**SPEECH BY H.E. JAKAYA MRISHO KIKWETE, PRESIDENT OF THE UNITED REPUBLIC OF TANZANIA AND CHAIRPERSON OF THE EAC SUMMIT DURING THE 12TH SUMMIT OF HEADS OF STATE OF THE EAST AFRICAN COMMUNITY, 3RD DECEMBER 2010, NGURDOTO MOUNTAIN LODGE, ARUSHA**

*Your Excellency Pierre Nkurunziza, President of the Republic of Burundi,*

*Your Excellency Yoweri Kaguta Museveni, President of the Republic of Uganda,*

*Your Excellency Mwai Kibaki, President of the Republic of Kenya,*

*Honourable Bernard Makuza, Prime Minister of the Republic of Rwanda,*

*Your Excellency Seif Ali Idd Second Vice President of Zanzibar and Chairperson of the Revolutionary Council;*

*Honourable Distinguished Members of the Council of Ministers;*

*Your Excellency Secretary General of the East African Community, Amb. Juma Mwapachu;*

*Your Excellencies, Ambassadors and High Commissioners;*

*Ladies and Gentlemen:*

**Excellencies,** I am honored to welcome you to the 12th Summit of the East African Community. On behalf of the Government and the people of the United Republic of Tanzania, I say *"karibuni sana"* to Arusha and to Tanzania. Arusha is your home, away from home; therefore I am confident that you will find your stay comfortable as it has always been.

***Excellencies,***

I feel greatly honored to address this special and important Summit of the EAC Heads of State. It is special because, **first**, it ushers in the second decade of the EAC integration process. **Second**, this is the first time food security and climate change took the centre stage of our deliberations. **Third**, I will be passing-over the baton of Chairmanship of the Community to my dear brother, His Excellency President **Pierre Nkurunzinza of Burundi.** Indeed, these are important milestones in our organization.

***Excellencies***,

My tenure as Chairperson of the EAC Summit coincided with a series of important developments. On the political front, our region has witnessed impressive gains in the areas of

democracy and good governance. We have demonstrated the deepening and widening of democratic dispensation. We have witnessed successful and peaceful conduct of elections in three of our member states. The Republic of Burundi held its general elections in July, 2010, followed by the Republic of Rwanda in August 2010 and the United Republic of Tanzania in late October 2010. Similarly, in the period under review, the people of the Republic of Kenya successfully conducted a referendum on their new constitution and launched it, while in Tanzania, the people of Zanzibar held a successful constitutional referendum as well which graced the establishment of government of national unity there. I wish to commend all Partner States for undertaking these political processes in a free and fair environment. Indeed, all these democratic processes reflect our region's total commitment to the fundamental principles of the EAC Treaty.

***Excellencies,***

During the last twelve months we have also witnessed many achievements in the integration agenda. The annual progress report of the Council of Ministers submitted before us has

outlined specific developments. The most notable achievements included the following:

**Ratification of the East African Common Market Protocol**

I am pleased to note that all the partner states ratified the EAC Common Market Protocol and deposited their instruments of ratification on time. This ratification process enabled the Common Market to come into force as planned in July, 2010. What is required of us now is to finalize the post- negotiations activities so as to enable full implementation of the Common Market Protocol.

**Preparation of the EAC Climate Change Policy and Food Security Plan**

***Excellencies,***

During our last Summit we directed the Council of Ministers to formulate a Climate Change Policy, and a Food Security Action Plan for the region. The objective of this decision was to enable the region to embark on sustainable agricultural production that will ensure food security and environmental protection. I am pleased that the Council of Ministers deliberated on the Policy and the Action Plan which is ready for adoption by the Summit. Indeed this is a remarkable achievement. I now call upon all

Partner States to be guided by the Regional EAC Climate Change Policy and align this policy and the Food Security Action Plan to their National Policies. In doing so, our community will be able to address what appears to be an unfolding global food apocalypse.

**Construction of the EAC Headquarters Building**

***Excellencies,***

You will recall that in November last year, we launched the construction of the EAC Headquarters building in Arusha, Tanzania. I am informed that the construction work has reached about 25 percent. I am also told that if the contractors keep that pace, there is no doubt that the construction work will be completed as scheduled, in February, 2012. It is my sincere hope that Partner States, the incoming Chairperson and the Secretariat will continue to accord the required attention to the construction of the EAC Headquarters in Arusha.

**Formulation of a Legal Framework for the EAC One Stop Border Posts (OSBP) System**:

***Excellencies,***

During the last year, Partner States have prepared and negotiated the legal framework for the establishment of One Stop Border Posts (OSPBs). The framework was introduced as a necessary measure to facilitate cross border trade and eliminate non-tariff barriers and unnecessary bureaucratic delays. The legal framework will facilitate trade (movement of goods), and movement of persons. In the same vein, Tanzania and Rwanda also signed a Memorandum of Understanding (MOU) for the establishment of an OSBP and construction of a new bridge at Rusumo Border Post. I encourage the Secretariat under the leadership of the incoming Chair to take the necessary steps to speed up the establishment of the identified One Stop Border Posts at Namanga, Rusumo, Horohoro/Lungalunga, Holili/Taveta, Sirari/Isebania and Mutukula.

**COMESA-EAC-SADC Tripartite Arrangement**

***Excellencies,***

I am glad to report that the EAC has adopted the Road Map for the COMESA-EAC-SADC Tripartite Free Trade Area, and it's Institutional Arrangement. Plans are underway to hold the second Tripartite Summit in February 2011 at which we hope to

pronounce ourselves to the commencement of the Grand Free Trade Area. We are all committed to the implementation of the COMESA-EAC-SADC grand free trade area. We must continue to support this bigger market idea which we set for ourselves at the Tripartite Summit in Kampala in October 2008.

***Excellencies,***

We have also recorded progress in trade, investments and cooperation. Trade performance trends indicate that between 2005 and 2009, intra-EAC trade grew by 40 percent. At the beginning, there were fears that the Customs Union would be a zero sum game to Tanzania and Uganda. To the contrary, Tanzania and Uganda have significantly grown their trade with Kenya, debunking those earlier fears. For instance Uganda's exports to Kenya have risen from USD15.5 million in 2004 to USD135 million in 2009. Tanzania's exports to Kenya, on the other hand, have increased from USD 95.5 million in 2004 to USD 300 million in 2009.

Despite these achievements, there are still some operational bottlenecks which undermine the smooth movement of goods and services between our borders. I call upon the secretariat to

work with member states to ensure that all necessary measures are taken to unlock those bottlenecks and facilitate a smooth movement of goods and services across our borders.

At the same time, cross border investments as well as mergers and acquisitions have become major drivers and contributors to the growth of investments in our region. Azam of Tanzania has become an East African champion with sizeable investments in the grain milling sector in Kenya, Uganda and Rwanda. Trans-Century of Kenya has also invested substantially in Tanzania Cables and Tanzania's TANELEC. Bidco of Kenya has equally invested substantially in the edible oil sector both downstream as well as upstream in Uganda and Tanzania. The recent 51percent shares acquisition by the East African Breweries in Tanzania's Serengeti Breweries is a telling example of the growing intra-EAC investment opportunities. Overall, there is significant growth of cross border investments in the services sector cutting across banking, insurance and tertiary education. I am highly confident that the Common Market will trigger and spur even greater enthusiasm in our own East African business firms to invest in the region.

*Excellencies,*

It is important to sustain these successes and the mindset transformations that are generated. Continuous sensitization and awareness building constitute the key drivers in this regard. It is therefore important for the EAC Secretariat to complete the formulation of a Communications Policy and Strategy as directed by Heads of State during the last Summit.

**Challenges**

*Excellencies,*

In-spite of these positive developments, the past decade was beset by a number of challenges. They largely centre on budgetary constraints; non availability of reliable statistics on trade and investment; and weak information flows that has resulted into little awareness of EAC issues by the people. Poor and unbalanced infrastructure also features prominently as a major bottleneck to fostering increased trade and deeper economic integration in our region.

Some of these challenges may be a result of our development strategies having been too ambitious in quantity and scope, with limited supporting financial infrastructure. But if to plan is to

choose, to cite Mwalimu Nyerere's dictum, the EAC should henceforth be more focused and selective, with few key priorities that will result into visible and tangible results. Yes, we may wish to run while others walk to achieve our great enterprise of deeper integration. Yet we cannot be oblivious of the huge financial outlays that go with such ambitions. And whilst I am cognizant of the broad friendship that the EAC enjoys with several development partners in supporting our programmes and projects, I still believe that it is unrealistic to expect that they can sustain our ambitions and the tempo that goes with it without greater resolve and commitment on our part to cough up more resources from our own sources.

***Excellencies,***

It is equally important to come up with innovative ways of resource mobilization, so as to fill the resource gap. It is therefore important for the incoming Chair to accord priority to the finalization of the establishment of the East African Development Fund in a manner that will enable the Community to bring on board different interested parties/partners to support and invest

in EAC programme and projects, in particular infrastructure related projects and programmes.

I wish to use this opportunity to pass-on the baton of these challenges to the in-coming Chairperson of the Summit and the Council of Ministers. I believe they will work on them diligently for the prosperity of our Community.

***Excellencies,***

In November last year, we commemorated a decade of the existence of our Community. Therefore, this is the right time for deep reflection on the journey we have traveled since the establishment of our organization ten years ago and where we want the EAC to be in 2020. We must ensure that the EAC is strategically better positioned for the world in 2020. In this regard, there are a number of priority policies and actions that the incoming Chairperson of the Summit is requested to keep onto the front banner of the EAC integration process. Allow me to present them as follows:

First, is the current state of intra-EAC trade which is still too low. It only accounts for 11percent of EAC's total global trade. Our integration should reflect a much higher share. If we

compare ourselves with the Caribbean Common Market (CARICOM), their share of intra-CARICOM trade to total global trade was **15.3 percent** in 2008. Of course much of that share is represented by trade in oil and gas. With respect to the ASEAN countries, the share of their trade to global trade is presently **25 percent**. But the ASEAN countries at their recent Summit in October 2010 resolved to scale up this share to **40 percent** in 2015.

Experience from around the world shows that Regional Economic Communities become economically stronger only when they give greater reliance on their own internal markets. It is thus my considered view that our number one priority in the Second EAC Decade should be to boost the share of our intra-EAC trade to at least **25 percent** in 2020. I believe that this goal is achievable particularly when we consider the ongoing process of creating a COMESA-EAC-SADC Grand Free Trade Area. We must continue to support this bigger market idea which we set for ourselves at the Tripartite Summit in Kampala in October 2008.

***Excellencies,***

The second policy area centers on Agriculture. Africa has about 60 percent of the world's uncultivated arable land but only

about 5 percent of it is in use compared to 60 percent in Asia. Agriculture accounts for about 30 percent of Africa's GDP and employs about 60 percent of Africa's population. According to UNIDO Agribusiness Report, 2010, Sub-Saharan Africa needs USD 940 billion of cumulative investment over the next 40 years to feed its people. 66 percent of these investments would go to agribusiness and agro-industries capital outlays. I believe, that for the EAC region, we could together feed our people and export food in a much shorter time. However, we will have to undertake major structural changes as well as technological upgrading of our agriculture as spelt out in the just prepared EAC Climate Change Policy and EAC Food Security Action Plan. Malawi has done it, we also can. I am glad we discussed the issue of food security and food surpluses for exports to the world. Let us ensure that we more from rhetoric to action at the earliest possible time.

***Excellencies,***

Improving our transport and logistics system is the third policy priority area which we must elevate attention on. The logistics services industry worldwide is about effectively

addressing the cost and speed of moving goods between two locations. This industry is weak in our region and highly distorts the cost of doing business. Whilst the state of our physical infrastructure – roads, railways, energy, marine and lake transport - contribute to these high costs of doing business, the transaction costs involved in trade facilitation, if significantly reduced, could substantially lower the cost of trade logistics and thus make our region more competitive.

We must therefore revolutionize the operations at our ports and border posts; make them more efficient whilst at the same time we expand the service delivery infrastructure. The establishment of One Stop Border Posts at all our key border crossings should be given high priority and we must seek the partnership of the friends of EAC for their support. Our Customs Administrations must also align and even integrate their information and communication operating systems to reduce transaction costs.

***Excellencies,***

The fourth area of policy focus relates to the largest challenge that Africa generally faces. This challenge rests on

infrastructure development. The World Bank estimates that Africa has a net funding gap of USD 31 billion a year for the next 10 years to finance the capital, operations and maintenance costs of infrastructure with energy and railways taking the biggest chunk of the cost. For too long we in the EAC have seen Master Plans for energy, roads and railways. We now also have plans under development to integrate our region through ICT. Indeed, the requisite broadband backbone infrastructure is presently being laid in our countries. We must enhance internet penetration from the current **10 percent** of African population. If Gartner Research estimates are correct that by 2014 Africa will have a **15 percent** mobile phone penetration, this should augur well for deepening internet penetration in Africa. The point is that we know what needs to be done. What we need to do now is to get on with serious mobilization of funds to implement our key programme that will result into tangible results.

We therefore require our experts to plan and prioritize appropriately, and come up with innovative, effective and efficient sources of funding. A transparent, predictable and empowering legal and regulatory system is expected to drive

public-private partnerships to support the mobilization of capital on a regional scale to fund regional infrastructure projects.

***Excellencies,***

The organs of the EAC, notably the East African Legislative Assembly (EALA) and the East African Court of Justice (EACJ), will also inevitably see their roles expanding in response to the Community becoming more people centered and market driven. Equally, EAC's institutions, the Lake Victoria Basin Commission (LVBC) and the Inter University Council for East Africa (IUCEA) in particular, will intensely become strategic drivers of deeper integration over environment and higher education issues. I believe that the Lake Victoria Fisheries Organization will also soon be mainstreamed into the EAC programmes and decision making system, away from its current stand alone structure.

***Excellencies,***

The budgetary process and programming would require a bold review. Presently, the EAC depends, to an unsustainably large extent, on donor funding to implement many of its projects and programmes. We should not allow this dependency to continue even when donor support would always be welcome.

Moreover, as we consider these issues of budgetary constraints, so must we also think about the state of unequal development within our Community. Our integration must, at its core, lead to narrowing the development gap among the EAC Partner States. The preparation of the EAC Industrialization Strategy and the Study on the role of SMEs in economic integration, are important developments in giving credibility and integrity to EAC's role.

***Excellencies,***

At the end of the day, what we should seek to inject in our organization is greater efficiency and more refined prioritization of programmes and projects as well as cutting down the present high administrative costs of the Community.

***Excellencies,***

The EAC's Second Decade will be the most challenging in our integration movement. It will be the most defining decade as our region marches to a deeper integration with the Monetary Union and political federation realised. Yet, I believe, that as leaders who are democratically elected and who have the correct vision, resolute commitment and deep resolve on our integration,

we will be able to ride the wave and steer our EAC ship safely to shore. It can be done; let us all play our part.

***Your Excellencies;***

Let me conclude by thanking you and our Council of Ministers for all the support that you accorded to me during my tenure as the Chairperson of the EAC Summit. Let me also thank the members of staff of all organs and institutions of the Community for having facilitated diligently the programmes and projects of the Community. The EAC has made tremendous progress in the past twelve months in which I led this organization, and indeed in the first decade of its existence. I believe the cooperation extended to me will also be accorded to the in-coming Chairperson. Likewise, let me use this opportunity to congratulate my brother His Excellency **Pierre Nkurunzinza** for taking the Chairmanship of the East African Community. I am honored to handover the stewardship of the work in progress as I have outlined and of the EAC operations in general. I believe that you will move the Community to loftier heights in terms of economic development and prosperity of our peoples.

***Excellencies; Ladies and Gentlemen;***

I thank you all for your kind attention