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DEVELOPMENT ASSISTANCE PROGRAM
FY 1974

EAST AFRICAN COMMUNITY

BEST AVAILABLE

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DEVELOPMENT ASSISTANCE PROGRAM

East African Community

FY 1974

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Authorized for Submission:

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I. Introduction

Five years after its creation the East African Community remains the most comprehensive and ambitious attempt at regional cooperation in the developing world. Its complex arrangements link developing Kenya with two of the world's 25 least-developed countries, Tanzania and Uganda, in a common market, customs union and the performance of many important public functions on a joint rather than individual country basis. The EAC collects customs and excise duties and income taxes throughout East Africa. It carries the mail, watches the weather and controls air traffic. It operates the railways, the harbors, an airline and the telephone and telegraph system. It manages 13 research institutions working on regional natural resources, medical and industrial problems. Included in the EAC is a Court of Appeal for East Africa which can reverse certain decisions of the national courts. Additionally, the Community set up an East African Development Bank to encourage differential rates of East African industrial growth by investing more heavily in Tanzania and Uganda than in Kenya.

The EAC currently employs some 80,000 persons, more than any of the three partner state governments, excluding teachers. Its annual payroll approaches $75 million. By dominating or participating in so many public spheres on behalf of the three countries, the EAC is an essential part of East Africa's development fabric.

While possessing many characteristics of a government, the Community is not sovereign but derives its responsibilities from specific mandates of the three partner states. These are expressed through the Authority, composed of the Presidents of the three partner states; the five EAC political councils made up of ministers representing both the national governments and the Community; and the East African Legislative Assembly, which includes nine representatives from each partner state. These controlling bodies exercise continuing direction and supervision of EAC activities. The Authority has not met since General Iddi Amin seized power in Uganda 18 months ago but continues to discharge its appointive and other responsibilities by written communications channeled through the office of the EAC Secretary General. The five EAC Councils (Finance, Research, Communications, Common Market, and Economic Consultative and Planning) meet regularly and now take more policy decisions than when they could slough off issues for settlement at Authority meetings. The Legislative Assembly meets thrice yearly, exercising voluble and extensive scrutiny over EAC finances and work programs.

The EAC is functionally organized into three secretariats (Finance and Administration, Communications and Research, and Common Market and Economic Affairs), four self-financing corporations (Harbors, Railways, Posts and Telecommunications and Airways), 21 other specialized research or administrative services, and the autonomous East African Development Bank.

Whether A.I.D. should support the EAC depends on whether the Community actually can promote E.A. development. The partner states believe it can. They back up that belief by financing the EAC from revenues which otherwise would be available for exclusively national use. Economic assessments of EAC results during its first five years are hard to come by. However, Dr. R.H. Green, financial advisor to the Government of Tanzania, made this judgment recently after comparing current results with those of the Common Services Organization (EACSO) which preceded the EAC: 1. Overall EA regional gains seem slightly higher than in EACSO times "because of expanded joint service and corporation activity and /trade flow shifts/ towards goods to which the Common Market is more critical." 2. The Corporations and General Fund Services are "clearly the main producer of net gains---Kenya probably remains the largest gainer /from these services/ because it is the largest user but the Tanzanian and Ugandan share of net benefits has risen."

Green also reaffirms conclusions the partner states independently reached last year when the Tanzania-Uganda dispute became a potential threat to EAC viability; EAC "breakup costs would be as high today or higher as in /EACSO times/ and still provide a very real incentive for making the Community work."

What are the problems of this unique set of interlocking institutions which AID should help the EAC to overcome? Last year's RDOEA program submission (TOAID A-111 of April 16, 1971) identified three core assistance needs for A.I.D. to address:

1. Improving EAC management capabilities to serve the partner states better by handling its responsibilities more efficiently;

2. Improving EAC conduct of applied research to promote increased partner state food production; and

3. Upgrading EAC capabilities in economic research and other technical areas where it is charged with harmonizing national and regional interests.

While the current RDOEA program already concentrates almost exclusively on the above three critical areas, this submission reviews key EAC bottlenecks afresh, appraises what the EAC and other donors are trying to do about them, and attempts to define the modes of RDOEA assistance which can help increase the EAC's ability to make regional cooperation pay off for East African development.

II. Core Concerns

A. Management Improvement

1. Secretariats

Its Secretariats manage many of the complex operations of the EAC. Finance and Administration has broad responsibilities for all EAC institutions except the self-contained corporations and autonomous East African Development Bank. Acting as a kind of Office of Manpower and Budget, F&A prepares the annual EAC budget submissions for East African Legislative Assembly approval. Its Accountant-General's department controls expenditure under those approved allocations. It manages the career Community civil service, including recruitment and training. Its Works Department is responsible for all building programs except those of the Corporations and the Bank. It also coordinates and approves all foreign technical and capital aid to the Community, including the corporations. Its Management Services Bureau is responsible for continual review of EAC procedures and operations. The Communications and Research secretariat exercises continual oversight of the work of the four Corporations. To it also report the 13 East African natural resource and medical research organizations, the meteorological and civil aviation departments, the East African Literature Bureau and the Inter-University Committee responsible for selective coordination of higher education standards and programs in East Africa. The third Secretariat, Common Market and Economic Affairs, has more specialized technical functions than either of the other two; its workings are discussed in the section below on Economic Harmonization.

Both the F&A and Communications Secretariats suffer from the same managerial deficiencies: difficulties in recruiting, keeping and upgrading key personnel, and antique procedures which no longer suit modern requirements for decentralized administrative management.

There is a good deal of shifting from post to post by various incumbents in the senior professional and administrative jobs in these Secretariats. Most senior posts currently are filled, but approximately half not by career EAC employees but through secondment from partner state governments to which civil servants fervently jockey to return from the isolation, high living costs and tight housing of Arusha. The EAC would prefer to staff these posts exclusively with its own career personnel but simply hasn't enough experienced professionals to go around. At the more junior level, the EAC finds it difficult to recruit competent young graduates with the skills it requires in the numbers demanded by decentralization. For example, under the 1970 Financial Management Act the Accountant-General's department is required to provide accountants to help service the General Fund Services. So far, the department has managed to fill fewer than one-third of the established 134 posts for EAC accountants.

On the procedural side, a classic example is the lethargic working of the Directorate of Personnel whose delays in getting candidates on board, failure to implement staff development programs and inability to keep track of its mail can be attributed in part to a management system developed to recruit and maintain a small expatriate elite in the Indian civil service.

Recognizing these problems, the Community has tried to undertake internal reforms. An inter-secretariat planning committee functions specifically to develop and recommend new procedures. However, given the slowness of bureaucratic reform movements, the best assurance of improvement would come from recruitment of better individuals and implementation of a better career development program for them. The UNDP is active in this field through a planned management training institute for middle and upper-level EAC secretariat and corporation personnel expected to begin operating in 1974. No other donors except AID have shown much interest in this EAC deficiency, partly because they are too far from the problem, find it too complicated for simple solutions or have been put off by Community sensitivities on the subject. However, RDOEA sees a continuing need for technical assistance to upgrade the quality of the central EAC staff and to help reform Secretariat administrative procedures as opportunities permit, as with the data systems activity discussed in the program section of this submission. Governing criteria for our support in this area are the necessity for assistance at levels where our technical advice will reach the ears of senior administrators, EAC willingness to institutionalize the reforms and procedures our technical aid develops, and allocation of sufficient EAC personnel to ensure substantive continuity of the activity when U.S. personnel depart. These same criteria would apply to EAC requests for A.I.D. help to the General Fund Services, whose problems and status are discussed below.

2. General Fund Services

The Community operates 17 regional service organizations in addition to the four corporations. These include the two revenue-producing Income Tax and Customs and Excise Departments, the Meteorology and Civil Aviation (DCA) departments, and 13 institutions performing the bulk of basic and applied natural resource, medical and industrial research in East Africa.

The money-collectors are the largest of the General Fund Services: Customs and Excise, with a total establishment of 2,800 and a $6.1 million annual budget, and Income Tax, with a $5.1 million budget and a personnel ceiling of almost 1,600. Over the last five years, each has expanded extensively and raised its requirements for professional personnel by a third with further similar expansion anticipated over the next five years. The increases reflect both natural growth of the partner state economies and the EAC "decentralization" program to give Tanzania and Uganda a greater sense of control over execution of these services within their borders.

Customs and Excise operationally seems to be in better shape than the ailing Income Tax Department, whose current ills may prove fatal. Partner state competition continues to hamper recruitment of university graduates, but Customs has managed to fill proportionally more of its professional posts than Income Tax. U.K. topped-off expatriates still man a number of key senior Customs posts and direct the Customs training program which, while antiquated, appears minimally adequate for current purposes. Additionally, because of inherited similarities between the two systems, the U.K. remains the main source of specialized training of local Customs and Excise personnel. Because of U.K. interests and capabilities, A.I.D. has neither sought nor received EAC requests for technical assistance to the Customs and Excise service.

Income Tax presents a gloomier picture. Only an estimated two-thirds of the 650 established assessor and more senior posts are filled. Private sector competition continues to drain the department of its more able East Africans. Senior expatriates (mainly supplied through U.K. topping-off arrangements) leave without having trained their East African replacements. Department efforts to collect delinquent taxes are spotty and feeble. Convictions for tax fraud are few and far between. The acting director general continues to request, receive and ignore expert foreign advice on how to improve the tax system and departmental operations.

Kenyan discouragement with the tax collection process lay behind the Kenya Finance Minister's recent announcement that he and his two partner state colleagues had agreed on the preparation of national tax collecting legislation for implementation by 1974-75. The announcement followed a recent International Monetary Fund study of partner state and EAC tax collecting legislation and machinery on which a formal report still is awaited. EAC officials hopefully maintain that only partial dissolution of the department will take place, since Tanzania and Uganda do not wish to take up the administrative chore of running their own tax collection departments.

Splitting up income tax administration could both hit the EAC financially and sideswipe it emotionally. Currently, the EAC collects all E.A. income tax revenues and distributes them to the partner states after withholding an agreed share for Community operations. Removing that funding source would require new arrangements either to withhold a larger share of Customs and Excise revenues for EAC purposes or to obtain from the partner state budgets funds equivalent to those now taken from income tax collections. The latter arrangement would bring EAC money needs directly into competition with partner state requirements through the annual appropriation process. Results of that outcome would include visible national decisions on the usefulness of EAC programs and polarization of parliamentary political views on relationships with the other two partner states. Given present and growing partner state budget constraints and the mixed views of individual partner state MPs on the Community, retaining an automatic source of financing clearly would be the preferable EAC avenue to pursue.

Psychologically, splitting up the tax department would be interpreted both locally and abroad as further evidence of EAC erosion. However, unlike the advantages of most EAC services, no convincing evidence yet has been presented that regional administration of national tax systems provides a significant saving over the costs of national collection agencies.

The two other important General Fund Services not engaged primarily in research are Meteorology and DCA. Both have staffing problems caused by their specialized personnel requirements. However, both receive extensive technical aid from other donors. The UNDP has agreed in principle to assist a meteorological training and research institute whose operational details are under discussion with the Community, Substantial numbers of British technical personnel are topped-up through the U.K. assistance program.

DCA for the last four years has been a main target of Canadian technical assistance, which now provides 20 fully-funded air traffic controllers to man towers at the five largest EA airports--Dar, Embakasi (Nairobi), Entebbe, Kilimanjaro and Mombasa--and training for large numbers of E.A. counterparts. During the next three years, Canadian training aid will intensify with the objective of leaving behind in 1975 a well-trained and completely Africanized staff of 180 air traffic controllers. However, DCA also has continuing limited requirements for specialized technical training in fields of U.S. primacy.

Research is another area which the Community dominates in East Africa. The 13 natural resource, medical and industrial research organizations have a combined 1972-73 budget of $5 million. Because of shortages of qualified East Africans, expatriates hold an estimated half of the 200 professional posts within these institutions while about a quarter remain vacant. Expatriates topped off by U.K. aid loom largest in the medical, veterinary, pesticides and marine fisheries research fields. The U.K. also still supports the operating budgets of the EAC research organizations on a reduced scale amounting to $200,000 this year. This assistance several years ago covered approximately 40 percent of their annual costs but has diminished steadily since 1968 and is expected to phase out completely by 1975 in favor of support to specific research projects.

Despite financial and personnel constraints, the proposed five-year plans call for doubling the professional staffs of the EAC research units. Probably the largest single areas of personnel expansion will be in the Agriculture and Forestry Research Organization discussed below under Applied Food Production Research, and in industrial research. In the latter field, the East African Industrial Research Organization (EAIRO) in Nairobi is to be supplemented by two new organizations -- a Food Processing Research Institute in Uganda and a Rubber, Plastic, Textiles and Fibre Research Institute to be set up in Tanzania. Specific organizational details remain to be worked out, but the new Uganda institute would be expected to absorb EAIRO coffee and sorghum processing programs, EAIRO would concentrate on as yet undefined "applied" industrial and building materials research, and the Tanzanian institute would work on as yet unexplored industrial research areas of partner state concern.

Because of U.S. interest in applied food production research as a core problem, the work of EAAFRO, EAFFRO, EAVRO and EAMFRO is discussed in section II. B of this submission.

3. The Corporations

The four East African Community corporations handle most communications and transport in East Africa. They spend approximately four-fifths of the Community's annual combined budgets and employ about 70,000 of the EAC's 80,000 total staff.

Citizens of East Africa probably are more closely and individually affected by the activities of the corporations than by other East African Community services. Mailing a letter, making a telephone call, shipping goods by rail, clearing imports and exports through a port, or flying by scheduled airline are all common activities. Because of their intimate contact with the public and the partner state governments, the corporations operate in an intensely political atmosphere. They are subjected to a great deal of pulling and tugging: from government officials, members of parliament, private firms, newspapers and disgruntled individuals. Although they are enjoined by the Treaty for East African Cooperation to operate on commercial principles, much public pressure is intended to prevent them from doing so. The resulting confusion compounds the normal difficulties that beset any private or public enterprise.

The two corporations which enjoy natural monopolies in their fields are, not surprisingly, in better shape than the others. The East African Posts and Telecommunications Corporation has no competition in postal and telecommunications matters and is able to adjust prices to the costs it experiences with little risk of losing business. The same is true of the East African Harbors Corporation which operates all significant sea ports in East Africa except Zanzibar.

The two corporations subject to fierce competition suffer from severe management and financial problems. The East African Airways Corporation, for the last few months a favorite target of all East African residents, slid into the red in 1970 after many years of apparently profitable operation. Its financial position in 1971 and the first part of 1972 is believed to have deteriorated much further. The quality of management is suspect, and the corporation is torn by political rivalry among the partner states. The East African Railways Corporation also is experiencing severe difficulties but for somewhat different reasons. This traditional mainstay of the East African economy is going through a painful adjustment from the economics of the colonial administration to modern developments in the partner states which feature strong and increasing competition from road transport.

All four corporations are feeling the effects of rapid Africanization. The decision to Africanize at such a pace was made consciously and politically and is not likely to be reversed for any reason. It is a decision which donors must respect and accept as a fact, although it has undoubtedly hampered efficiency. But the corporations' management problems will not be solved until a full-scale attack is made upon the lack of appropriate training and experience through greatly increased training opportunities for able young officials, particularly in the middle ranks.

The status of each corporation's five-year development program for the period 1972-1976 is discussed separately below. Using guidelines suggested by the Central Secretariats at Community headquarters in Arusha, each plan will treat the specific projects planned, provide the necessary financial appraisal, consider appropriate distribution of the corporation's services and facilities among the partner states, lay out a manpower plan to the extent possible, establish a pricing policy for the corporation's services, and relate itself to the overall trends in East Africa foreseen by the partner states' development plans. In addition the programs use uniform rate of return principles for investment projects.

East African Airways Corporation

Management of the Airways is in turmoil, its competition outside East Africa has proved devastating, and it is far too thinly capitalized to operate successfully, given its burden of capital costs. The partner states have discussed for some time the need for an interim capital injection into the corporation and in fact have now agreed in principle to contribute nearly $3,240,000 each. The method of payment, whether by bank overdraft or in actual cash, is still under discussion. Paradoxically, the fatal crash of an EAA VC-10 at Addis Ababa in April 1972 may help the airline. In the short run an expected multi-million dollar insurance payment will provide badly-needed cash; in the long run, removing from the inventory an expensive plane no longer really needed since cancellation of the Transatlantic and Hong Kong runs should help somewhat with loan repayment and recurrent cost problems. In the past EAA has largely funded its capital costs from internal resources and supplier credits, the major exception being funds from the Export-Import Bank for the purchase of DC 9's. It has had little foreign aid as such. The same is true for technical assistance although the U.K. tops up some positions. The Airways is now said to be hiring management personnel directly from Eastern Airlines in the U.S. AID has not been approached for assistance with this contract, although Canadian aid officials received informal probes about interest in helping finance an EAAC arrangement with Air Canada. AID's only input to the Corporation was a relatively small pilot training project in 1967-68 and a few short-term participant training courses.

An earlier East African Airways development program (1971-1975) has been overtaken by events, and the revised version for the 1972-1976 period is not yet complete. With budget uncertainties and the difficulty, given present turmoil, of making long-range financial projections, the Corporation is busy with basic studies of operating costs, routes, investment proposals, and manpower needs. Extensive consultations between the Airways and the partner state governments are also underway. The EAAC hopes to have a draft development program ready soon for consideration by the Communications Council.

East African Railways Corporation

Railways is suffering a painful transition. Traditionally the colonial administration sheltered it from competition by restricting truck transport licenses and dragging its heels on paving the important Mombasa-Nairobi road, which parallels the most heavily traveled and lucrative railway section. This permitted Railways' rates to be set for agriculture export promotion reasons rather than on the basis of actual carrying costs. In the past few years several events have combined to shatter the Railways' traditional complacency. Growing truck competition on better highways has taken away Railways' business; operation of seaports was severed from Railways and Harbors and established separately, leaving the Railways without the Harbors' traditional surplus to fall back upon; and the World Bank, the Railways' major lender, has insisted upon new rate structures as a condition for recent loans. Although the IBRD is by far the largest lender to the Railways, the Canadians are now also important by virtue of their loan for locomotive purchases. Technical assistance is provided mainly by the U.K. through the usual topping up system although Canada and the UNDP now have important technical contingents. U.S. assistance is limited to a single advisor in supply management and minor amounts of training.

A draft Railways development program for 1972-1976 is nearly ready for presentation to the Communications Council. The remaining work consists mainly of completing manpower projections and meshing the proposals with the 1969-72 development program.

East African Posts and Telecommunications Corporation

This corporation is probably in the best general shape of the four. Its technical and management capability is far from ideal, and public criticism (especially of telephone service) is strong. However, it does not seem to have the same magnitude of problems as the Airways and Railways have. The EAP&T's financial position is adequate, with capital funds provided largely by the World Bank and recently from Sweden. On the technical assistance side the usual U.K. arrangements pertain. Canadian aid finances six engineers now with three more in the pipeline. In the last year or two the EAP&T has nominated a number of officiers for AID-sponsored management training, and we expect its interest to continue.

In 1972-1976 Posts and Telecommunications development program went to the EAC's East African Committee of Planners a few weeks ago. Following consideration by the Economic Consultative and Planning Council, it too will go to the Communications Council for approval. Particular attention is given, it is understood, to the Corporation's long range planning, including a detailed projection of manpower requirements until 1980.

East African Harbors Corporation

This relatively new organization (separated from Railways June 1, 1969) is notably weak in organization, management, and staff. Financially it is fairly strong. Adequate capital funds come from the World Bank, and recurrent expenditure is easily covered by its monopoly earnings from operating the East African ports. The U.K. still provides technical assistance in the form of operational technicians; some U.N. advisors are also on board. As with the Railways Corporation, U.S. assistance is limited to one supply advisor and minor training.

The Communications Council approved the Harbors' five year development program in February 1972. It calls for capital expenditure to 1976 of about $107 million, financed jointly from the corporation's own generations and funds requested from the World Bank. The Planning and Development Section of Harbors is to be strengthened in the near future, making possible better statistical analysis, evaluation, cost accounting, and development plan revision. A revised tariff structure is in preparation. One notable gap in the development program is the lack of a manpower plan; this is scheduled to be introduced in the form of annual program revisions.

In summary, the four Community Corporations face serious management and financial problems. But unlike the other EAC constituents, each earns a steady flow of revenue directly into its own coffers. Moreover, three receive very substantial assistance from other donors. U.S. technical assistance--and our capital assistance, in some cases--is more expensive relative to other available aid. Hence the corporations believe they can usually draw more benefit per assistance dollar by going to other donors. The British traditionally top up large numbers of operational personnel who constitute the technical backbone of these organizations,particularly the Railways. This is expected to continue on a steadily reduced scale for some years to come. The Canadians are likely to remain active in technical assistance to help both the Railways and EAP&T. The World Bank is a consistent financier, at least for Railways, Harbors, and Posts and Telecommunications.

In these circumstances, RDOEA prefers to concentrate on the Central Secretariats and the General Fund Services, helping the corporations only in selected cases when the United States has unusual competence or specific advantages to offer. Management training and supply advice are good examples. We recommend continued AID technical assistance in limited amounts when our involvement is particularly appropriate. However, the amounts probably will not be on the scale anticipated for the Central Secretariats and the General Fund Services.

B. Applied Food Production Research

An estimated 70 to 80 percent of the East African population is directly engaged full or part time in the production of plants, animals, and fish for food. Despite generally good climatic conditions the efficiency of production is low, and yields measured against land or labor inputs are small. In the past the main agricultural efforts have gone to more efficient production of export crops: coffee, cotton, tea and sisal. Insufficient attention has been paid to improved food production as such. Today, two development factors make greatly increased attention to food imperative. First, the population of East Africa probably is growing at more than three percent a year which suggests doubled food requirements well before the end of this century. Second, if the rate of economic growth is to exceed the rate of population growth, food yield per unit of labor must be sharply increased to stimulate effective demand by food producers for other products. The problems of increasing food production efficiency are essentially the same in Tanzania, Uganda and Kenya, so joint basic research in this field is highly feasible. Each state has a program of research, extension, and market improvement; however, they conduct certain essential long range aspects of agriculture research through the East African Community.

The East African Agriculture and Forestry Research Organization (EAAFRO), East African Veterinary Research Organization (EAVRO), the East African Freshwater Fisheries Research Organization (EAFFRO), and the East African Marine Fisheries Research Organization (EAMFRO) are charged with the responsibility for crop, fish, and livestock research delegated by the partner states. All but a small fraction of the $3 million 1972-73 budget for EAC natural resources research is earmarked for work to help increase East African production of these foods. The EAC appears to be spending approximately as much in each of these research fields as the largest partner state outlay for similar work, demonstrating national government belief in regional economies of scale.

Animal and livestock research is a field of RDOEA interest. However, the partner states seem bent upon eventually absorbing most applied animal production research tasks into their national programs, and the proposed International Laboratory for Research on Animal Diseases (ILRAD) expected to be located in Kenya and associated with the Community will receive a substantial contribution from AID central funds. So EAVRO is not a likely object of RDOEA technical assistance at this point. EAMFRO's professional staff is entirely supplied by the U.K. and West Germany. Its outlook is believed to be narrowly academic, and there seems little opportunity for a productive U.S. input leading to practical marine fisheries results. The organization is considerably hampered by its location on Zanzibar, making any kind of effective external contribution difficult.

The two live and active food crop research organizations -- EAAFRO and EAFFRO -- are already intensely involved with the RDOEA program. The U.S. began its association with EAAFRO's cereals and legume work in 1964 under a centrally-funded project implemented by the U.S. Department of Agriculture. As originally conceived and funded, the project had no institution-building purpose and did not respond to any specific need expressed by the East African governments. Its purpose, rather, was to produce better varieties and agronomic practices for application through bilateral aid programs. In the past two years EAAFRO and AID have jointly transformed the project from a unilateral wholly AID-financed project to a joint technical assistance endeavor. Close attention is now being paid to institution building, and EAAFRO has assumed a major burden of local costs as well as an active part in planning and supervising the project. From July 1, 1972, the soils and legume research work was merged with a smaller animal and crop production project into the East African Food Crops Research Project described in the program section.

EAAFRO has long benefited from assistance by other donors, particularly the U.K. and the Rockefeller Foundation. The U.K. overseas aid scheme topped up 11 British scientists in established EAAFRO positions in 1971, and the Rockefeller Foundation continued its support for staff members and budgetary assistance to sorghum research. In addition smaller amounts of assistance were received from other donors such as the FAO, Canada, Denmark, and several research organizations in Britain.

EAAFRO's 1971-72 budget amounted to $1,644,800, making it by far the largest EAC research institution in any field. This sum excludes a $160,000 administrative budget for the Joint Services Division shared by EAAFRO and EAVRO. In 1971 EAAFRO had 418 established posts in all ranks. Major budget and staff expansions are expected in the new five-year plan, including new research in fields to be assisted by the AID-EAC Food Crops Research project -- rice, low altitude maize, and additional legumes work.

Freshwater fish constitute East Africa's most important source of animal protein. Marketing of fish from lakes and streams far exceeds the amount of beef marketed. The Community and the partner states are justifiably concerned with efficient exploitation and careful conservation of this major natural resource. EAFFRO, its prime location at Jinja, Uganda on the north shore of Lake Victoria, is charged with conducting basic biological research into the population, habits and reproduction of commercially important freshwater fish species. The organization is well directed, but there is a shortage of experienced senior research professionals to help train and lead several promising young East African biologists. AID's assistance, conceived and proposed more than two years ago, is now finally being implemented with the recruitment of American fisheries biologists. The UNDP is the other major donor to EAFFRO through its FAO-implemented Lake Victoria project. That activity concentrates on fish stock assessment, better fishing technology, fisheries economics in East Africa, and marketing and distribution problems. In addition, the Peace Corps supplies EAFFRO with a handful of junior biologists and a librarian. However, AID assistance complements the work of other donors to EAFFRO and provides no help available to the institution from other sources.

C. Economic Harmonization

Perhaps no field of East African cooperation is as sensitive or problem-ridden as economic integration. In establishing the Community, the three partner states ambitiously bound themselves to development of an unrestricted Common Market, promotion of a relatively higher share of EA industrial growth for Tanzania and Uganda, eventual harmonization of agricultural and monetary policies and adoption of a series of related measures for long-term economic collaboration.

After almost five years of EAC operation, what does the balance sheet show? In general, overall results while mixed are not discouraging.

Dr. Reginald Green, economic advisor to the Tanzania government, concluded in an analysis prepared for a recent non-governmental seminar on EA economic integration: "The general conclusion on the state and prospects of ecnomic integration in East Africa must be qualified but basically positive. Gains have been made and maintained; major challenges to the continued existence of the system have been surmounted; particular arrangements have been altered when necessary to preserve major gains or avoid unacceptable costs."

Green goes on to state that Kenya and Tanzania both have gained from the Common Market. Uganda, as in pre-EAC days, may have benefited only marginally. However, "gains by the government-Community-corporation (public) sector seem to have increased for each state---Kenya clearly remains the largest relative and absolute net gainer /from the Common Market/ and the economy whose industrial sector and balance of payments are much dependent on positive development of East African economic regionalism---Tanzania has almost certainly wiped out its /pre-EAC/ loss and may now have a small gain. This is the greatest stabilizing achievement of the Treaty---as no economic community with a net loser among its members can be viewed as having a secure future."

Green's analysis was made with full awareness of the current state of play in two areas of direct EAC economic concern---The Common Market and industrial coordination.

Recent key aspects of both are summarized below:

1. The Common Market

a. Interstate Trade Figures - Total interstate trade grew by only 3.3% in 1971, against a 17% rise in 1970, because of balance of payments problems leading to exchange control and import restrictions in all three partner states. Kenya's exports to Uganda rose by 15%

mainly in manufactures and remained at 1970 levels to Tanzania. Uganda's exports to both partner states fell markedly, dropping by 20% to Kenya and 59% to Tanzania. Total Tanzanian exports to each of its partners rose by a third. On the total 1970 national interstate trade picture, Uganda doubled its adverse trade balance with its partners; Kenya's favorable balance rose by 16%, largely at Uganda's expense, and Tanzania reduced its total adverse trade balance by 39%. Transfer taxes seem to have played a minor role in these results.

b. Interstate Trade Restrictions - The Common Market Council (CMC) or bilateral negotiation has settled all but three or four outstanding partner state disputes on trade matters. The Authority recently appointed a chairman for and activated the Common Market Tribunal to settle the outstanding ones. The CMC also has adopted rules preventing partner states from using state trading corporations to restrict the interstate flow of local goods. Legal instruments are now being drafted to implement these rules. Further, it recently adopted a resolution binding partner states to refrain from legislation which might impose quantitative restrictions on the import of EA products.

2. Industrialization

a. New Large-Scale Industries - A study recently completed for the EAC examined prospects for developing four major industries which would require the entire EA market: iron and steel, motor vehicle assembly, chemicals and fertilizer. The study proposes a development program requiring a total investment of $75,000,000 over 15 years which would create at least 6,500 jobs. Kenya and Tanzania would obtain a somewhat greater share of total investment and jobs than Uganda if the recommendations are follows. The iron and steel complex would meet demands for rolled products and liquid steel. The automotive program would begin with heavy commercial vehicle assembly followed by passenger car assembly, development of a fibreboard body plant and a component part industry. Chemicals would involve development of a polymerization unit and the production of vinyl chloride monomer, ethylene dichloride, chloro-alkali, formaldehyde, calcium chloride, sodium sulphate and purified salt. The fertilizer proposals call for development of nitric and sulphuric acids, superphosphates and for general rationalization of the industry. To manage the allocation of and promote investment in these and other large-scale industries, the EAC currently is discussing with partner states two related measures. First is establishment of an East African Industrial Council with powers to regulate the location of large industries requiring the entire EA market. Unlike the abortive 1964 Kampala agreement, the partner states seem receptive to this idea since it is linked to abolition of the transfer tax, which comes up for review in late 1972. Both Tanzania and Uganda have indicated willingness to forego their transfer taxes on Kenya manufactures in return for access to a larger share of new EA industrial investment. Kenya in turn has indicated that it would seriously consider such an arrangement if her current share of partner state markets could increase enough to permit comparable growth through expansion of existing industrial enterprises or better use of existing capacity. An additional element in making the proposed Council work would be acceptance of recent EAC Fiscal Incentives Working Party recommendations calling for cost-plus concessions to attract industry to Tanzania and Uganda. In essence, the Working Party suggested incentive calculations based on an approved uniform rate of return for EA industrial enterprises, no matter where located, to get around Kenya's investor attractions.

b. <u>Textile Rationalization</u> - The partner states now have agreed on establishment of an EAC working party to tackle this problem as discussed in a later part of this submission.

Responsible for carrying out the above and other EAC efforts in economic collaboration is the Common Market and Economic Affairs Secretariat.

CMEAS is the economic nerve center of the EAC. It supervises the revenue-producing Customs and Income Tax departments and the East African Industrial Research Organization (EAIRO). It manages the collection and dissemination of regional economic statistics. It has review responsibilities for the development plans of the four EAC corporations. Finally - and potentially most important - it services the two EAC political organs charged with forging EA economic collaboration - the Economic and Consultative (ECPC) and Common Market (CMC) Councils.

Each Council consists of the three East African Community Ministers plus three ministers from each partner state and reports direct to the Authority. ECPC is the forum to promote long-term East African economic cooperation. It recommends policy measures for adoption individually by each partner state or jointly through the East African Legislative Assembly. It also has policy responsibility for approving the CMEAS economic research program. The CMC is responsible for smooth functioning and development of the East African Common Market. It can issue binding directives to partner states, if necessary, to settle problems caused by violations of the Common Market rules. It also promotes the establishment of closer economic and commercial EAC links with other states or international and regional associations of states like the European Economic Community. Backstopping each Council is a committee of three senior civil servants from each partner state, the three EAC permanent secretaries and a representative of the Secretary General's office. The East African Committee of Planners (EACP) services the ECPC and the Standing Committee of Officials (SCO) services the CMC. Depending on the subject matter, partner states representation in these two committees may include the permanent secretaries of Planning, Finance, Industries and Communications. Reporting to the EACP are eight more or less permanent sectoral sub committees: Trade and Balance of Payments, Industry, Statistics, General Fund Services, Agriculture, Transport, Tourism and Energy. Partner state civil servants at the permanent assistant secretary level, their technical advisors and EAC personnel of like rank and responsibility sit on the sectoral sub-committees. Ad hoc working parties on various subjects like textiles and fiscal incentives are established from time to time to study common market problems and report to the SCO.

CMEAS functionally is organized into three divisions: the Office of the Minister, the Statistical Division and the Common Market Division. Ten East African professionals staff the Minister's office, to whom Income Tax, Customs, EAIRO and the other two divisions report. The Statistical Division currently has 13 confirmed East African professionals on board. Its other professional post currently is filled by a U.K. statistician topped-off by funds from the Overseas Development Institute. The Department also has one expatriate advisor, fully financed under Norwegian aid through mid-1973. The 1972-73 CMEAS budget provides for establishment of four more professional statistician posts, including two to work in agricultural statistics. These the department head expects to fill through recruitment of recent East African university graduates.

However, it is to the Common Market Division that the bulk of substantive CMEAS work falls. It staffs out the eight sectoral sub-committees which report to the EACP. Its economists are responsible for developing and carrying out work programs for each sub-committee designed to produce policy recommendations for EACP transmittal to the ECPC. The workload and vigor of these sub-committees varies, but all are active. A summary of their current status follows:

The General Fund Services group recently completed five-year development plans for all the Community services. Already circulated to the partner states for comment, they have received EACP approval after downward revision and are to be presented in July for ECPC endorsement. If accepted the plans then will be considered by the East African Legislative Assembly in November to take effect from July 1, 1973.

Discussed earlier in this paper, recent developments relating to work of the Industries sub-committee will not be repeated here.

In Tourism, a charter for an East African external publicity organization now has been drawn up, in effect reactivating the unit which died in 1965. The charter is to be presented to the EACP and ECPC for approval by next October. The publicity corporation would derive financial support from partner state tourist organizations and would operate along commercial lines. Development of a more comprehensive work program for the sub-committee awaits approval of this initiative and recruitment of an expatriate tourism advisor expected under Canadian aid.

While the Agriculture sub-committee has not met in eighteen months, its work program recently received EACP clearance, thus activating the unit. Final endorsement is expected at the ECPC meeting next month. Details of that work program are contained in the agricultural economist job description submitted with PIO/T 618-649-3-20016.

The Trade and Balance of Payments sub-committee has met twice since November. Its EACP-approved work program also awaits ECPC consideration. This program will concern itself with coordination of monetary policy, development of export marketing arrangements particularly in the European Common Market, and the possible development of reinsurance on an East African basis.

The Statistics sub-committee meets 3-4 times yearly and carries on a history of cooperation which goes back 30 years. One of its more recent accomplishments was negotiation of partner state immigration department agreement on a common format for arrival and departure forms.

The Transport sub-committee, which meets 5-6 times yearly, is implementing a recently approved work program which includes efforts to improve planning of the Community corporations, as well as investigations of prospects for coordinated road licensing and rationalization of air-freight rates, inter-state trucking and road construction costs.

Only the Energy sub-committee has yet to meet. However, a Commonwealth Secretariat-financed advisor now has drafted a work program for early sub-committee consideration. It includes studies of such prospects as the development of a regional power grid, establishment of an East African Power Authority and the joint development of areas like the Kagera river basin shared by Tanzania and Uganda.

On balance, CMEAS has an impressive body of work under way and planned reflecting partner states willingness to explore wide avenues of potential and present economic cooperation. Nevertheless, several constraints combine to impede visible results in these fields.

Difficulty in recruiting skilled career personnel is one inhibiting factor. Two conditions contribute to this problem. First, the partner states tend to hire their best economists for work at home. Second, EAC wage levels do not seem to compensate adequately for the tight housing, relatively high costs and perceived isolation of living in Arusha, particularly since the EAC pays less than the Kenya government, about the same as Uganda and only moderately better than Tanzania.

That CMEAS has been able to fill nine of its 14 established Arusha economist slots with East Africans is an accomplishment in itself. However, only two of these nine hold doctoral degrees; neither has yet displayed professional talent promising advancement to top CMEAS responsibilities. Three of the other seven hold M.A. degrees, but none had more than modest professional experience before joining CMEAS. Consequently, they require a good deal of continuing guidance, job training and-in some cases - further formal study before becoming fully-qualified professionals. In the absence of suitable East Africans, expatriates currently hold two of the three top professional economist jobs in the secretariat; the third post, vacant for two years, is scheduled to remain so until a senior East African can be recruited. The remaining two established economist jobs currently are filled by expatriates topped off by the Overseas Development Institute.

Backstopping the East African staff are nine fully-financed expatriate advisors of varying ability and experience currently working with each sub-committee except Tourism. Their configuration reflects the EAC preference for diversified and multilateral technical aid. Five are UNDP-financed. The Ford Foundation supports two and West German aid and the Commonwealth Secretariat each finance one. Including the two ODI-financed OPEX economists, the national rack-up is: British 5, Dutch 2, and West Germany, Canada, Austria and Sierra Leone, one each. Additionally, three fully-financed economists are expected to join CMEAS shortly as advisors on transport, fiscal policy and tourism under Canadian aid.

The five-year CMEAS development plan, which follows staffing recommendations in the 1968 A.I.D.-financed Hawes-West-Mead report, calls for a doubling of Common Market Division professional staff by 1975 to handle the sub-committee work programs now under way or awaiting expected ECPC approval. The 1972-73 $912,700 CMEAS budget provides for an increase of nine economists and economist trainees, partly reflecting new CMEAS agriculture assignments as well as increased work in other sectors.

However, the projected staffing increases and new CMEAS workload also will raise CMEAS requirements for technical aid over the next few years to assure continued production of professionally acceptable work and development of institutional competence with the Secretariat. Relatively precise figures must await ECPC approval of pending work programs, but CMEAS officials conservatively estimate the need for 60 man-years of new short-term and full-time technical aid through 1975 in such fields as agriculture, tourism, trade promotion, fiscal policy, transport and regional industrial planning.

A second constraint arises from the diversity and complexity of assignments which the partner states require CMEAS to undertake. These levy a heavy organizational and professional burden on the Secretariat staff, sometimes leading to work of questionable quality, and increasing its need for skilled expatriates. In the face of constant partner state pressures for increased Africanization, CMEAS must find ways to use foreign personnel without appearing to be controlled by its expatriate staff.

A third constraint arises from the cumbersome EAC decision-making process which favors delay rather than action. Partner state officials sometimes don't give high priority to CMEAS matters. Thus, meetings of officials are canceled without notice when a partner state delegation fails to show up. Officials sometimes fail to brief their ministers adequately on policy issues before ECPC or CMC meetings. Therefore, CMEAS work tends to get approved and proceed in fits and starts, burgeoning after successful Council meetings and waning as fresh mandates fail to appear.

The U.S. and other donors can have little direct influence on either the range of assignments which the partner states give CMEAS or the ponderous EAC system for grinding out (or avoiding) policy and related decisions.

However, donors can help develop the competence of CMEAS as an economic service institution staffed by East Africans working at their fully realized professional potential. CMEAS orchestrates these donor roles to prevent apparent domination by any one foreign interest and to get the best value, in its own judgment, in terms of costs and skill availabilities. CMEAS until now has operated on a fairly _ad hoc_ basis in the absence of an approved comprehensive, multi-sector work program.

Within the next six months, that situation is expected to change as the ECPC comes to grips with the backlog of work proposals now awaiting its approval. Once the full CMEAS program is approved, the Secretariat intends to call a donor meeting to work out appropriate longer-term support levels from interested technical assistance agencies. Ford Foundation and Canadian support to CMEAS is expected to remain at current levels in the next two years but CMEAS believes prospects are good for increased aid from the Scandinavians, the Commonwealth Secretariat and from several as yet untapped other sources.

RDOEA intends to continue concentrating on building better economic competence within CMEAS because of the central Secretariat role in promoting EA economic integration. A.I.D. support will continue to focus on the two key problems donors can help to eliminate---adequate production of quality studies and policy recommendations and development of competent career staff. Criteria for A.I.D. support will continue to be serious EAC planning to absorb the requested assistance in ways justifying high-priced U.S. involvement, the capacity of the U.S. to provide the special skill or training required and the EAC's own preferences for donor involvement in particular areas of its economic responsibility. Pursuing this approach with the EAC is consistent with TOAID A-111 of April 16, 1971, which set forth RDOEA intentions to encourage the EAC to move ahead in certain key areas of CMEAS responsibility: agricultural economics, strengthening the Common Market, industrial harmonization, joint approaches to tourism and the preparation of a central EAC development plan. Despite serious constraints, the EAC has made progress in all these areas.

A.I.D. intends to support CMEAS in areas consistent with the above analysis. Our current help is in agricultural economics and advanced degree training. Agricultural harmonization is not an area in which CMEAS expects immediate dramatic breakthroughs. Nevertheless, it is a potentially important area of cooperation the partner states want CMEAS to explore. The secretariat must build both staff competence and a sensible work program to nurture national interest in such collaboration.

Advanced economic training in the U.S. is a high-priority CMEAS interest reflected in continued pressure for A.I.D. to keep sending CMEAS economists to the Williams program and in newly-expressed interest in developing additional training opportunities for its professional personnel.

The East African Development Bank (EADB) is the other main Community element promoting economic harmonization among the partner states. Its operating principles are well-known: to provide financial and technical assistance for industrial development in the East African countries, with special attention to helping reduce the imbalance between Kenya on the one hand and Tanzania and Uganda on the other. The latter is accomplished by placing 38.75% of investment in each of the less-advantaged states and 22.5% in Kenya though each of the three governments holds equal shares of the EADB's capital. In addition, the Bank's charter directs it to finance projects, whenever possible, that help make the partner state industrial economies more complementary.

Earlier this year the EADB received $8.0 million and $5.2 million concessional loans from the IBRD and Sweden respectively. Its financial condition is sound.

Although the EADB may be the best-run Community institution, its personnel needs are still considerable. The organization employs about 22 young, well-educated East Africans, most of them university graduates. Such a staff, if it can be retained, augurs well for the long run, but its lack of depth and experience at this stage has required the use of several expatriate advisors and managers in top positions. The World Bank estimates EADB need for external personnel for at least five years more.

Donors now finance five technical and management positions, including such key slots as chief of operations, technical advisor to the Operations Division, manager of project preparation and promotion, and manager of research and planning.

Clearly the EADB is an important instrument for industrial development in East Africa. With the new World Bank and Swedish funds its role will enlarge and extend to smaller scale investments than previously undertaken. The technical assistance need remains, and RDOEA expects to give favorable consideration to EADB requests the U.S. can meet well which other donors are not in a good position to fill. This probably means consultants to help solve immediate problems and the provision of longer term institution-building aid, including training. EADB and RDOEA are presently in touch on possible help for the new Project Preparation and Promotion Division.

III. AID's Program of Assistance to the East African Community

The foregoing analysis outlined the current status of the East African Community, delineated its prime development issues, and showed how the Community by its own efforts, along with those of interested donors, is attempting to solve its problems.

In planning its program recommendations, RDOEA tries to apply special American competence to high-priority Community needs in ways that complement rather than overlap other donors' work. A good example from past programming is supply management assistance to the Railways and Harbors corporations. AID-financed advisors work alongside UNDP and U.K. personnel helping in other administrative fields, responding to the Community's explicit desire for American supply management aid. A second example is A.I.D. support to CMEAS, where U.S. technicians will work with technical aid personnel from five other Western countries.

U.S. support costs the EAC more than most other donor help. Other donors do not require the EAC to pay half the international travel for participants, nor do they generally expect local currency contributions toward the cost of personnel they finance. Despite these restrictions, the EAC clearly considers U.S. technical assistance in certain subjects valuable enough to warrant the additional costs involved. Moreover, recent participant training examples go a good deal farther. Rather than pass up Community attendance at a short term American-sponsored management course in Swaziland for which RDOEA declined to finance travel because of a similar seminar in East Africa, the EAC decided to pay full round trip travel costs for its ten participants. Also the EAP&T Corporation recently informed RDOEA of its intent to finance all U.S. training costs for two personnel management participants whom AID had to turn down due to shortage of funds.

It is evident that the Community has considerable interest in maintaining a selective U.S. technical assistance program in certain carefully delineated areas even though American aid in some ways is not really "competitive" with that offered by other donors to East Africa.

Each key issue already discussed--management and institutional improvement, basic research into better food crop varieties, and economic harmonization among the partner states of Tanzania, Uganda, and Kenya--is a matter of genuine development concern. In all the fields the U.S. is in a strong position to provide highly-skilled technical assistance, perhaps the best in the world. The following program description sets forth present and proposed activities to help meet the specific EAC needs laid out in earlier sections.

East African Community Support (618-11-790-649)

From a rather small base of consultancies and training funds in FY 1970 and 1971, this project during FY 1972 developed as planned into the chosen vehicle for all AID assistance to the Community, with the exception of support for agricultural research conducted by the EAC's East African Agriculture and Forestry Research Organization (EAAFRO). Its activities are involved with each of the key problems:

1. Management and Institutional Improvement. The current sub projects deal with data systems management in the General Fund Services and supply management improvement within the Railways and Harbors Corporation.

The 1971 survey of data systems and processing problems produced a detailed scope of work to be carried out by a four-man task force of systems analysts. When complete, the task force report should provide a detailed professional basis for a Community decision on a possible central computer system for its General Fund Services vs. other possible data management improvement alternatives. AID obligated funds in FY 1972 for the task force, and the EAC is in process of selecting an American firm for contract negotiations, with the help of the original survey consultant. Although the Community's administration of this selection has been slow and unsteady, RDOEA hopes it will lead to eventual full EAC acceptance of "host country contracting" with the attendant advantage of freeing AID to concentrate on planning, financing, and evaluation. Further funding for this sub project in FY 1973 is not likely, unless money already committed proves to be insufficient for the task force contract. Depending on the task force's conclusions(and the EAC's acceptance or rejection of them), a further request may be expected for FY 1974 funds to help install the new system. Such an item will be projected as phase II of the sub project in the FY 1974 budget submission due 31 July 1972.

Since 1969 AID-financed supply management advisors have assisted the East African Railways and Harbors Corporation with their supply problems. Several participants were sent to the U.S. in coordination with this technical advice. Based on the current state of play, RDOEA anticipates an extension of the Harbors advisor's tour through 1973 and the completion of the Railways advisor's assignment no later than September 1973.

Other possible management assistance projected and budgeted in the next two fiscal years includes help for the Accountant-General's office where a staff of only one-third normal strength is laboring with increasing workloads, high-level advice to re-organize the Directorate of Personnel, and legal aid for the EAC Counsel who must soon cope with the scheduled review and likely revision of the Treaty for East African Cooperation.

2. Basic research into better food crop varieties. East African Food Crop Research, described below, encompasses the bulk of AID assistance to the EAC in this field. However, another important sub project of EAC Support, Freshwater Fisheries, is designed to support basic Community biological research into habits, reproduction, and conservation of East Africa's leading animal protein "crop," the fish of its lakes and rivers. The TransCentury Corporation, working on behalf of the East African Freshwater Fisheries Research Organization (EAFFRO), is recruiting four American fisheries biologists to work under EAC contracts at research stations on Lake Victoria. Training and certain commodity support is also included in the activity. No obligation is expected in FY 1973, as FY 1972 funds should be sufficient for approximately the first eighteen months of operation; however, additional financing is projected for FY 1974 and 1975.

3. Economic harmonization of partner state economies. In the context of existing and likely AID assistance, this issue pertains chiefly to the Common Market and Economic Affairs Secretariat (CMEAS) and in lesser degree to the East African Development Bank (EADB). AID-financed surveys have helped both organizations in the past, and several CMEAS and EADB officers have benefited from AID participant training.

FY 1972 activities consist of the obligation of funds to finance EAC contracts for two U.S. agricultural economists and an agricultural statistician, all to work for CMEAS. Recruitment of candidates is underway. Additional funds are projected for FY 1974 to complete the first tours for each of these technicians.

RDOEA anticipates future technical and training requests from CMEAS and is allowing further FY 1973-1974 funds in these categories, especially to move ahead with recommendations made by a short-term tourism advisor financed by AID in 1971.

Starting with FY 1974, funds are budgeted for a long term contract between the Brookings Institution (or some similar economic consulting group) and the CMEAS, along the lines of the relationship already established between Brookings and the Central American Common Market Secretariat. Such an arrangement would permit CMEAS to draw on the contractor's extensive professional resources for planning, consultation, and certain specific jobs while CMEAS staff are trained in the U.S. Exposure to first-class U.S. economists is expected to upgrade the quality of CMEAS work for the Common Market Council, the Economic Consultative and Planning Council, and the partner states.

Well fortified with concessional loan funds from the IBRD and Sweden, the EADB recently approached RDOEA for technical assistance to its Project Preparation and Promotion Division. Our FY 1973 and 1974 budget proposals include provision for this technical assistance, which will help the Bank make the full use of the new loan funds and extend their availability to smaller indigenous enterprises. Training for East African replacements for the two proposed American project officers is also planned.

Staff training and development, a major aim of this project, is accomplished by participant training and a plan of EAC scholarships to East African universities. These activities cut across the three prime development problems and may also be used to help meet priority Community needs elsewhere.

Management training was the first U.S. technical assistance to the East African Community's predecessor, EACSO, and it remains in many ways the heart of the EAC-AID participant program. Because the EAC is a service organization performing tasks delegated to it by three independent governments, its performance is subject to unusually intense public scrutiny. Success depends largely on how well it manages to carry out work on behalf of the partner states. In the period FY 1970-1972, AID obligated $387,883 to finance training courses for over 70 Community participants; 52% of that money and about 70% of the trainees were in management or administration. In accordance with the approved EAC Support PROP, RDOEA plans to commit another $150,000 in FY 1973 for training, and at least as much will be proposed for FY 1974. Many of the participants will again undertake management studies, typically ranging in length from three to nine months. Others will follow technical programs in food crop research, economics, or several related subjects. Some may be trained in other fields of EAC importance.

The EAC scholarship scheme tackles staff development from another angle. Unlike participant training designed to upgrade officers already in the Community service, these undergraduate scholarships to Makerere University and the Universities of Nairobi and Dar es Salaam will enable the EAC (like the national governments) to sponsor and bond groups of young graduates to fill professional positions now vacant or held by expatriates. The plan is completely administered by the Community, with AID serving only as majority financier. As with the data systems sub project, the EAC has moved too sluggishly to establish the bursary scheme. But RDOEA is convinced that it will produce useful results in the long run and, as a by product, lead to better EAC administration of foreign assistance.

East African Food Crop Research (618-11-110-657)

This project is a recent consolidation of earlier cereals, legumes, and crop improvement activities with enlargement planned for the near future. The basic aim is to help the Community carry out its mandate from the partner states in the field of basic research on food crop varieties (a) by developing the long run institutional capacity of the East African Agriculture and Forestry Research Organization (EAAFRO) to carry on this work with an East African staff and (b) by carrying out, in the meantime, certain high priority research tasks leading to improvement of the major food crop varieties.

Over the next eight fiscal years, the project is expected to require an average U.S. obligation of more than half a million dollars a year, with an accompanying EAC contribution in the form of various local currency payments, as well as land, buildings, office space, housing, and other in-kind items valued at approximately $440,000 per year, on the average.

AID funds will go largely to provide the services of as many as 19 American research scientists and a direct-hire project manager. In addition, up to 24 East Africans will be sent for advanced agricultural training in the U.S. The project also includes funds for the purchase of relatively small amounts of commodities, equipment, and supplies as well as a mix of dollars and joint EAC-AID trust account shillings to finance construction of suitable housing for the technicians.

Regional Program Support (618-11-999-000)

This activity covers the standard technical support items for RDOEA: funds for one regional program officer (assistant regional development officer), one American secretary, and a staff of four local employees--two secretaries, one receptionist/clerk-typist, and one administrative assistant. Rents, utilities, office supplies and equipment, official vehicle maintenance, communications, official travel, and other like costs are also included.

IV. The EAC Headquarters Building Program

The Treaty for East African Cooperation designates Arusha as the EAC's headquarters site. At the urging of Tanzania, the headquarters was moved from Nairobi to Arusha in March 1968 before any EAC office space or housing was arranged. The Community borrowed offices and housing from the Tanzanian Government which are grossly inadequate for its needs and have stymied the transfer to Arusha of remaining headquarters organizations which should be there (e.g. the Statistics Division of the Common Market and Economic Affairs Secretariat). The absence of suitable Arusha housing sharply restricts the EAC's ability to use technical assistance since it has little place to put expatriate personnel. In addition the East African Legislative Assembly cannot meet in Arusha without a suitable chamber, and at least half the Community officers already in Arusha in fact live or work at Tengeru, a small village eight miles out of town.

The lack of a headquarters hampers Community work and damages its self-esteem. It suggests impermanence to partner state citizens and the rest of the world. Nothing at this point in the Community's existence would more clearly demonstrate its vitality and the commitment of its member countries than a permanent headquarters complex at Arusha, capable of meeting present and projected Community space requirements. The total cost could be expected to run from $15-20 million depending on the design used.

The long-discussed deal with the International Development Organization (IDO), a group of Italian contractors, has definitely fallen through, apparently because of IDO's inability to obtain a necessary Italian government guaranty. Probably the only reasonable financial package now potentially available is an IBRD-led donor project which the Community considered several years ago before entering serious negotiations with the Italians.

On 1 July 1972 the East African Community dispatched a notice to donors formally announcing the failure of the earlier agreement. The paper concludes with the following:

> "The East African Governments are fully committed to the provisions of the Treaty for East African Cooperation and have time and again stated that the establishment of the administrative headquarters at Arusha is of vital importance. To make maximum use of its scarce resources and still scarcer talents, the East African Community is anxious to enlist the support of its friends in building the Arusha Headquarters

Complex. Plans have to be drawn anew. Much preparatory work will need to be done. Time is therefore of the essence."

The project value is estimated at $16.9 million of which 10% is included in the Community's 1972-73 budget, leaving about $15.2 million to be raised "on a long term basis at a reasonable rate of interest." A thirty page brief describing the proposed construction is attached to the paper. RDOEA has requested additional copies of the notice and brief for pouching to AID/Washington and EARCDO/Nairobi.

A joint donor package planned and led by the IBRD still seems like the most feasible arrangement. If the Bank and the Community can plan a suitable project, we strongly recommend U.S. capital participation along the lines of Secretary of State Rogers' Nairobi commitment in 1970 (see Nairobi 673 of 16 February 1970 and Nairobi's TOAID A-108 of 17 February 1970).

V. U.S. Coordination with Other Donors

The basic responsibility for coordinating donor programs with the Community should rest with the EAC itself. The EAC tries to orchestrate its foreign aid through the Technical Assistance Coordination Section (TACS) of the Finance and Administration Secretariat. Unfortunately, TACS even after 18 months of recently-completed technical assistance from a UNDP specialist, still is not performing at full steam although its efficiency steadily is improving. Additionally, the informal so-called "EAC Consultative Group" chaired by the IBRD has not met in almost two years. However, a new "CG" session is to take place soon after EA Legislative Assembly approval of the EAC five-year plan and subsequent EAC elaboration of its implications for EAC foreign aid requirements.

In the absence of a more formal structure, RDOEA keeps in close informal contact with major donors for two main reasons. First, we wish to make sure that A.I.D. complements rather than overlaps, duplicates or competes with other donor interests. Second, we try to ensure that other donors learn of EAC technical assistance needs outside the areas of our prime concern. From time to time RDOEA also serves as an informal sounding-board for EAC personnel, who cautiously seek our views both on the soundness of technical assistance proposals and possible alternative sources of outside help, as in the case of EAFFRO librarian needs and, more recently, on ways to finance certain technical skills. This RDOEA role will continue and may even grow somewhat as the EAC continues to gain confidence in A.I.D. intentions and capabilities.