>78</sup>

### **Peace and security**

Peace and security is essential for the promotion of trade investment and other development efforts. This has been discussed at length in the strategy. The strategy points out that the attainment of peace and security requires a high level<sup>79</sup> cooperation at the political level. Realizing that EAC cannot be stable if there are political instabilities in neighbouring countries, partner states have resolved to undertake joint measures to restore peace and security in neighbouring countries.

That partner states will foster and maintain an atmosphere that is conducive to peace and security through cooperation and consultations on issues pertaining to peace and security of the partner states with a view of preventing, better management and resolution of disputes and conflicts between them Article 124 [1] . The strategy points out that, the measures to be taken to realize these include diplomatic action<sup>80</sup> and addressing issues related to criminal activities across borders and overall safety and security in the region.<sup>81</sup>

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<sup>78</sup> Article 123 [1] Treaty for the Establishment of EAC 1999 EAC Secretariat Arusha  
<sup>79</sup> Victor O. Adefula, Regional Integration in Africa: prospect for closer Co-co-operation, Between West, East and Southern Africa. May 2-4<sup>th</sup> 2004  
<sup>80</sup> Article 124 [1] Treaty for Establishment of EAC 1999 EAC Secretariat Arusha  
<sup>81</sup> The Second Development Strategy 2001-2005

## **Broad Participation**

Enhancing the role of women, private sector and civil society.

### **Role of women**

In this strategy the partner states recognize that women make significant contribution towards the process of socio-economic transformation and sustainable growth. To this end, emphasis is placed on empowerment, effective integration and participation of women at all level of socio-economic and political development, especially in policy formulation and implementation.<sup>82</sup>

The partner states under the strategy were to continue to encourage the formulation of national gender policies and formation of national machineries to spearhead and coordinate gender responsive development and in particular ensuring the improvement of women's status. The partner states will expedite the implementation of agreed areas of cooperation within the Beijing Plan of Action especially in the six priority area in line with partner states' plans of action to the advancement of women, namely; women in decision making, economic empowerment, legal rights of women, education training and employment, health and most importantly the girl child. To this end the development strategy points out that gender policy would be harmonized and a regional framework for the mainstreaming gender and community development programmes developed.

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<sup>82</sup> The Second Development Strategy 2001-2005

## **Broad Participation**

Enhancing the role of women, private sector and civil society.

### **Role of women**

In this strategy the partner states recognize that women make significant contribution towards the process of socio-economic transformation and sustainable growth. To this end, emphasis is placed on empowerment, effective integration and participation of women at all level of socio-economic and political development, especially in policy formulation and implementation.<sup>82</sup>

The partner states under the strategy were to continue to encourage the formulation of national gender policies and formation of national machineries to spearhead and coordinate gender responsive development and in particular ensuring the improvement of women's status. The partner states will expedite the implementation of agreed areas of cooperation within the Beijing Plan of Action especially in the six priority area in line with partner states' plans of action to the advancement of women, namely; women in decision making, economic empowerment, legal rights of women, education training and employment, health and most importantly the girl child. To this end the development strategy points out that gender policy would be harmonized and a regional framework for the mainstreaming gender and community development programmes developed.

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<sup>82</sup> The Second Development Strategy 2001-2005

## Private sector

The strategy also recognizes the private sector as a very important sector in the integration. It states that in order for the private sector to take full advantage of the community, a conducive environment for their effective participation would be created. In this respect, partner states were to be committed to promote a continuous dialogue with the private sector and civil society to create an improved business environment and to provide opportunities for them to participate actively in policy reforms.

Under the strategy, the partner states were, inter-alia, supposed to undertake the following measures; building internal capacities for the private sector business organizations in the region in order to enhance their capacity to effectively participate in policy formulation and analysis, encourage application of deliberate policies granting specific incentives for promotion of targeted local private sector in view of the important role the sector would play in bringing sustainable regional integration and development, encourage utilization of local expertise, particularly during implementation of programmes funded by the development partners and lastly prepare a private sector development strategy. The proposed private sector strategy preparation will enhance the sector development harmonization needed for the private sector driven development of the region.<sup>83</sup>

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<sup>83</sup> The Second Development Strategy 2001-2005



## **The Civil Society**

The strategy recognizes most emphatically that lack of strong participation of civil society contributed to the collapse of the East African Community in 1977.<sup>84</sup> A people centered and private sector driven system is now seen as an important vehicle for sustainable integration. The partner states as stated by the strategy puts it that the strategy should make a deliberate effort to balance between the private, civil society and public sectors in future EAC development strategies. The civil society will be helpful as think-tanks during the strategy and policy formulation as well as implementation. The civil society also is best suited for community based initiatives as they can easily mobilize the local communities. The non- governmental organizations would play a significant role in sensitizing the community to exploit more effectively the resources in the region. As a fact the strategy says that a study on how civil society issues would be harmonized must be undertaken.

## **Relationship with Other Regional and International Organizations**

### **Relations with other Regional Organizations**

The instruments establishing the EAC in this strategy take cognizance of existing regional cooperation agreements and arrangements binding the partner states such as AU, COMESA, SADC and IGAD. EAC envisages complementarity with other regional groupings with a view to realize faster economic development in Africa consistent with the principle of variable geometry and the spirit of the Lagos Plan of Action and the

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<sup>84</sup> Joseph S. Nye "East African Economic Integration "In International Political Committees An Anthology (Garden City NY: Anchor Books P. 407).

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Abuja Treaty. In this context the EAC will play the role of a fast track core group within larger regional co-operation arrangements.<sup>85</sup> The strategy recognizes that partner states belong to more than one trading bloc. Full implications of these multiple memberships has not been explored but the strategy points out that a study would be undertaken to assess the implications of belonging to more than one trading bloc. Also the strategy points out that, the EAC would continue to harmonize its trade policies towards global level agreements and organizations such as EU, AGOA and WTO with a view to promote market access mainly through an enhanced capacity to supply competitively. In addition, the strategy stresses that efforts were therefore to concentrate on capacity building by partner states to enhance negotiation power on trade issues with a view to safeguarding and promoting interests of EAC in the global economy.

## **Institutional Arrangements and Capacity building**

### **Partner States**

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

For the current development strategy partner states were to revisit the institutional framework for synchronizing demands of EAC programmes of action with national

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<sup>85</sup> Brief on East African Community, Ministry of East African and Regional Cooperation 2005

programmes and commitments. Priorities at the national and regional levels were to be harmonized. Institutional arrangements for harmonizing and coordinating the formulation and implementation of decisions at regional and national levels were to be revisited with a view to strengthening them. These institutions were to be given the capacity in terms of human and financial resources within the government machinery. In addition institutional mechanisms for managing inter-sectoral and cross-cutting issues were to be strengthened.

### **Secretariat**

During the first strategy, considerable progress was made towards enhancing the capacity of the secretariat. However the expansion of activities meant that the capacity of the secretariat continues to be overstretched.

For the current strategy, the capacity of EAC secretariat would be strengthened to commensurate with the implementation requirements of the development strategy. Therefore under this strategy, the measures that were to be undertaken towards this end included, capacity building through training and adequate work facilities, establish a consultancy fund to enable financing of consultancy services in areas stipulated in the development strategy, identifying more reliable and automatic sources of income to fund the operations of the secretariat. In addition to the annual budgetary allocation from the partner states, and conclusion of the study on structure, terms of services and conditions of the secretariat.<sup>86</sup>

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<sup>86</sup> Second Development Strategy 2001-2005

### **The East African Legislative Assembly**

During this strategy, arrangements to put in place of functioning assembly were to be completed.

### **The East African Court of Justice**

During this strategy, arrangements to put in place functioning East African Court of Justice was to be completed.

### **Managing Distribution of Benefits and Costs**

The second development strategy was to involve taking measures to address imbalances arising from the process of establishing a customs union and common market. Towards this end, action to be taken included instituting measures to address regional imbalances, putting emphasis on infrastructure development projects, such as the regional roads, telecommunication and inter-grid electricity connections present and giving preferential treatment to nationals of EAC in order to build a strong vibrant indigenous private sector in future. The strategy recognizes that other regions blocs have grappled within this challenge and various approaches being adopted with mixed levels of success. The strategy states that a study was to be commissioned to make a systematic and comprehensive survey of experiences from other regional blocs, including the establishment of a fund to address imbalances, with a view to adopting the appropriate approaches for the EAC.

## Summary

This chapter has given a synopsis of the various specific areas that the second development strategy sought to cover. It is true that the strategy was an improved version of the first development strategy that was geared towards meeting core predicaments faced by the first strategy putting down of such ideas shows that the process of coining a full<sup>y</sup>fledged EAC is still burning and the pace keeps on become more steadier and more focused than ever before. In summary the strategy more prudently sets a very good milieu that is devoid of any form of challenge that would detriment the efforts developed prior to the second strategy. It is a very wide strategy that covers almost every professional area of any form of international venture to culminate to integration and so it is one of the comprehensive documents that if the EAC has to implement in totality, then all will be successful.

## CHAPTER FIVE

### **A CRITICAL ANALYSIS ON THE SOCIO-ECONOMICAL AND POLITICAL DIMENSION EMERGING FROM THE SECOND DEVELOPMENT STRATEGY (2001-2005)**

#### **Introduction**

This chapter posits to critically analyze the socio-economic and political dimensions that emerge from the second development strategy accessing their applicability in the contemporary dispensation. The chapter thus will discuss the impact of the strategy to the overall goal of the EAC of creation of a political federation and the chapter will find out why even after adopting a very comprehensive strategy, it has been difficult to implement it. Further the chapter will also analyze why it has been difficult to operate within the ambit of the strategy.

#### **The Development Strategy and its Key Areas of Cooperation**

Consciously the drafters of development strategy chose to make it a very comprehensive document even after so many unsolved contentious issues that arose from the first development strategy. In a more prudent expression, the drafters of the strategy can be seen to be guided by a nostalgic attitude towards final stage that usually comes out of a co-operation venture. It is time that the strenuous effort to create the East African

Community has been characterized as successful at best but even after looking at the prosperity of implementing the strategy to its totality, I would insinuate that there are a plethora of factors that have frustrated the process. The theory of functionalism states that when co-operation of one area is done successfully, the benefits and lessons learned in that area will spill over to other areas hence giving the cooperation diverse area of operation. If this continues for some time then, the impetus laid down by the first achievement will conglomerate and later culminate to a very successful integration step by step. Looking at the strategy and how so many areas have been given attention and also the time frame for the implementation of the strategy will be more successful. The partner states most and I state this categorically, that the states must expect frustrations.

The guiding principle of functionalism is that success from one area will lead to success on other areas. This means that it is too perilous and precarious to undertaken all the areas<sup>87</sup> of co-operation at the same time. The strategy expresses the need to establish and develop policies in each area and to implement them at the same time. The strategy expresses that, it will focus on economic, social and political areas of co-operation at the same time, an idea which is mediocre in the sense that it even contravenes the basic principles of functionalism.

Theoretically the strategy is too complicated and thus there is need to come up with specific areas of cooperation, implement them and after a success in those areas, then this would break new grounds of cooperation and at the end of the day the overall objective will be attained. Given that the starting point of the strategy to create the community is by

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<sup>87</sup> Mitrany. D. Op. Cit, P. 70



establishing a customs union and a common market, these should be sought first and the success of this will spill over to political issues like strengthening political co-operation, this would also lead to establishment of joint measures to establish peace and security and also promote broad participation of stakeholders like the women and also the private. The issue here is that, it is fine that the strategy is good, but the predicament is, the implementation of the strategy would be very difficult because all the areas covered in the strategy cannot be implemented at the same time.

### **Customs Union the Key Dimension in the Development Strategy**

It is time the three partner states established a customs union and there has been remarkable progress already; for instance, in regional trade. Kenya applies a preferential tariff reception of 90% on imports from partner states. The tariff regimes of Uganda and Tanzania have been liberalized as well. Non- Tariff barriers on trade have been removed as well.<sup>88</sup> The three states have established a customs union leading to elimination of various tariffs. A part from the liberation of trade in goods, progress has been made in the harmonization of fiscal and monetary policies and institutional improvement of capital markets other important areas where progress has been made are, industry, investment and customs, private sector development, transport and communication, energy, agriculture, natural resources and environment. Industrial, private sector and agriculture and rural development strategies have been developed.<sup>89</sup>

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<sup>88</sup> <http://www.eac.int/Fastrack/committees.htm>.

<sup>89</sup> Massdorp. Gavin A; The Establishment of an East African Trade Regime, Final Report Prepared for the Secretariat of the Commission of East African Co-operation 1999 Durban S.Africa.

The trade efforts of the new external tariff of the customs union have been composed. The new external EAC tariff applies to all EAC countries, regardless of industrial national tariff rates at the moment. There is a tariff rate of 0 percent for primary raw materials, essential drugs, medical equipment, plant and agricultural inputs, 10 percent for intermediate goods/inputs and 20 percent for finished goods for imports. But even after the establishment of the customs union, Kenya is projected to profit most from the internal liberalization of intra- EAC trade and is, likely to see significant increase in its export to Tanzania and Uganda. The other two East African countries will gain less from the EAC, but I suppose that their trade balance will not deteriorate significantly. Rather, the opposite seems to be the case, as external tariff of the EAC. Based on these projects fears in Tanzania and Uganda about significant trade effects due to the completion of the EAC seem to be misguided.

### **Trade imbalance and the customs union**

According to Maasdorp (1999)<sup>90</sup> who compiled are port on imbalances for the EAC secretariat, there is a strong perception in both Tanzania and Uganda that their manufacturing sectors would not be able to compete with Kenyan produces in a customs union and major trade imbalances between the partner states, particularly between Kenya and Tanzania are seen as the main problem and challenge facing the EAC. The Tanzanians are seen as the main problem and challenge facing the EAC. The Tanzanian industrialists share the view that the imposition of zero internal tariffs would generate trade creations and trade diversion effects in Kenya's favour which would widen the trade imbalance in

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<sup>90</sup> Ibid

Kenya favour. From the Tanzania industrialists' point of view, a rural danger exists that the EAC would collapse if the issue of trade imbalances between Kenya and Tanzania is not properly addressed.

But this being the case, I think that it is worth to note that there has been a change in style but not in substance. Sectors like manufacturing, agriculture, trade and transport are pointed out by stakeholders as areas for potential gains. In Tanzania, as far as manufacturing is concerned, it is expected that this sector would be hit most by the trade liberalization, at least in the short run. To remedy this, the strategy establishes a transitional fund. In addition to this I think that the strategy should have adopted a gradual elimination of internal tariffs instead of a complete liberalization in one stage and a progressive taxation of those who benefit more from integration. In Uganda, in contrast, a transitional fund is seen as a vital necessity, given the distant possibility that there will be losers after integrations.

#### **Trade deficit: Kenya still dominant player in trade with EAC partner states**

After the adoption of the customs union trade deficit between Kenya, Tanzania and Uganda widened, as the two neighbouring countries continued to be importers of Kenyan goods. This trend economists say is a signal of strength of the Kenyan economy. In a report released in Jan 2005, The Bank of Tanzania said that during the period in question; Tanzania exported to Kenya goods worth \$78.8 million compared with goods worth

\$77.7 million from \$105 million.<sup>91</sup> Although the general trend between Tanzania and Kenya has been to narrow deficit between the two countries the trend shows that Tanzania trade account with Kenya has been rising. The intra-regional trade shows that the share of Uganda in East African trade continued to shrink after 2001 compared with the two partner states. Although the size of Tanzania exports to Uganda is still small, it is estimated that, it has been on the increase since 2001. Tanzania on the other hand saw imports from Uganda decrease in 2005.

### **East African Customs Union a boost to Tanzania and Uganda's exports to Kenya**

However from the above analysis and with the current East African customs union agreement, which was set by the strategy and came up with a gradual tariff reduction between partner states, it is likely that Tanzania and Uganda will boost their exports to Kenya thereby narrowing their trade deficit. Kenya has also been recommended by making significant progress by containing the fiscal deficit, while the two other partner countries have failed. Today the fiscal deficit ratio for Tanzania and Uganda has worsened but the countries are optimistic that after the customs union full implementation the harsher conditions of the deficit will be mitigated.

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<sup>91</sup> The East African Business Agenda December, 2005 Pp. 19-25-

## **Hurdles and Obstacles**

The momentum of the EAC integration efforts towards a single market and investment area has been slow. This has been occasioned by a number of hurdles and obstacles as set out below.

### **1. Governance and institutional constraints**

The over-arching hurdle to a faster East African integration is the absence of a politically accountable authority at regional level. Lack of executive authority within the secretariat and organs of the community have greatly undermined the abilities of the secretariat to discharge her mandate.

Government ministries of the partner states involve themselves in day-to-day running of the secretariat while the Court and Parliament have defined roles to facilitate their positive contributions in the integration process. Similarly, the parliament and court should be accorded autonomy as their functions are clarified and operationalized.

### **2. Budgetary Constraints**

Articles 132 and 133 of the treaty stipulate clearly that the community secretariat initiates the budget on the basis of agreed programmes and projects for the partner states to support. However, in practice, technocrat delegates from the partner states formulate such budgets on the basis of ministerial cuttings in the national budgets. This entails cutting back on the approved work programmes as envisaged in the strategic plans of the community. On many occasions, the partner

states have not remitted in time even what they have approved as their contributions, thus delaying the implementation of community projects and programmes. Currently, some partner states are in arrears for contributions.<sup>92</sup> In the cases where donor finding is involved, procurement processes and procedures are unduly complex and time consuming. Donor priorities also do change, leading to occasional withdrawals of such support midstream. Examples are the Telecommunication Digital Project and the concessioning of the East African Railway Network.<sup>93</sup>

### **3. Lack of enforcement machinery and sanction mechanisms**

The problem here is that collective decisions are left to bureaucrats in the partner staff to implement. However, national interest at time prevails. And because there are no penalties for lack of implementations, and an EAC secretariat with no legal executive authority for enforcement, community programmes remain unimplemented. Other factors that have delayed implementation are: lack of commitment towards implementation of agreed decisions, failure to communicate in time or none at all, failure on the part of bureaucrats to implement, resistance by high level bureaucrats in government institutions, delays in the ratification of protocols, frequent backtracking on decision taken due to a divided loyalty between state and regional pressures and finally lack of implementations strategies and plans with implicit timeframes for implementation of decisions taken.

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<sup>92</sup> East African Community Report, Op Cit, p. 66

<sup>93</sup> Ibid

#### 4. Lengthy decision- making processes

It has been argued that the secretariat has become a forum where technocrats from partner states negotiate to harmonize their national policies/interests instead of adapting national positions to regional standards or requirements.<sup>94</sup> This process has been time consuming reaching to extensive use of resources with minimal returns. Again, frequent changes of personnel at the technocrat levels erode benefits of institutional memory for continuity.

In addition, the council of ministers, in charge of community affairs are predominantly ministers of foreign affairs, whose mandates necessitate extensive international travel. Invariably, they are not available to attend to the matters of the community, hence delaying decision making for up to two years in some cases. In such circumstances, there are gaps in knowledge between the technical staff and policy makers.

This has also impaired the functioning of the East African Legislative Assembly and resulted in the usurpation of the power of the policy makers by bureaucrats. Because decision making is by consensus, lack of quorum has resulted in the postponement of meetings where key decisions could have been made.

#### 5. Legal and administrative handicaps

Community decisions requiring amendments to the national laws remain outstanding for long periods of time. In the meantime, there have <sup>been</sup> attempts

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<sup>94</sup> Ibid p. 67

through administrative compromises to implement decisions outside the legal framework. This is inappropriate and compromises the sustainability of decisions made in the manning.

## **6. Capacity constraints**

The mandate of the secretariat has expanded over time without the corresponding expansion of the professional cadre of staff, thus overstretching the abilities of such staff to the point of inefficient service delivery. For quite a while, the secretariat is characterized by one man department handling varied activities. Along with the deficiency in staff numbers, the quality of staff to manage the explaining mandate is yet to be addressed. Similarly, at the state level, decisions agreed on in Arusha are no disseminated to the operating for implementations leading to inconsistencies and frustrations, for example, at border crossing points.

### **Transitional fund and its effect on the EAC: A core Institution of the strategy**

In the economic integration as envisioned by the strategy, a transitional fund would be developed to compensate the losers of the integration. In case of considerable losses such a fund may infact ease the political and economic process of integration. But even in this case, the fund is likely to increase administrative costs. A bureaucracy has to be set up and transaction costs for all parties involved may arise. This reduces the total amount of money which can be redistricted towards declining sectors. Also the fund may produce a sectoral bias in favour of uncompetitive sectors and firms. Allowances may be paid under the condition that the respective firms adjust and improve their competitiveness. In case



this does not work, scarce funds for economic development would be wasted. Finally, the fund may lead to rent-seeking activities and to an increase in corruption. Even firms not suffering from increased import competition from partner states would be stimulated to use of the trans-national fund. This would lead to a growth of the fund activities and the institution might easily get out of control and thus harm economic activities in the East African partner states.

This notwithstanding, the relative size of the estimated trade effects shows that fears in both Tanzania and Uganda about negative trade balance effects following the completion of the EAC customs union seems to be misguided. Kenya is likely to profit most from the liberalization of intra-EAC trade. Tanzania and Uganda, on the other hand, will gain less from completing the customs union, yet their trade balance will not deteriorate significantly if at all, due to the higher level of the new external EAC Tariff. At the product level, there are considerable differences in all East African Countries. There is no strong pattern of particular commodity groups that are rather scattered, as a large variety of different products are affected in all three EAC countries. In this analysis of customs union may do more harm to the integration at this time as compared to the implementation of the custom union at a later stage. To some countries, for example Tanzania, it is not the best time to implement this. The commodity groups are rather

## **The cardinal problem of a common market: A key establishment of the second development strategy**

On the main development strategy made is the development of customs union that would lead to a common market. This according to the strategy would help business reap the benefits of economies of scale from the regional initiative by lowering transaction costs. This remains one of the biggest challenge as far as the strategy is concerned because the EAC has to show how business will thrive in the area and make them benefit from economies of scale.

On one hand the partner states are faced with the cardinal evil of regional integration namely the loss of revenue. Amid concerns that donors are being relevant in releasing much needed budgeting support and that donors are being reluctant in releasing much needed budgetary support and with tax amnesty which yielded close to KSh. 4.4 billion, now over, the treasury is indeed faced with a Herculean task of bridging the shortfall.<sup>95</sup>

If the countries for example Kenya face the problem of tax revenue, the worry remains how such loss would be paid for. It is true that the adoption of the customs union will lead to increased mobility of goods and services with an expanded regional market. Expanded trade will inevitably boost tax revenue for member countries from consumption taxes (domestic taxes). Currently, domestic taxes might not change or pay for the revenue lost and so the Governments may be tempted to increase them which at the later date of the integration will affect trade.

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<sup>95</sup> *Daily Nation*/ Tuesday, May 24, 2005

Bridging the revenue shortfall is not an enviable task especially for a developing country: it might not seem as a major concern at the moment especially with an expected budget surplus. In the long term however measures need to be put in place now to cater for the shortfall. With donors withstanding much needed funds, the Governments will be required to reduce expenditure while at the same time increase revenue through tax, a juggling act indeed.

### **The common market and the horse-trading over tariff issues**

A major concern to the integration was the relatively advanced state of the Kenya economy and the dominance of its products in the region. Trade tariff from Kenya to both Uganda and Tanzania stands at Ksh. 45 billion annually, compared to approximately Kshs. 2.2 billion from both countries to Kenya.<sup>96</sup> Consequently, Uganda and Tanzania felt that their building industries needed protection. A consensus on how to arrive to this and get around this was only arrived at in Arusha after a lot of horse trading on tariff issues. Months down the line however, tariff issues remain a thorn in the flesh. Uganda wants certain common external Tariff (CET) lines accorded a zero percent import duty. The list of "sensitive goods" is proving to be quite sensitive, not to mention other contentious issues like pharmaceuticals, second hand clothing e.t.c. For example the Kenya Revenue Authority (KRA) has reported reduced revenue from duty due to the adoption of a common external tariff in January 2004<sup>97</sup>. According to the data released by the Central Bank of Kenya (CBK), KRA had recorded a 1.8 percent drop rate over previous years collection. It indicates that import duty and exercise duty decreased by

<sup>96</sup> Daily Nation Wednesday August 17 2005

<sup>97</sup> The East African Standard Thursday May 19, 2005

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Shs. 164 million and Shs. 1.4 billion million and stand at Shs. 30 million and 632 million respectively.<sup>98</sup>

The ratio of import duty declined to 8.6 percent of total tax revenue from 10.4 percent recorded in a similar period in 2003/2004, while the ratio of exercise duty collected declined from 17.3 percent to 16 percent during the review period,” said the CBK bulletin it attributes the decline to reduction in import duty rates following the implementation of the East African customs union hence the common market all developments of the 2001-2005 development strategy. But KRA says it has collected 97.4 percent of the targeted revenue for the current financial year. In spite of these developments, the cumulative tax revenue for the fiscal year 2005/2006 increased by 19.4 percent to reach 232.2 billion as at May 6<sup>th</sup> 2008.<sup>99</sup> This shows that the strategy has balanced in revenue loss and gain.

### **The creation of a political federation in East Africa**

The developed strategy recognizes that regional integration is a progressive process. In this accord the strategy appreciates that, in the implementation of the different phases of integration, some elements belonging to future stages of integration process. In this regard, political co-operation has to be pursued to facilitate progress towards a customs union and a common market. At this level, it can be argued that the policy makers of East Africa community have been too optimistic and have not taken into consideration some historical legacies that may not affect this and all this is because of a deliberate control policy that made one country more superior the others within the region.

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<sup>98</sup> Commercial Bank of Kenya Bulletin May 18 Wed. 2005

<sup>99</sup> Commercial Bank of Kenya Bulletin May 6<sup>th</sup> 2006.

It is true that the strategy brought out of the issue of a political federation so smartly but theoretically this should be the last stage of any integration. The eminent political status quo does not favour the creating of a political federation at this time but favours the creation of a customs union and a common market that will later conglomerate and culminate to a political federation. The drafters of the strategy did not take into consideration that, the current political desperation is one that is characterized by a strong feeling of a state system and therefore each state is steady to protect itself against any form of threat that may arise.

At this level the states still lack the political will for example non-tariff barriers are still a problem even the treaty and the strategy pronounced itself against them. It has been too difficult for the partner states to implement the agreed on decisions because the strategy does not enhance proper confidence building among the partner states which has left elements of political suspicion haunting this fetch back from the damage from the collapse of the former community .

The strategy also does not help the people of East Africa to accept one another and recognize themselves as East Africans .It does not give this the weight it deserves even after mentioning that, the last resort of the cooperation is a political federation. Also the biggest predicament that faces the strategy is that the road towards the creation of a political federation is one filled with numerous frustration. Evidence for example shows that Uganda has up to date,

not appointed a minister in charge of EAC affairs. Tanzania has appointed Andrew Chege as the minister in charge and Kenya's has appointed John Koech who is also the chairman. The above aspects have coupled with lack of political will to implement the EAC free trade by the strategy .It does not come with specific modalities to address this problem. The strategy too being over optimistic of a political federation mentions that by 2009 a protocol and free movement of people will be in place do open the banks to all people. It is a good and a fair thought but I think that it is too early to think about this when the initial problems of the community are still not solved.

The most important political dimension that the strategy evades and still disturbs the process of a ~~process in~~ political federation is that strategy does not address ~~to~~ fully what is to be done because at present the partner states belong to different regional groups that affect the process of the implementation of the strategy so strongly. The strategy funny enough medians passively that it appreciates that the states belong to different regional groups and that all. I think that the strategy most address this more seriously because it has dealt with political federation at this phase. The strategy on creation of a political federation has done more goods than harm. The more maintaining of the end result of the process makes it easier to start planning for the same. In my own point of view, the strategy mentions all aspects of a political federation and this puts the states in a position to start planning early enough.

## Summary

The strategy is seen as mechanism of enhancing more unity between the partner states of East Africa. It is true that the strategy has not failed to operate under its ambit because a lot has been achieved under the strategy and after the initial implementation of the strategy. The combination of the political social and economic dimensions the strategy developed here have been done in the most prudent manner and it has been too good to bring out the formation of a political federation in a very sophisticated manner. It is time that the strategy brings the states to a more plausible level that can escalate to a strong community. It is a very powerful constitution that has gradually led to the formation of custom union which is now instigating a move towards a common market.

The chapter has also shown that the strategy has some loopholes that it can be filled; the end result would be a successful organization in Africa. It is true that it has been too optimistic but it is my hope that this will be attained at the end of the day. The point remains that, in theory and in real sense the strategy has contributed a lot to the establishment of the East African Community and has helped in embracing the idea of regional integration in East Africa.

A number of questions remain unanswered with reference to the strategy for example whether it will be possible to implement the strategy fully and whether the strategy will be able to solve the problems of regional and national concerns raised by various stakeholders. Also a question may be asked whether the states in partnership with other stakeholders will be willing to strengthen the organization along some of the lines that



this paper will mention in the next chapter. The future of the EAC has been set properly by the strategy and a further development of the community will be largely determined by the answers to these questions and the answer lie within the collective wisdom and will emanating from the member states.

Though a lot have been advanced insinuating some irrelevance of the development strategy 2001-2005 today because of the problems it has caused to some states, it can secondly be agreed that the idea of EAC has survived and its activities in the field have increased dramatically as seen from the efforts illustrated by the three countries by the fact that, although the strategy has had some inborn problems, none of the state has sort or can afford to ignore the strategy.

To tie it together, the heart of the matter is, regional organization is a process and the regional community is the outcome of the second development strategy and that it has been able to meet the challenges posed carefully. The fact remains, the strategy has helped the EAC develop and evolve day after day.

## CHAPTER SIX

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter gives a synopsis of the previous chapters with an elaborate and comprehensive conclusion based on the research findings, a number of recommendations for improving the EAC based on the second development strategy will be highlighted and also areas for further research will be suggested.

In summary, Chapter One of the research gave an introduction of what was intended to be carried out by research that, there exist some socio economic and political dimensions in the second development strategy (2001-2005) and so such dimensions were to form the crux of the study.

Chapter Two discusses the historical context of East African Integration since the colonial times. It also gives a historical perspective of the collapse of the East African Community and current efforts to re-establish the community.

Chapter Three of the research focused on the second development strategy. it gave a general overview of the strategy looking in to the context of the strategy because it was from this that the socio economic and political dimensions were delineated .this chapter looked at the issues addressed by the strategy.

Chapter Four focused specifically on the socio-economic and political dimensions emerging from the second development strategy and how they act as important milestones towards the creation of a community in East Africa. This chapter acknowledges that there exist some important aspects in the strategy that have either boosted the morale. The chapter also has boosted the morale of the country's in the integration or lowered the morale. The chapter has also recognized that the strategy adheres to the theoretical assumptions of functionalism and so the strategy has not lost its contemporary vitality because its implementation is possible. It chapter addresses and analyzes the dimensions in detail.

Chapter five discusses the socio-economic and political dimensions that have emerged from the second development strategy in a critical way. It also discusses the impact of the strategy to the overall goal of the East African Community.

## **Conclusions**

The research identified a number of important dimensions emerging from the second development strategy 2001-2005 and noted that such socio-economic and political dimensions have had various effects on the implementation of the EAC treaty. The study provides the East African community with a strong conceptual framework for understanding how the strategy has helped in the implementation of the treaty and how it has affected the same.

Based on the research finds, the study aimed at some conclusions reflecting thematic objectives of the study. These are elaborated in the paragraphs that follow concerning the dimensions and how they affect the strategy, in its core objective of developing the East African community. The basic principles that the strategy developed as compared to the first strategy (1997-2001) were used as parties forwards delineating what effects the strategy had to the EAC.

Based on the first general objective, it was established that, the second development strategy was a developed version of the first development strategy developed after incorporating lessons learned from the first strategy. It was acknowledged that the strategy 2001-2005 had broken new grounds by bringing forth new aspects that were geared towards developing the EAC. The study results revealed that, the strategy came up with a customs union set a foundation for the establishment of a common market and pointed out that the final result was to create a political federation and also brought forward some social aspects that were to be implemented. The study results also revealed that the strategy once implemented improved the performance of the cooperation.

Based on the second objective that opted to establish the socio-economic dimensions arising from second development strategy and how they affect the implementation of the treaty, it was revealed that the establishment of a customs union, common market, immigration and labour policies were important milestones that were developed by the strategy. It was acknowledged that the strategy developed these dimensions to fasten the implantation of the strategy and as the key elements that any regional venture must deal

with in the first phases of the integration. It was observed that although the dimensions were developed to push the integration into another phase of development, it was difficult to implement them because the states could deal with the repercussions in the best manner. The research establishes that the strategy was one of the best instruments the partner states had adapted and that if implemented to the best of the states knowledge success was inevitable.

Based on the third objective that sought to establish the political dimension developed by the strategy and how they affect the EAC partner states, it was acknowledged that the strategy realizes that in all ventures a political federation must be the last resort. The research revealed that the strategy, noted that preaching of peace and security among the partner and states is very important, and within the strategy considers broad participation on policy adoption by women and the private sector and civil society must be approached as early as possible to fasten the cooperation.

The research revealed that the strategy failed by not taking in consideration of some important aspects like the partner states being members of different cooperative groups and also lack of political will by some states in the venture. Be as it is, the dimensions developed by the strategy have helped the EAC to advance in implementing the treaty. The strategy once implemented will meet the core objective of the EAC.

## **Recommendations**

Following the conclusions reached the study wishes to make the following suggestions and recommendations. First the study acknowledges that the strategy is too optimistic and has tried to enhance the development of the EAC treaty. The strategy only mentions that a study would be carried at a different time to establish its success. After the time frame of the implementation of the strategy expires the drafters must come up with both a comprehensive studies to establish whether the strategy has been a success.

Secondly the drafters of the strategy should come up with modalities to solve the predicament of the issue of membership by the partner states in multiple regional organizations. Today East African partner states belong to different organizations. Kenya and Uganda are members of EAC and COMESA while Tanzania is a member of EAC and SADC. COMESA and SADC are also preparing for customs union respectively in the near future and also the partner states should come up with a way to deal with the problem. The three countries must agree on how to relate with these organizations.

Thirdly the drafters of the strategy must learn that the issues expressed in strategy to be implemented in a time frame of five years are too many. I think that the strategy could not be implemented fully within that time span and so in future, the EAC strategy drafters must learn to deal with few issues at a time.

The strategy should come up with proper modalities to deal with financial problems arising from loss of customs revenue by the states of EAC as a result of liberalization

process envisioned by the strategy and also the strategy should address properly and try to guide the development partners in how to come up with a budget support to deal with loss of revenue.

### **Suggestions for Further Research**

The study covered the development strategy (2001-2005) and the various socio-economic and political dimensions that arise from the same. Apparently from the discussion of the findings, it has realized that the dimensions developed by the second development strategy have helped the EAC meet some of its objectives as developed in the Treaty. The strategy has really influenced the performance of EAC in one way or another.

The information obtained can provide a healthy data bank for those concerned with research to implement the EAC treaty. In order to obtain more information on how the strategy affected the development of the EAC, research should be conducted on these areas.

- (i) Identify the approaches of enhancing the strategy and translating what is in the strategy into projects can be implemented
- (ii) Examine the availability of information on the dimensions arising from the strategy in order to understand them and deal with them in the most prudent manner.
- (iii) Access the sources of any obstacles that made the strategy not fully implanted and access how such issues affect the EAC as a regional organization.
- (iv) Access the strategies capability of handling the dimensions and coming up with modalities on how to make the strategy more successful.

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