McNamara Papers

Travel b[...]
Jan. [...]

EAST AFRICAN COMMUNITY

Brief for Mr. McNamara's Visit - January 1970

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Approved by Mr. McNamara
December 17, 1969

Itinerary January 6 - 19, 1970

Mr. McNamara's visit to East Africa

TANZANIA :	January 7 - 11
UGANDA :	January 11 - 15
KENYA :	January 15 - 18

Tuesday, January 6	GMT	
14.30		Leave Washington (National) AA464
15.29		Arrive New York (La Guardia)
17.00	22.00	Leave New York (JFK) TWA 882

Wednesday, January 7		
09.20	07.20	Arrive Athens
10.20	08.20	Leave Athens
16.40	13.40	Arrive Entebbe
17 20	14.20	Leave Entebbe
18.20	15.20	Arrive Nairobi
20.30* ~~22.15~~	17.30 ~~19.15~~	Leave Nairobi EC ~~862~~ 307*
23.25 ~~23.30~~	20.25 ~~20.30~~	Arrive Dar es Salaam, Tanzania
Overnight		Kilimanjaro Hotel

*Agreed with Mr. Christofferson (EC 862 comes from West Africa and is frequently delayed for many hours)

Thursday, January 8

10.00	Briefing session (Bank staff only)
10.45	Meeting with Minister ~~Jamal~~ Bomani
11.25	Drive to Planning Ministry
11.30	Meeting with Minister ~~Bomani~~ Jamal
12.05	Drive to University College (a representative of the University College will accompany Mr. McNamara)
12.30	Visit University College, meet Principal and a few senior faculty members
13.20	Drive to Kibaha (Director of the Nordic Center will accompany Party - driving time approximately 45 minutes)
14.15	Small luncheon with Project officials
15.15	Visit Nordic Center at Kibaha (The Center, sponsored by the Nordic countries, comprises a secondary school with an agricultural bias, a health training center and a farmers' training institute)
17.30	Drive to Dar es Salaam (about 50 minutes)
	Evening free
Overnight	Kilimanjaro Hotel

Friday, January 9

09.20	Departure for State House [accompanied by Minister Jamal]
09.30	Meeting with President Nyerere followed, possibly, by a special meeting of the Economic Committee of the Cabinet
11.00-12.30	Meeting with representatives of: National Development Corporation National Bank of Commerce Tanzania Tourist Corporation
	Lunch (free)
14.30-16.00	Meeting with representatives of organizations responsible for agricultural development: National Agriculture and Food Corporation National Development Credit Agency Sisal Board Lint Marketing Board (The Minister for Agriculture may be present.)
19.00-20.30	Reception by the Government
Overnight	Kilimanjaro Hotel

Saturday, January 10

07.00	Leave Dar es Salaam for Ngorongoro Crater by chartered plane (about 2-1/2 hours). Mr. David Owen, Director of Tanzania National Parks will accompany Party
09.30-12.00	Visit Crater
12.15	Fly to Lake Manyara
12.45	Private lunch at Lake Manyara Hotel
14.15	Drive to Arusha via Upper Kitete Village (about 3-1/2 hours). Upper Kitete is a Ujamaa village based on the concepts of extended family and communality of effort which the Government is emphasizing as part of its strategy for rural development (a representative of the Ministry concerned will accompany Party)
19.30	Working dinner with three Ministers of the East African Community: Mr. Malacela - Communications Mr. Majugo - Common Market Mr. Ouko - Finance (Mrs. McNamara will be entertained separately)
Overnight	New Arusha Hotel

Sunday, January 11

09.00-11.00	Meetings with Secretary General, East African Community, followed by Chairmen and Directors of Corporations, and East African Development Bank
(09.00-09.25)	Mr. Z.H.K. Bigirwenkya, Secretary General
(09.30-10.15)	East African Harbours Corporation Mr. J.L.M. Shako - Chairman Mr. C. Tamale - Director-General
	East African Railways Corporation Mr. J. Okello-Ojok - Chairman Mr. E.N. Gakuo - Director General
(10.20-11.00)	East African Posts and Telecommunications Corporation Mr. S.O. Josiah - Chairman Mr. J. Keto - Director General
	East African Development Bank Mr. Iddi Simba - Chairman and Director-General (Ex-Executive Director)
	East African Airways Corporation Mr. A. Fundikira - Chairman
11.30	Fly to Seronera by chartered plane to visit the Serengeti National Park, which has one of the greatest concentrations of wild animals in the world. Very famous for lions, leopards and cheetahs (Mr. Owen's Tanzanian deputy will accompany Party)
	Private lunch at Seronera Lodge
16.45	Fly to Entebbe by chartered plane
18.30	Arrive Entebbe, Uganda
18.45	Drive to Kampala
19.30	Arrive Kampala
	Evening free
Overnight	Apolo Hotel, Kampala

Monday, January 12

08.45	Depart for State House accompanied by Minister Kalule-Settala
09.00	Meeting with President Obote
10.00-12.00	Meeting with small group of Ministers dealing with developmental affairs. The group may include: Mr. Babiiha (Vice-President) - Animal Industry Mr. Kalule-Settala - Finance Mr. Okae - Planning Mr. Kakonge - Agriculture Mr. Kalema - Commerce and Industry
12.30	Small working luncheon with Ministers (Mrs. McNamara to be entertained separately)
15.00-16.15	Meeting with Chairman (Mr. S. Nyanzi) and senior officials of Uganda Development Corporation (UDC)
16.30-18.15	Discussion on agricultural development problems with representatives of:
(16.30-17.30)	Coffee Marketing Board Lint Marketing Board Uganda Tea Growers Corporation
(17.30-18.15)	Produce Marketing Board Dairy Industry Corporation
	Evening Free
Overnight	Apolo Hotel

Tuesday, January 13

08.00	Drive to Jinja (important industrial town) by car. Mr. Nyanzi or Mr. Caldwell to accompany Party
09.00	Arrive at Jinja
09.00-11.15	Discussions with heads of UDC firms (Nyanza Textiles, copper refinery) including brief visits to plants; if time permits, visit to Owen Falls power station
11.20-12.00	Discussions with Mr. Mehta (Member of Parliament) and Mr. Madhwani (Both of them are leading industrialists who have established a variety of industrial enterprises throughout East Africa)
12.00	Drive to Kampala
13.00	Arrive at Kampala - Luncheon Free
14.30	Individual meetings with prominent personalities: Mr. Mboijana - Lawyer and Company Director Mr. Ssentongo - Formerly Secretary to the Treasury and now Businessman Mr. S. Mukasa - Chairman, Coffee Board Group Chairman - Uganda Company Ltd.
16.30	Drive to Makerere University College
16.45-18.15	Visit Makerere University College, meet Principal, Dean of Faculty of Agriculture, and Heads of Departments of Economics and Rural Economy, and Student Guild representatives
18.15	Drive to Apolo Hotel
19.30-21.00	President Obote's reception
Overnight	Apolo Hotel

Wednesday, January 14

07.00	Leave Kampala for Arua by chartered plane (a representative of the Ministry of Agriculture will accompany Party)
08.30-10.30	Visit tobacco project (Tobacco is already being grown in the area by peasant farmers. We have recently appraised a project which envisages a substantial increase in production)
10.30	Fly to Murchison Falls. Fly over power project area (Mr. Kironde and/or Mr. Waligo of the Uganda Electricity Board to accompany Party)
11.00	Arrive Murchison Falls. Drive to Falls. Game viewing en route to Falls (a representative of the Ministry of tourism to accompany Party)
13.30	Private Lunch at Paraa Lodge
14.30-17.00	Boat trip up the Nile river accompanied by Chief Game Warden
17.15	Leave for Entebbe by plane
18.30	Arrive Entebbe and drive to Kampala
19.30	Arrive Kampala Evening free
Overnight	Apolo Hotel

Thursday, January 15

07.00	Drive to Entebbe Airport
08.00	Leave Entebbe for Kisumu by chartered plane
09.30	Arrive at Kisumu, Kenya.(Minister for Agriculture or Senior official from Ministry to meet Party on arrival. Mrs. Grace Onyango, the former Mayor, may greet the McNamaras.)
	Drive to Kericho
10.45	Arrive at Kericho. Visit smallholder tea scheme (Under the auspices of the Kenya Tea Development Authority, notable strides have been made in the area in the expansion of smallholder tea. We have already financed two phases of this program and are considering a third phase.)
Lunch	Private Luncheon at Kericho Tea Hotel
14.15	Fly to Sultan Hamud to see livestock project (Mr. Meadows, Chairman, Range Livestock Authority, will accompany Party). Fly over the Rift Valley and farming country in Limuru
15.45	Arrive at Sultan Hamud
15.45-17.45	Visit Poka Group Ranch and one individual ranch. Talk to a few Masai ranchers (The principal objective of the Project, which is financed by IDA is to increase beef production, primarily from the traditional sector.)
18.00	Fly to Nairobi
18.30	Arrive at Nairobi
	Evening free
Overnight	Intercontinental Hotel

Friday, January 16

08.00 - 08.30	Briefing at Bank's Permanent Mission Office
08.45	Visit University College, accompanied by Minister for Education
10.15	Meet small group of Ministers dealing with economic matters
12.45	Lunch with President Kenyatta
15.00	A tour of Nairobi's Industrial Area accompanied by the Ministers of Commerce and Industry, and Housing
18.00 - 19.30	Meet individually with prominent personalities (hotel suite): Mr. Slade - Former Speaker Mr. Rubia - Former Mayor Dr. Leakey - Noted Anthropologist Evening free
Overnight	Intercontinental Hotel

Saturday, January 17

08.00	Visit PMEA for discussions with staff
09.00	Discussions with Editor of East African Standard followed by Editor of Daily Nation, at their offices
10.15-11.10	Individual meetings (Hotel suite) (Continued) Mr. Philip Ochieng - well known commentator on current local affairs Rev. Andrew Hake - popular church leader with a penchant for socio-economic work
11.25-12.20	Meeting with Kenya National Farmers' Union
12.30	Lunch free
13.30	Drive to Nyeri and Treetops Hotel (a representative of the Ministry of Agriculture will accompany Party up to Nyeri to brief Mr. McNamara on agricultural developments in the Central Province)
16.00	Arrive at Treetops Hotel
	Evening free. Game viewing after dinner
Overnight	Treetops Hotel

Sunday, January 18

07.00	Leave Treetops for Nyeri
08.00	Fly to Nairobi by chartered plane
09.00	Arrive Nairobi airport
10.00	Leave for London by BA 074

December 17, 1969
Eastern Africa Department

ALTERNATIVE ARRANGEMENTS FOR RETURN FLIGHTS
FROM NAIROBI TO WASHINGTON, JAN. 18-19, 1970

		Local Time	GMT	
A.	Sunday 1/18	10.00	07.00	Leave Nairobi, BA-074 (via Cairo)
		18.15	17.15	Arr. London
		(stay overnight in London)		
	Monday 1/19	10.45	09.45	Leave London, TWA-705
		12.25	17.25	Arr. N.Y. (JFK)
		13.25	18.25	Leave N.Y.(JFK), NA-421
		14.25	19.25	Arr. Washington (Nat'l)
or B.	Spend extra day(free) in Nairobi			
	Monday 1/19	09.55	06.55	Leave Nairobi, TWA-883 (via Athens)
		19.10	00.10(Tues.)	Arr. N.Y. (JFK)
		20.25	01.25(Tues.)	Leave N.Y.(JFK), NA-491
		21.25	02.25(Tues.)	Arr. Washington (Nat'l)
or C.	Sunday 1/18	10.00	07.00	Leave Nairobi, BA-074 (via Cairo)
		18.15	17 15	Arr. London
		19.20	18.20	Leave London, SK-504
		21.05	20.05	Arr. Copenhagen
		(stay overnight in Copenhagen)		
	Monday 1/19	15.00	14.00	Leave Copenhagen, SK-911
		17.40	22.40	Arr. N.Y. (JFK)
		19.30	00.30(Tues.)	Leave N.Y. (LaGuardia), AA-397
		20.38	01.38(Tues.)	Arr. Washington (Nat'l)
or D.	Sunday 1/18	10.00	07.00	Leave Nairobi, BA-074 (via Cairo)
		18.15	17.15	Arr. London
		20.00	19.00	Leave London, BE-378
		20.55	19.55	Arr. Paris
		(stay overnight in Paris)		
	Monday 1/19	13.45	12.45	Leave Paris, TWA-811
		16.20	21.20	Arr. Washington (Dulles)
or E.	Sunday 1/18	10.00	07.00	Leave Nairobi, BA-074 (via Cairo)
		18.15	17.15	Arr. London
		(?) 18.30	17.30	Leave London, PanAm 1
		20.15	01.15	Arr. New York (JFK)
		21.10	02.10	Leave New York " NA-487
		22.05	03.05	Arr. Baltimore (Friendship)

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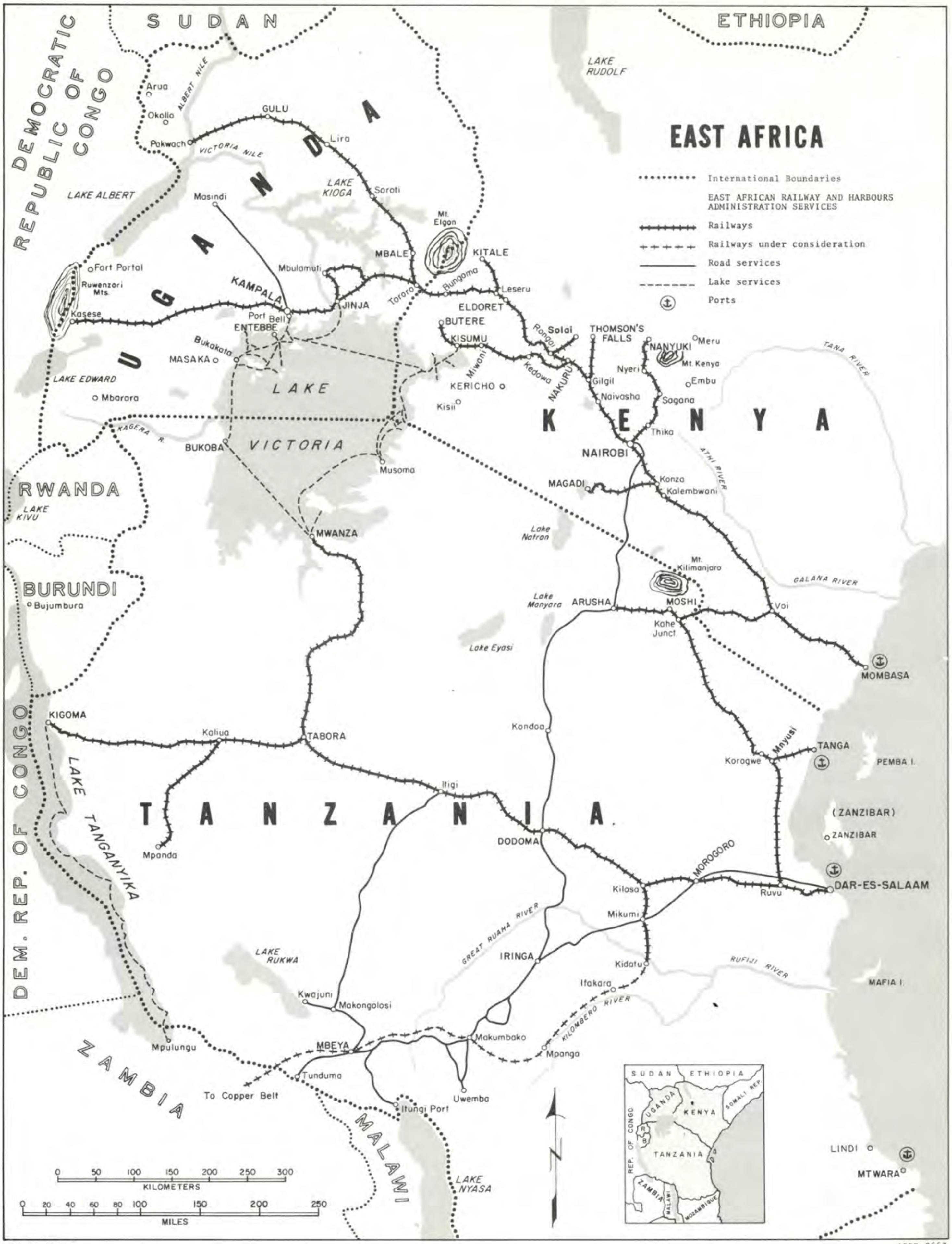

AUGUST 1969 IBRD 2663

EAST AFRICA

Past Lending

No.	Year	Borrower	Purpose	Amount (US $ million) Bank	Undisbursed 5/
110 EA	1955	East African Railways Corporation 1/ 3/	Railways	24.0	-
428 EA	1966	(East African Railways (Corporation 2/ 4/	Railways	32.4	3.6
	1966	(East African Harbours (Corporation 2/ 4/	Harbors	5.6	2.2
483 EA	1967	East African Posts and Telecommunications Corp. 2/ 4/	Telecommunications Thru 68	13.0 75	5.2
638 EA FY	~~1969~~ 70	East African Harbours Corporation 4/		35.0 + RR 47 + Tele 10 = 87	35.0
	Total (less cancellations)			110.0	
	of which has been repaid to the Bank and others			14.9	
	Total now outstanding			95.1	
	Amount sold:		23.8		
	of which has been repaid:		14.8	9.0	
	Total now held by Bank			86.1	
	Total undisbursed			46.0	

∴ more in FY70 than in the 15 years since we started lending to Community separate in 1955

1/ Loan made originally to East Africa High Commission
2/ Loan made originally to East African Common Services Authority
3/ Guaranteed jointly and severally by the United Kingdom, Kenya, Tanzania and Uganda
4/ Guaranteed jointly and severally by Kenya, Tanzania and Uganda
5/ As of November 30, 1969

December 18, 1969

EAST AFRICAN COMMUNITY
5 YEAR LENDING PROGRAM

		($ millions)							
				Fiscal Year				Total	Total
		1969	1970	1971	1972	1973	1974	~~1965-69~~ 64-68	~~1970-74~~ 69-73
Harbors II	IBRD		35.0						
Harbors III	IBRD					10.0			
Railways III	IBRD		42.4						
Railways IV	IBRD						45.0		
Telecommunications II	IBRD		10.4						
Telecommunications III	IBRD						25.0		
Development Bank I	IBRD				3.0				
Development Bank II	IBRD					4.0			
Development Bank III	IBRD						5.0		
	IBRD	~~37~~	87.8		3.0	14.0	75.0	51.0	~~179.8~~ 105
	No.		3		1	2	3	2	~~6~~ 5

December 18, 1969

THE REGION

1. "East Africa" as used in this brief covers the three equatorial countries of Kenya, Tanzania and Uganda. The total population of East Africa is estimated to be 31 million, with an average density of 45 per sq mi and an annual growth rate of 2.8%. The population is predominantly African; less than 1.5% is of Asian and European origin. The area as a whole is sparsely populated. But because large portions cannot easily be brought under cultivation, population pressures exist in some of the more developed agricultural regions. For this reason there are a number of Government-sponsored resettlement schemes underway. In common with many developing areas, East Africa is experiencing a considerable migration to the towns and rapid growth of the urban areas.

2. The gross domestic product of the three countries was estimated at EA£ 1.0 billion (US$2.8 billion) in 1968, and is growing at an annual rate of about 6% in real terms. Per capita income is about EA£ 34.2 (US$96 equivalent). Agriculture is the principal economic activity, accounting for about 45% of total output. About half of this agricultural product is consumed for subsistence. The main cash crops are coffee, tea, cotton, sisal and maize. Manufacturing constitutes about 9% of total production. Tourism, which is growing at about 30% per annum, in 1968 contributed the equivalent of about 8% of merchandise exports. Mineral development in East Africa is limited to relatively small outputs of soda ash in Kenya, copper concentrates in Uganda, and diamonds in Tanzania.

3. The three national economies of East Africa, and those of neighboring land-locked states, are highly dependent upon foreign trade. The region has large population concentrations far from the sea in the fertile temperate highlands and along the shores of Lake Victoria, where a large proportion of total production and consumption is located. The main flow of traffic is consequently long-haul between the main seaports and their up-country hinterlands. The total land area is about 640,000 square miles, roughly equal in size to the area of the six countries of the European Economic Community plus Spain.

December 23, 1969

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BACKGROUND NOTES

A. Development of the Common Market and Common Services

1. The links between Kenya, Tanzania and Uganda were forged during the time of British administration and extended back for well over 40 years. Free trade between Uganda and Kenya was established in 1917. After the establishment of a British mandate over Tanganyika, the customs union was extended to include all three countries in 1923. Common services developed gradually over this period, first between Kenya and Uganda and after World War I with Tanganyika, though until 1963 the port-rail system serving Kenya and Uganda was linked only indirectly with that of Tanganyika by means of shipping services on Lake Victoria.

2. The East African Common Market and Services were not given any overall institutional organization until 1948 when the East Africa High Commission consisting of the governors of the three territories was established and complemented by an executive and advisory staff as well as a central legislative assembly. In December 1961, with the advent of independence, the High Commission was replaced by the East African Common Services Organization (EACSO). A Common Services Authority consisting of the prime ministers of the three countries was established as its supreme organ and was assisted by a number of ministerial committees. While not given any authority to levy taxes, EACSO was for the first time assured a regular source of revenue. from [illegible]

3. Both the Common Services and the Common Market helped to knit the three East African countries more closely together. Until 1964, there were no quantitative restrictions on trade among the three countries, although marketing and price controls maintained by a few boards did inhibit free trade in some agricultural products, principally maize. There was a common external tariff which with minor exceptions applied uniform rates to imports from outside the Common Market. There was a similar uniformity in excise duties and, in practice, also in company tax rates. Within the Common Market, the free movement of funds and goods was facilitated by the fact that most of the commercial banks operated in all three countries and that, until mid-1966, there was a common East African currency issued by the East African Currency Board.

4. As the three countries achieved independence it was inevitable that each of them should review the balance of advantages and disadvantages of these common arrangements established for them during the colonial era. Uganda and particularly Tanzania were critical of the disproportionate advantages which had accrued to Kenya. Aside from a large and growing export surplus, Kenya has also had considerable net earnings on service account with its Common Market partners. In addition, the headquarters of the Common Services were all located in Nairobi.

5. Many factors have combined to give Kenya a predominant position in commercial transactions within the Common Market. Some of these factors are:

a. Kenya's central geographic position. This has been particularly important vis-à-vis Uganda, but also with respect to northern Tanganyika.

b. Kenya's comparatively large non-African population. This has provided a high-income market as well as a reservoir of skills and enterprise favorable to the early development of manufacturing and commercial agriculture.

c. Kenya's favorable climate, particularly the temperate conditions prevailing in Nairobi and the Kenya Highlands. This was an important factor in bringing European farmers to Kenya and reinforced the attractiveness of Kenya for European firms wishing to start manufacturing in East Africa.

d. External economies which developed as centers of commerce and industry expanded in Kenya and produced a growing reservoir of labor skills as well as a considerable infrastructure investment; these made Kenya cumulatively more attractive to new enterprise and thus made it more difficult for Uganda and Tanzania to overcome the initial advantages possessed by Kenya.

B. Adjustments Within the Common Market

Redistribution of Revenues

6. To the extent that Uganda and Tanganyika obtained from Kenya more duty-protected goods than they in turn sold, they apparently received less import revenue. Some compensation for this was provided when the Distributable Pool Fund was established in mid-1961 pursuant to the recommendation of a special Economic and Fiscal Commission. Under this arrangement, 40 percent of certain company taxes and 6 percent of the customs revenues were assigned to this Pool and, after deducting collection expenses, half of the net was allocated to the General Fund for support of non-selfcontained common services and the balance evenly divided among the three countries. Since a larger proportion of these revenues were collected in Kenya than in either of the other two countries, Kenya through the Distributable Pool Fund contributed not only a somewhat larger share of the expenses of the non-selfcontained common services but allowed a small share of its revenues to be redistributed to Tanganyika and Uganda.

Industrial Licensing and Allocation

7. The proportionately greater industrial development of Kenya

within the framework of the Common Market caused considerable dissatisfaction on the part of Uganda and Tanganyika and produced a series of attempts to redress the balance. As early as 1948, the three countries joined in setting up a common Industrial Licensing Council. The original idea was to provide an incentive for the development of specified or "scheduled" industries within the Common Market by using licensing of industrial enterprises as a means of guaranteeing a market and incidentally directing licenses to certain locations in accordance with an East African plan. The plan to direct the location of new enterprises was never realized, however, and the number of scheduled industries was never extended beyond the restricted number originally agreed--namely, textiles and blankets, steel drums, glassware, enamel hollow-ware and metal window and door frames. From time to time one of the governments tried, after arranging for the establishment of some new industrial enterprise, to get "scheduled" status for this industry in order to prevent the other two countries from promoting competing enterprises, but these attempts always failed.

8. However, in April 1964, the three governments did conclude an agreement at Kampala which sought to deal with the problem of industrial imbalance in three ways. First, certain new industries were to be reserved to each country: the assembly of trucks, the manufacture of motor vehicle tires and tubes and the assembly and manufacture of radio sets to Tanganyika; the production of nitrogenous fertilizers and bicycles to Uganda; and the manufacture of electric light bulbs to Kenya. Second, in the case of certain already existing industries producing beer, cigarettes, shoes, cement, the enterprises were to be approached and persuaded that each country's requirements should be produced within its own borders on the grounds that the market in each country was considered large enough to make production economic. Third, principally as a concession to Tanganyika, arrangements were to be made whereby the two countries (Tanganyika and Uganda) experiencing large deficits in Common Market trade could impose quantitative restrictions on imports of such goods that could be manufactured economically and effectively in the importing country.

The Imposition of Quotas

9. Almost from the beginning, controversies arose in carrying out the Kampala Agreement. Kenya, indeed, never ratified it formally. Efforts to reach agreements on quotas for some of Kenya's exports to Tanganyika failed, and in June 1965 Tanganyika unilaterally imposed a number of quotas which were later broadened to include a wide range of products. There was a wide-spread fear at that time that the Common Market might break up completely.

Establishment of Separate Monetary Systems

10. Imposition of the first quotas, representing a significant breach of the principle of free movement of goods within the Common Market, coincided with an announcement by the Tanzanian Government that it intended to establish a separate central bank and currency. The two other governments

soon announced similar decisions. In 1966 the new central banks were established and in June, August and September 1966 respectively, the new Tanzanian, Ugandan and Kenyan shillings appeared, replacing the East African shilling that had been issued by the East African Currency Board.

C. The Commission on East African Cooperation

11. The imposition of quotas by Tanzania and the decision to establish separate central banks and currencies brought to the fore the whole issue of the continuation of the Common Market and Common Services. Earlier--in June 1963--the three East African leaders had tentatively decided to accept President Nyerere's proposal to establish a federation, but subsequently this ambitious venture had been dropped, primarily owing to the opposition of Uganda. It was primarily to avoid a possible progressive deterioration of their Common Market and Services that the three countries decided in September 1965 to establish a special Commission on East African Cooperation. This Commission was composed of three members from each country and a neutral chairman, Professor Kjeld Philip from Denmark, and was given the mandate to consider (a) how the Common Market could be maintained, strengthened and regulated, (b) what arrangements should be made for the operation of the Common Market following the establishment of separate currencies, (c) what should be the extent, form and location of common services, and (d) what legal and constitutional arrangements might be appropriate.

12. The Commission provided a forum in which the three East African governments were able for the first time to consider systematically as independent sovereign governments all the issues regarding the continuation of the Common Market and Services. Despite considerable debate and notwithstanding the pessimism expressed in many quarters, the Commission was able to present by May 1966, the original deadline, a report reflecting a very large measure of agreement. The heads of the three governments then authorized the Commission to embody its agreements in a formal draft treaty and to continue efforts to resolve some important issues which were still in dispute. By June 6, 1967 the remaining differences had been settled so that the three Heads of State could sign the new Treaty for East African Cooperation.

December 23, 1969

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TREATY FOR EAST AFRICAN COOPERATION

1. The Treaty for East African Cooperation, under which the East African Community between Kenya, Tanzania and Uganda came into being on December 1, 1967, continued the essence of the Common Market and the Common Services1/, although with some modifications and in a somewhat altered form. The Treaty has been widely described as a "horse deal", under which Kenya made certain concessions to her two partners in exchange for retaining, with certain qualifications, the advantages of relatively free movement of goods between the three countries.

[illegible]
1) trade bal
2) prod by industry country
3) [illegible]
4) [illegible] activity
EADB

2. The changes made by the Treaty were for the most part designed to enable Tanzania and Uganda to share more largely in the benefits of the operation of common services and to promote a more balanced industrial development as between Kenya and the other two countries. The first of these was to be achieved by certain measures reorganizing, relocating and decentralizing the Common Services. The second was to be ensured through limited facilities for the imposition of duties on inter-country trade and through the establishment of a new East African Development Bank, whose resources are to be used primarily to finance industrial development in Tanzania and Uganda.

A. Provisions on Common Services

3. The Treaty provided that the self-contained services - the airways, railways, harbors, posts and telecommunications - were all to be organized as statutory corporations, and the railways (together with the lake ports and lake services) separated from the harbors. The Treaty also provided that the headquarters of the Common Services should be distributed more widely over the three countries. Tanzania was allocated the headquarters of the Community itself, together with its secretariat, at Arusha, and that of the new Harbors Corporation, at Dar es Salaam. Kampala, Uganda, was designated the headquarters of the new Development Bank and of the Posts and Telecommunications Corporation. Although the headquarters of the Airways Corporation remained at Nairobi, the Community's Ministerial Communications Council and the Corporation's Board of Directors were directed to ensure that future development was sited as far as possible in Tanzania and particularly in Uganda. The headquarters of the Railways remained at Nairobi.

4. Another provision of the Treaty was that the administration of a number of common services - the Customs and Excise Department, the Income Tax Department, the Meteorological Department, the Directorate of Civil Aviation and the Posts and Telecommunications Corporation - were to be decentralized as far as practicable to the national level. The self-contained services generally were directed to give priority to Uganda and Tanzania in the establishment of new services and facilities to the extent this was operationally feasible. As a concession to Tanzania, there was

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1/ For a list of these services, see Appendix to this Memorandum.

an undertaking to accord special consideration to the development of Tanzanian harbors and the possibility of initiating a preliminary economic and engineering survey of a new rail line linking Musoma on Lake Victoria with Arusha and Tanga.

B. Provisions on the Common Market

Transfer Taxes

5. The Treaty authorizes for the first time the imposition of duties on inter-country trade, but under strict limitations. A member country may levy such duties, called "transfer taxes" on "manufactured" goods provided: (a) it has an overall deficit in its trade in manufactures with its other two partners and the value of imports from any Partner State so taxed does not exceed the total of the deficit in the trade in manufactures with that state; (b) a transfer tax can be imposed only if the protected article is already being manufactured or is likely to be manufactured within three months, and the protected industry has the capacity to produce 15 percent of the domestic consumption of the affected product or an output of no less than 2 million shillings (about $30 million). In addition, the tax may not exceed 50 percent of the common external tariff, nor can it be continued for a period greater than eight years. All transfer taxes are to be abrogated fifteen years after the Treaty came into force, and no country can levy new taxes as soon as its exports of manufactures to its other Common Market partners reach 80 percent of the value of its imports of manufactures. The Treaty continues the industrial licensing system, subject to the proviso that the number of scheduled industries is not increased and that the separate national licensing laws are replaced by a single East African law.

How does the licensing system work

Quantitative Restrictions

6. While permitting transfer taxes, the Treaty prohibits quantitative restrictions on inter-country trade except in certain circumstances. The Treaty continued for various periods the authority to limit inter-country trade in specified basic staple foods and major export crops subject to special marketing arrangements. At the same time, however, it envisaged that the Common Market would extend gradually to all agricultural products and that in this process "trade arrangements between the national agencies or marketing boards of the Partner States may be entered into directly within a single system of prices and a network within the Partner States as a whole of marketing services and facilities". The Treaty also sanctioned quantitative restrictions which each of the governments may have undertaken to impose under certain specifically listed contracts with companies which have undertaken to establish certain plants such as the petroleum refineries in Kenya and Tanzania and the nitrogenous fertilizer factory in Kenya.

Freedom of Payments

7. The Treaty provides that there shall be a wide measure of freedom in the movement of funds within the Common Market. Transfers on current account are entirely free, and payments on capital account are permitted unless a member country finds that "control of certain categories of such payments and transfers is necessary for furthering its economic development and an increase in trade consistent with the aims of the Community". Such controls may not, however, prejudice the ability of the Community, the Development Bank and the Corporations to carry out their functions.

Coordination of Policies

8. The Treaty recognizes that the smooth functioning of the Common Market depends on coordination of policies in many fields. Each member country agreed to pursue "an economic policy aimed at ensuring the equilibrium of the overall balance of payments and confidence in its currency"; and the governors of the central banks were to meet quarterly "to coordinate and review their monetary and balance of payments policies." The Community's Economic Consultative and Planning Council and the planning authorities of each state and of the Community were directed to consult on matters of planning; and the Communications Council was to be the forum for consultations with respect to the coordination of the countries' "surface transport policies."

C. Finances of the Community

9. The Treaty does not greatly alter the existing arrangements for financing the Common Services. The self-contained services - the Corporations - are to be operated, as in the past, on the principle that their revenues should be sufficient to meet all expenditures, including debt service, and to earn a return on net fixed assets at a rate which the Authority may determine from time to time. One notable change is made in the financing of services which are not self-supporting and the expenditures of which are met out of the Community's General Fund. As a concession to Kenya, the Distributable Pool Fund (see "Background Notes", paragraph 6) will cease to exist as soon as Kenya has contributed 40 percent of its share of the paid-in capital of the East African Development Bank.

10. The General Fund no longer gets any specific percentage of the tax on profits of manufacturing and finance companies. However, the General Fund is to get from this tax "such sums as are required to make up (with the monies in the General Fund) the amount of expenditure to be met from the General Fund." In a sense, therefore, the General Fund is given a first claim on such revenues to the extent necessary to meet its expenditures as approved by Appropriation Acts passed by the Community's Legislative Assembly. In principle this could provide a more flexible means of financing the non-self-contained services. In practice it has proved less flexible, since the partner states have had difficulty agreeing on the funds required.

D. The Institutional Framework

11. The supreme organ of the Community is the Authority, composed of the presidents of the three countries, and assisted by three full-time East African Ministers, one appointed by each State. Officers of the Community are the Secretary-General, its principal executive, and the Counsel to the Community. Both are appointed by the Authority.

12. The Treaty provides for the following Councils:

a. a Common Market Council which consists of the three East African Ministers and three ministers representing each of the three governments and which is to ensure and keep under review the operations of the Common Market and consider for reference to the Common Market Tribunal any charges of a breach of obligations;

b. a Communications Council, composed of the three East African Ministers, the three ministers responsible for transport in the partner states, and two additional ministers from each country, making 12 in all. The Council is empowered to (i) consider and approve the development plans and associated borrowing programs of the Airways, Railways, Harbours, and Post and Telecommunications Corporations; (ii) to pass on legislative proposals submitted by the Corporations; (iii) to give the Corporations' Boards of Directors directives on general policy, and (iv) to act as a general forum for consultation on matters relating to transport and communications;

c. an Economic Consultative and Planning Council consisting of the three East African Ministers and three ministers from each country and charged with the task of assisting the national planning of the Partner States by "consultative means" and to advise the Authority on long-term planning of the Common Services;

d. a Finance Council composed of the three East African Ministers and the Finance Ministers of the three countries and empowered to consult on major financial problems of the Community and to consider and approve major financial decisions, including those relating to estimates of expenditures and borrowing and investment programs of the Community; and

e. a Research and Social Council consisting of the three East African Ministers and three ministers from each country to consult on the coordination of the policies of the member countries and the Community in research and social questions.

13. Legislative authority is exercised by an East African Legislative Assembly, composed of the three East African Ministers, nine members designated by each country in accordance with whatever procedure it chooses to adopt, the Secretary-General and Counsel as ex-officio members and a Chairman appointed by the Authority. The three Heads of State must enact all legislation. Other institutions include the Common Market Tribunal, which is to settle disputes relating to the interpretation of the new Treaty.

14. The Corporations have each been provided with a Director-General, who is to be appointed by the Authority and to act as the principal executive, and a Board of Directors which apart from the Director-General will consist of a Chairman (a person of "independence") and three directors with experience in commerce, industry, finance, administrative or technical fields, all appointed by the Authority, and one director appointed by each government. Slightly different provisions govern the composition of the Board of the Airways Corporation.

December 23, 1969

List of Common Services of the East African Community

Services Administered Directly by the Community

1. The secretariat of the Community, including services relating to the Common Market and the Chambers of the Counsel to the Community.

2. The East African Directorate of Civil Aviation.

3. The East African Meteorological Department.

4. The East African Customs and Excise Department.

5. The East African Income Tax Department.

6. The East African Industrial Council.

7. The East African Literature Bureau.

8. The Auditor-General's Department.

9. The East African Community Service Commission.

10. The East African Legislative Assembly.

11. The East African Agriculture and Forestry Research Organization.

12. The East African Freshwater Fisheries Research Organization.

13. The East African Marine Fisheries Research Organization.

14. The East African Trypanosomiasis Research Organization.

15. The East African Veterinary Research Organization.

16. The East African Leprosy Research Centre.

17. The East African Institute of Malaria and Vector-Borne Diseases.

18. The East African Institute for Medical Research.

19. The East African Virus Research Organization.

20. The East African Industrial Research Organization.

21. The East African Tropical Pesticides Research Institute.

22. The East African Tuberculosis Investigation Centre.

23. Services arising from the operations of the East African Currency Board.

24. Services for the administration of grants made by the government of any country, any organization or any authority, for the purposes of projects or services agreed between the Authority and the Partner States.

25. Services for purposes of co-ordinating the economic activities of the Partner States.

26. Services for the purposes of any body or authority established to facilitate the coordination of the activity of the Partner States on any matter of common interest.

Services Administered by the Corporations

1. The East African Railways Corporation - services and facilities relating to rail, road and inland waterway transport and lake ports.

2. The East African Harbours Corporation - harbour services and facilities (other than lake ports).

3. The East African Posts and Telecommunications Corporation - posts, telecommunications and other associated services.

4. The East African Airways Corporation - East African and international air services.

5

PROGRESS, PROBLEMS AND ISSUES

Progress

1. In its two years' existence so far the Community has made good progress in implementing some of the main provisions of the Treaty for East African Cooperation, despite lack of staff and the usual initial teething difficulties.

(i) The Secretariat and Councils of the Community have been established in Arusha, and the various Organs of the Community have started to function.

(ii) The old East African Railways and Harbours Administration has been split up, and the new separate Railways and Harbours Corporations became fully operational from June 1, 1969. At the same time, the headquarters of the Harbours moved from Nairobi to Dar es Salaam, Tanzania.

(iii) A phased move of the headquarters of the East African Post and Telecommunications Corporation from Nairobi to Kampala, Uganda has been in progress and was scheduled to be completed by the end of 1969.

(iv) A good staff and organization have been built up for the East African Development Bank in Kampala, and several small industrial projects have been assisted.

Recent Problems

2. Despite the achievements, the progress of the Community to date has by no means been smooth. Community issues are being considered by the three countries almost entirely in terms of their own immediate national interest, and deep suspicion exists among the partner states of the others' motives and actions. In Kenya, the feeling has been growing that Kenya has made substantial concessions to the other two countries for little in return, while in Tanzania and to a lesser extent Uganda there is a feeling that Kenya is "conspiring" to obtain maximum benefit from the Community for herself.

3. As a result, relationships between the countries particularly between Kenya and Tanzania, have been strained. Community Council meetings have sometimes been turbulent; difficulty has been experienced in reaching agreement on certain key issues; and some important matters have been deferred or have had to be referred to the three Heads of State for a decision. Happily, the spirit of cooperation is stronger among the three Presidents than lower down, and outstanding differences are usually resolved by the Presidents when they meet. Such meetings, however, cannot be held regularly; in consequence, the progress of decision-making in the Community has been slow.

Issues

4. Technical Assistance. The Community is presently being severely handicapped by the lack of qualified personnel. Several donor countries have expressed keen interest in providing the Community with technical assistance but little so far has been arranged, largely because the Community has not formulated its technical assistance requirements in order of priority. Questions have also been raised by donors about the use being made by the Community of the technical assistance so far provided. This matter is to be considered shortly by donors at an informal meeting in Arusha, as part of the arrangement agreed previously by the East Africa Consultative Group. ok on this

5. Accommodation Shortage. Another problem closely associated with the Community's staffing problem is the chronic shortage of office and housing accommodation at Arusha. Various plans for building new accommodation in Arusha have been proposed, and interest in providing finance was at one time expressed by various donor countries, though no firm offer of assistance has so far materialized. The East African Minister for Finance, Mr. Ouko, canvassed donor country delegations at this year's Bank Annual Meeting but apparently without success. He later discussed possible commercial financing with banks in New York and London. The partner states, however, have not as yet been able to agree among themselves on a building program for the Community. Partly this has been due to disagreement over housing standards, with Tanzania insisting upon more austere standards than is acceptable to Kenya. The real obstacle, however, has been lack of agreement on the Community's contribution to the financing. Tanzania is apparently anxious to move ahead and is willing to provide her "fair" share of the financing; but Kenya, for her own political reasons, is understood to be dragging her feet. A difficulty in regard to external finance is donor countries' insistence that the housing should be provided on a commercial basis and not at "subsidised" or zero rents, as is the present practice. Obviously, the Community's staffing problem cannot be resolved while this impasse over accommodation continues. We propose to arrange, in the near future, a further discussion among donors on the Community's housing problem.

6. Coordination of Industrial Development. The Treaty for East African Cooperation makes provision for regional coordination of industrial development within the Community. Accordingly, some meetings of officials have been organized for the purpose of reconciling the economic assumptions contained in the respective national development plans of the three countries, and studies of certain specific industries (e.g.,steel and fertilizers) have been started. However, the indications are that the three countries are still pursuing their industrial development in isolation from one another,and this has led some donor countries to express concern at the possibility that some obviously non-economic enterprises may be established in the three countries. The Bank has proposed to the three countries that we send a mission to review the problems and prospects of industrialization within the partner states and in East Africa as a whole, particularly in the light of the Treaty for East African Cooperation. This mission would, essentially, be an extension of our regular economic missions to the three countries. The initial reactions to this proposal discuss this

were not encouraging, but it has now been accepted, and the mission is tentatively scheduled for early 1970.

7. Management of the Common Services. We have been concerned for some while about excessive interference in the management of the Common Services by the Communications Council and by the Boards of Directors. In the case of the harbors, a delegation of powers by the Communications Council and the Board of Directors has been agreed upon in connection with our recent loan and we hope this will resolve the problem. The matter was also discussed during our recent negotiations for loans to the Railways and Posts and Telecommunications Corporations; here again, our lending will be conditional upon satisfactory management arrangements being made. The need for action is particularly acute in the case of the railways, where the purchase of urgently-needed diesel locomotives has been held up for over a year and half by bickering at the political level. The railway management also needs more autonomy in rate-setting policy to enable it to meet increasing road competition (see section on Railway Corporation).

8. Transfer Taxes and Inter-Country Trade. As required under the Treaty for East African Cooperation, quantitative restrictions on inter-country trade were removed when the Treaty came into effect in December 1967, though the import licensing system in Uganda was retained. At the same time, Tanzania and Uganda introduced a range of transfer taxes on imports of manufactured goods from Kenya. First indications, however, are that these transfer taxes are having a less restrictive impact on inter-country trade than the previous import quotas.

9. The growth of Kenya's exports of manufactured goods was resumed to Tanzania in 1968, though not to Uganda. The main reasons why exports to Uganda did not increase were apparently: (a) the continued existence of import licensing on some commodities in Uganda; (b) the levying by Uganda of a sales tax on consumer goods; and perhaps (c) a greater competitiveness by Uganda's industries, particularly those established during the period of quantitative restrictions. It should be noted, however, that the Common Market Tribunal which has the task of resolving disputes arising from the application of transfer taxes has now become active and a number of outstanding issues have been resolved.

10. Friction has been caused by the purchasing policy of some of the State Trading Corporations, who appear to have been contravening the Treaty with regard to "one channel marketing". All three countries seem to have been guilty in this respect.

11. In the years ahead, inter-country trade is likely to be increasingly affected by the endeavors of each of the three countries, particularly Tanzania and Uganda, to make themselves self-sufficient in certain goods which were previously imported from the other partner states. The prospect, therefore, is for a continued growth in trade within the Community, but at a slower pace than in the early 1960's when the movement of goods between the three countries was virtually unrestricted.

12. Consultative Group for East Africa. The Community's aid requirements were discussed at the first formal meeting of the Consultative Group for East Africa in April 1968. They were also discussed informally at the Consultative Group meeting for Uganda last July. In addition, an informal meeting on the Community attended by local representatives of members of the Consultative Group was held in East Africa in December 1968, and another such meeting is under consideration. At the Uganda meeting in July, it was agreed that a meeting of the Consultative Group, limited to donors only, should be convened in conjunction with the Group meeting on Tanzania scheduled for March or April 1970 to discuss the aid requirements of the Community.

December 23, 1969

OFFICE MEMORANDUM

TO: Mr. Bernard Chadenet **DATE:** January 5, 1970

FROM: Hans Fuchs

SUBJECT: Comments on Industry made at Country Program Review Meeting of December 19 on Kenya

As indicated in your memo of December 19 on the subject, Messrs. McNamara and Knapp were disturbed by what they considered to be an implication in the country program paper on Kenya (paragraph 26) that it is undesirable for there to be competing manufacturing units in the three countries of the East African Community, and that the Bank should counsel a policy of allocating industries among the countries on a monopolistic basis. Your memo states that Mr. McNamara therefore asked "that we look carefully at the pros and cons of government intervention in East Africa." The present memorandum provides some background on these points in preparation for Mr. McNamara's forthcoming visit to East Africa.

The issue of industrial development in the context of the East African Common Market is one on which the member countries are very sensitive. Fundamentally, the sensitivity arises from the fact that Uganda and Tanzania, which are less advanced industrially than Kenya, fear that a situation of free competition within the Common Market will mean that industrial expansion within their borders will be adversely affected, and that most such expansion will take place in Kenya. One of the purposes of the forthcoming IBRD industrial mission to East Africa is precisely to analyze the conditions for sound industrial development within the context of an unrestricted market comprising all three countries, so that there will be a basis for the adoption of appropriate policies by the Common Market member countries. Any policy advice that the Bank may wish to offer in this field should, of course, be based on the work of the mission.

The mission is expected to spend 6-8 weeks in the field starting early in February. It is to be headed by Mr. Louis Walinsky, a senior consultant who recently served successfully as Chief of an IBRD industrial policy mission to Brazil. In addition to Mr. Walinsky, whose field is economics, the mission is expected to consist of four members: two industrial engineers, one economist, and one financial specialist.

The existing Common Market regime is governed by a Treaty for East African Cooperation which became effective December 1, 1967. The free movement of goods within the Common Market is limited by certain, nominally transitional, provisions for some measure of protection for national industries against the competition of industries in the other two countries. The Treaty permits under certain conditions the imposition of "transfer taxes" on goods imported from member States up to one-half of the level of the Community's common external tariff, though quantitative restrictions on imports may not be imposed. The principal condition permitting this is the existence of a deficit position in manufactures of the imposing State in its trade with the other members. Transfer taxes may be imposed for up to 8 years from the time of imposition, subject to a maximum of 15 years from the effective date of the Treaty. There are, however, other ways as well in which the principle of free movement of goods among the countries may be contravened. For example, each of the countries has state trading corporations which monopolize the importation of certain goods. Under these arrangements goods can, regardless of tariffs or taxes, actually be kept out altogether or can be imported only from outside the Common Market. Transfer taxes have been imposed, mostly in Tanzania and Uganda, on such goods as textiles, apparel, paints, and light consumer goods such as pots and pans, and brushes. Textiles, apparel, and soaps and detergents are examples of products in which there are governmental importing monopolies. A Common Market Tribunal decides whether such devices constitute violations of the provisions of the Treaty for East African Cooperation. It is the possibility of such dilution of unrestricted Common Market conditions which discourages entrepreneurs from making investments planned for the Common Market, as indicated in the Country Program Paper.

The point of a policy of allocation of industries among the three countries is, of course, to permit full capacity operation of economically sized plants, and to avoid a proliferation of plants of smaller than optimum size sharing the market with other plants. While the existence of several smaller plants would provide some competition, they would all have to operate at higher costs than a single plant of economic scale. There is thus an apparent trade-off between optimum plant size and competition. Under a 1964 Agreement, provision was made for a regional industrial allocation policy, but this was never carried out, and the provision was replaced in the Treaty for East African Cooperation by the transfer tax provision. However, during the first 5 years of operations of the East African Development Bank, which was established on the effective date of the recent Cooperation Treaty, loans are to be allocated in favor of Uganda and Tanzania (38 3/4 percent each) relative to Kenya (22 1/2 percent), though the capital was subscribed in equal shares by each of the three countries and the loans are to be judged on "strict economic criteria".

The dilemma of optimum plant size vs. competition could possibly be resolved by a policy of allocation of industries with monopolistic positions being subject to control either directly or through competition from imports from outside the area through the manipulation of import tariffs. In any case, it is obvious from the foregoing that the situation is a complex one, and requires study of the type that the forthcoming Bank industrial mission to the East African countries is expected to carry out.

cc: Messrs. Kalmanoff, Collier, Krishna , El Darwish/Finzi

GKalmanoff:vlb

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EAST AFRICAN COMMUNITY

MINISTER FOR COMMUNICATIONS, RESEARCH AND SOCIAL SERVICES: J.S. Malecela (Tanzania)
Secretary: R.K. Kitariko

MINISTER FOR FINANCE AND ADMINISTRATION: R.J. Ouko (Kenya)
Secretary: P.M. Matemba

MINISTER FOR COMMON MARKET AND ECONOMIC AFFAIRS: I.K. Majugo (Uganda)
Secretary: D. Mwiraria

SECRETARY GENERAL: Z.H.K. Bigirwenkya (Uganda)

COUNSEL: B.C.W. Lutta (Kenya)

December 22, 1969

MINISTER FOR COMMUNICATIONS, RESEARCH AND SOCIAL SERVICES:
JOHN MALECELA (TANZANIA)

Age about 40. Was appointed to this position in December 1968, when his predecessor (Mr. N. Swai, formerly Tanzania Minister for Industries, Resources and Power) was removed from the post for improper interference in the affairs of the Community corporations, particularly in regard to the proposed purchase of diesel locomotives by the Railways, and for general ineffectiveness. Largely because of his predecessor, difficulties among the partner states were particularly acute when Minister Malecela took office and there had been a hiatus in the Community's affairs for several months. Using his considerable diplomatic skills, he quickly began to resolve the difficulties through private consultations with the various parties concerned. The recent progress in the Community has to a large extent been attributable to his efforts. We ourselves have always found his attitude extremely helpful and constructive, and in the course of our contacts with him during the past year - including three sets of negotiations - a good spirit of understanding and cooperation has been established.

Minister Malecela had previously been Tanzanian representative at the United Nations and Ambassador to Ethiopia. At the United Nations he became well known for his fiery speeches, notably about the political situation in Southern Africa, and unfairly acquired a reputation for being anti-Western. He is an extremely effective orator whose political star seems at the present time to be decidedly in the ascendant. He was educated mainly at Dodoma Secondary School and Bombay University, where he obtained a B. Comm. He also spent a year at Cambridge in 1961-62. Beginning as an administrative officer, he has held various positions in Government service. Prior to his period as U.N. Permanent Representative, he spent a short time in the United States in 1962-63 as Tanganyika Consul and Third Secretary to the Tanganyika U.N. Mission.

SECRETARY FOR COMMUNICATIONS, RESEARCH AND SOCIAL SERVICES:
ROBERT KITARIKO

Age about 36. Educated in Uganda and at Delhi University, 1957-60. Is a B.A. Entered the Uganda Administrative Service in 1960, serving in West Nile, Acholi and Bukedi. Became Controller/Administrator of the Ministry of Information, Broadcasting and Tourism in 1963. Was Principal Assistant Secretary of Ministry of Animal Industry, Game and Fisheries and Under-Secretary in Minister of Public Service and Cabinet Affairs. On secondment to the Community. Basically a very friendly person, despite a somewhat cold exterior. Hard working and able.

December 22, 1969

MINISTER FOR FINANCE AND ADMINISTRATION: ROBERT OUKO (KENYA)

Age about 38. A Luo, was appointed as East African Minister for Finance and Administration in the Cabinet reshuffle in Kenya following Mr. Tom Mboya's assassination. Succeeded Mr. Joseph Odero-Jowi, who replaced Mr. Mboya as Kenya Economics Planning Minister but was defeated in the recent election. Mr. Ouko himself did not run in the election. He was nominated to his present position by President Kenyatta, and although he has recently been considering entering politics, he has not so far done so. Previously a Civil Servant, he was plunged into the Community arena in the wake of Mr. Mboya's death. Prior to his appointment he was Permanent Secretary to the Ministry of Works, Communications and Power in Nairobi, in which capacity he visited the Bank during the past summer to negotiate the recent Kenya highway loan. Was earlier Permanent Secretary in the External Affairs Branch in the President's Office. Born at Kisumu in the heart of Luo country. Educated privately. Took his degree at Addis Ababa University, which he attended from 1958 to 1962. Then attended a one-year course in International Relations and Diplomacy at Makerere University College, Uganda, and underwent foreign service training in Rome and London. Prior to university, had taught for three years and had spent another three working as a district revenue officer. Quiet but strong. Now seems to have adjusted himself to his new position and starting to assert himself. May in due course begin to challenge Minister Malecela's present supremacy in the counsels of the Community.

SECRETARY FOR FINANCE AND ADMINISTRATION: P. M. MATEMBA

Age about 37. A Kenyan born in Northern Tanzania. Educated at Old Moshi and Tabora Secondary Schools and Makerere University College, Kampala. Spent a year at Harvard in 1961. A B.A. (London). Worked in cooperative field and in local government in Tanzania before becoming Secretary to the Treasury of the former East African Common Services Organization in 1965.

December 22, 1969

MINISTER FOR COMMON MARKET AND ECONOMIC AFFAIRS: I.M. Majugo (Uganda)

Age about 52. A doctor by training. Obtained his medical qualifications at Makerere University College, Kampala, 1937-42, and took up practice in Uganda. Later prominent in public life, being Chairman of the Uganda Electoral Commission. Became Director of Uganda Development Corporation and Uganda Electricity Board. Very mild. Temperamentally does not seem to be suited for his present assignment. The least effective of the three East African Ministers, has tended to let Common Market issues drift.

Secretary for Common Market and Economic Affairs: David Mwiraria

Age about 32. A Kenyan, born at Meru and educated at Alliance High School, Makerere University College, Kampala, and University College, Nairobi. Was first M.A. to be awarded in the University of East Africa. Began work as a statistician and became Director of the East African Statistical Department. A keen mountain climber, is active in various civic organizations. Is a member of the Executive Committee of the Christian Council of Kenya.

December 22, 1969

SECRETARY GENERAL: Z.H.K. Bigirwenkya

Age about 43. Had a distinguished career in Uganda Civil Service before joining Community. Educated at Makerere University College, Kampala, 1949-53. Took a post graduate course at the Institute of Education, University of London, 1956-57. Went on a study tour of U.S. in 1959. On return to Uganda, lectured for a year in public administration and development before becoming Principal Assistant Secretary in the Uganda Ministry of Community Development. Later Under Secretary in Ministry of Agriculture and Cooperatives; Permanent Secretary in Ministry of Animal Industry, Game and Fisheries; and Permanent Secretary in Ministry of External Affairs. An affable person. Perhaps not always as efficient as he might be but well meaning and well disposed towards the Bank. Came to Washington in August to sign the loan to the East African Harbours Corporation on behalf of the Community.

December 22, 1969

7

BANK LENDING

Past Lending

1. Bank lending to the East African Common Services predates the formation of the East African Community by several years. Our first loan for the Common Services was in 1955 (see fact sheet, Tab 2). To date, total lending amounts to $110 million, of which $56.4 million has been for railways, $40.6 million for harbors, and $13.0 for telecommunications.

Prospective Lending

2. Two further loans have already been negotiated--one of $42.4 million to the East African Railways Corporation, and one of $10.4 million to the Posts and Telecommunications Corporation. (These proposed loans are described in most detail in the individual briefs on the Corporations.)

3. The Common Services will continue to have a high place in the overall development programs of the three countries. The harbors and railways will remain heavily dependent upon the Bank for financial support; and although the Posts and Telecommunications Corporation should be able to finance more of its development out of its own resources, it is likely also to continue to need Bank assistance. The Bank's five-year lending program therefore includes loans for the next phase of the three Corporations' development.

4. Finance has also been included in the program for the East African Development Bank (EADB) beginning in 1972 and continuing on a rising scale in 1973 and 1974, although as has been indicated in the five-year program, some of this lending may be to development banks in the individual countries. For the immediate future the EADB expects to have a shortage of projects rather than of funds. From about 1972 onwards, however, depending upon the pace of EADB's operations, further finance is likely to be needed which it is envisaged the Bank will provide on a line-of-credit basis.

how do they divide the projects? Why?

December 22, 1969

8

EAST AFRICAN HARBOURS CORPORATION

Brief Description

1. The East African Harbours Corporation (EAHC) is responsible for the operation and development of the principal ports of East Africa on behalf of the partner states. Mombasa in Kenya and Dar es Salaam in Tanzania are the two major ports of the East African region. Two other ports of lesser importance serving ocean-going vessels are Tanga and Mtwara, both in Tanzania. EAHC took over the running of the ports on June 1, 1969, when the division of the East African Railways and Harbours Administration into two separate organizations required under the Community Treaty came into effect.

2. The upsurge of traffic in recent years, particularly in 1965/66, with the diversion of Zambian traffic to Dar es Salaam, and the large increase in grain movements on the Uganda-Kenya axis through Mombasa, placed considerable strain on the ports. Although the situation was eased somewhat by the effects of the Suez crisis on shipping, an unacceptable level of congestion is an ever-present danger in both ports. They are operating at or beyond their economic capacities, given present levels of productivity. As a result, ships using the ports have been experiencing long delays.

3. Productivity at both ports is adversely affected by poor layout and the employment of inefficient operational procedures. Much of the import traffic consists of very small shipments. Little traffic is palletized or banded for easier handling. At present port charges do not reflect the relative costs of handling different size consignments or cargoes packaged in different ways.

Past Lending

Loan No. 428 EA

4. The development of Mombasa and Dar es Salaam has been assisted under Loan No. 428 EA, made in September 1966 to the former East African Railways and Harbours Administration (EARH). Of the total of $38.0 million provided under this loan, $5.6 million was allocated for harbors works. This sum has now been fully committed. The obligation in respect of the amount included in Loan No. 428 EA for harbors development was assumed by EAHC on June 1, 1969, when EARH was divided into separate railways and harbors organizations.

Loan No. 638 EA

5. Of $35.0 million, signed on August 25, 1969, and made effective on December 16, 1969. The project provides for the construction at both Mombasa and Dar of two new general cargo berths which will be suitable for use by container traffic when this develops. Three berths now under construction at Dar es Salaam and financed in part by Loan 428 EA will be completed. In addition, a new off-shore tanker mooring and submarine

pipeline will be built in Mjimwema Bay near Dar es Salaam, and a bulk materials wharf for grain and cement traffic and storage silos for grains will be constructed at Mbaraki, Mombasa. At both ports, existing berths and stacking areas will be renovated and re-equipped and other improvements undertaken. The works included in the program are in most cases overdue and are urgently required to relieve congestion in the ports and to provide for the continued economic development of the three East African countries and neighboring land-locked states.

small?

6. Imports and exports of Kenya, Tanzania and Uganda are expected to grow at an overall average rate of about 4½ percent between 1968 and 1975; virtually the whole of this additional traffic will pass through the ports at Dar es Salaam and Mombasa. The additional capacity at the ports will also handle the growing traffic of neighboring countries. This applies particularly to Zambian traffic through Dar es Salaam, which is expected to increase three-fold by 1972 when the reconstruction of the Tan-Zam Highway will have been completed. Two Bank loans have been approved by the Executive Directors to Zambia (469 ZA and 563 ZA), and a Bank loan (586 TA) and IDA credit (142 TA) to Tanzania, to help finance this construction.

7. <u>ADB Interest</u>: In December 1968, the African Development Bank (ADB) indicated to the Bank its interest in providing finance for the proposed new tanker mooring and submarine pipeline near Dar es Salaam, the surveys and engineering studies for which would be financed out of the Bank loan. Arrangements for an ADB loan are not expected to be finalized until the studies are completed about the middle of 1970. Meanwhile, so that financing for the entire program would be assured, $2.5 million has been included in the Bank loan for the construction of the mooring and pipeline, with the provision that this allocation would be cancelled if EAHC obtains a loan from ADB for this part of the project before December 31, 1970. (ADB has recently been approached by Tanzania for finance for the landline required in connection with this project, but we understand it feels that finance for this item could be obtained elsewhere.)

8. <u>Management Arrangements</u>: The respective roles of the Communications Council, the Board of Directors and the Director-General of the Harbours Corporation with respect to policy-making and executive action were discussed extensively during negotiations. The East African Community has affirmed its intention that EAHC should be operated as an efficient and financially viable organization and has agreed that powers will be delegated to the Board of Directors and to the Director-General to achieve that objective.

9. <u>Procedures and Rates</u>: To increase efficiency in the ports, the loan arrangements provide that EAHC will review its cargo handling methods and procedures and will make the changes indicated by this review. The Corporation also agreed to establish a costing system and revise the tariff structure to reflect the cost of handling traffic.

Problems

10. Problems have been encountered during construction at Dar es Salaam which are holding up work and will result in increased costs. A deep deposit of silt has been discovered on berths 7 and 8 (to be constructed under Loan 638 EA) which the existing available dredger cannot remove. A dredger capable of removing the silt is en route to Dar from Holland. The increased costs are tentatively estimated at around $2-3 million. This, however, will be largely offset by savings on construction work under Loan No. 428 EA. The matter has been discussed with the Bank's staff and is now under review within the Bank.

Other Issues

11. Tan-Zam Railway. A definite decision to proceed with the construction of the Tan-Zam Railway will have major implications for the port at Dar es Salaam. As indicated in the Tanzania brief (Tab No. 9 paragraph 3), estimates of the number of berths required at Dar to handle the traffic generated by the railway have ranged up to 30. There are physical limitations, however, to the number of additional berths which could be built at reasonable cost and have easy road and rail access. Containerization would help to ease the problem. One basic difficulty is how to reconcile the metre-gauge of East African Railways with the 42" gauge proposed for the Tan-Zam Railway. The possibility of a UNDP/ADB study of the port requirements is under consideration. There has recently been some discussion between the Harbours Corporation and the Tan-Zam Railway Authority regarding access to and from the port for construction material for the railway and also regarding possible use of existing berths for the railway, which will be difficult in view of the different gauges.

12. Cargo Handling Arrangements. There has been disagreement among the partner states regarding East African Cargo Handling Services (EACHSER), which handles all stevedoring and shore-handling of cargo. The shares of EACHSER, which was previously wholly owned by EARH, have been divided between EAHC and the Railway Corporation in the proportion of 83-1/3 - 16-2/3 respectively. The company should clearly be under the control of EAHC; the division of shares therefore is satisfactory. EAHC, however, should also have a majority of directors on EACHSER's Board, and it has been over this matter that difficulties have occurred.

13. Kenya has recently put forward a proposal which would involve splitting EACHSER into two separate companies between Mombasa and Dar es Salaam, but such an arrangement is unlikely to be acceptable to Uganda and Tanzania. The EAHC management also has objections to this arrangement. As already indicated, a review is now being made by EAHC of the cargo-handling arrangements in East Africa and in due course the Corporation will be coming forward with its own proposals on this matter.

The Kenya proposal reflects Kenya's desire to establish as much authority as possible for itself over the port at Mombasa, on the grounds that the interests of Mombasa may be neglected now that the harbors headquarters are in Dar es Salaam. After some controversy, the two other partner states agreed in May 1969 that a Deputy Director General of EAHC, located at Mombasa, should be appointed.

December 22, 1969

EAST AFRICAN HARBOURS CORPORATION

CHAIRMAN: J.L.M. Shako (Kenya)

X See next page

Age about 51. Ran for Parliament in recent Kenya elections and was elected. Will therefore be standing down as EAHC Chairman; may already have been replaced by time of Mr. McNamara's visit. His successor is not yet known, but there has been speculation that it may be one of the Kenya Ministers defeated in the elections. Mr. Shako's own background is in teaching, regional government and diplomacy. Was Kenya Ambassador to Paris 1963, to Bonn in 1964; later held both positions jointly. A teetotaller and non-smoker. Not a very forceful personality; does not seem to have had much influence on the running of the Corporation.

DIRECTOR-GENERAL: Cornelius Tamale (Uganda)

Age about 45. Born at Mengo, Uganda. Attended Tororo College in 1945 and Makerere University College, Kampala, in 1946. Studied surveying until 1952, then worked as a surveyor for three years. Continued his studies at Bristol University, England from 1956 to 1960, immediately afterwards spending a year at the nearby School of Military Survey at Newbury. Ended as a B. Sc. (Hons), F.R.G.S. On return to Uganda became a Staff Surveyor. Appointed Superintendent of Surveys in 1962 and Assistant Commissioner, Lands and Surveys, in 1963. Joined East African Railways and Harbours as Assistant General Manager in 1965. A powerfully-built man, he was at one time a very good athlete. Played soccer for Uganda and still actively interested in sport. Listed as Secretary, Uganda Football Association. Difficult to assess his ability in the short time since the Corporation was established; seems to rely heavily on his expatriate staff. Has been very prompt in dealing with matters connected with Bank loans and has looked to the Bank on several occasions for advice.

December 22, 1969

ADDENDUM

EAST AFRICAN HARBOURS CORPORATION

Notes on Officials

The Chairman of the East African Harbours Corporation, Mr. J. L. M. Shako, has been appointed Minister of Tourism and Wildlife in the Kenya Government. We do not yet know the name of his successor.

December 31, 1969

9

EAST AFRICAN RAILWAYS CORPORATION

1. The East African Railways Corporation (EARC) took over the running of the railway in East Africa on June 1, 1969, when (in accordance with the Treaty for East African Corporation) the East African Railways and Harbours Administration (EARH) was divided into separate railways and harbours corporations.

2. The 3,700-mile railway system of EARC forms the backbone of the transport system in East Africa and carries the bulk of the heavy, long-distance traffic. EARC also operates 3,400 route miles of shipping services on Lake Victoria and Lake Tanganyika, and road services feeding various railheads in all three countries. The railway and its associated lake and road services have played a major role in pioneering the development of East Africa. Although, in recent years, this role as forerunner of economic development has been taken over by road transport and feeder road development, the railway remains the keystone of the trunk system and the regional economy relies to a large extent upon its services. With a total staff of 35,000, EARC is the biggest employer in East Africa.

Past Lending

3. The expansion and modernization of East African Railways have been assisted by the Bank on two occasions: in March 1955, when a loan of $24.0 million was made to EARH (Loan No. 110 EA); and again in September 1965, when a further loan of $38.0 million for EARH was extended (Loan No. 428 EA). Of the latter loan, $32.4 million has been provided for railway development, the remainder for harbors. EARC has assumed the obligation for the full amount of Loan No. 110 EA, and for the railways' share of Loan No. 428 EA, with effect from June 1, 1969.

Prospective Lending

4. Negotiations were substantially completed in October 1969 for a Bank loan of $42.4 million to help finance EARC's 1969-72 development program. The program is designed to modernize and expand capacity of the railway in accordance with traffic growth conservatively estimated at 4% per year. Main items are renewals and other improvements of the permanent way; the purchase of diesel locomotives and rolling stock; construction of new marshalling yards, regional offices and repair shops; and improvements to signalling and telecommunications.

5. Total cost of the program is estimated at about $90 million. The proposed Bank loan would cover the foreign exchange cost of the project (including interest during the period of construction) for which finance is not available from other sources. The Corporation would cover the local cost of the project out of cash generation from operations.

6. East African Transport Study. As a condition of Loan No. 428 EA, the three Governments were required to carry out a transport study, with the help of consultants, to assist them in formulating sound regulatory,

investment and pricing policies for all surface modes in the three countries. The study, published in August 1969, contains a number of recommendations designed to ensure the future financial viability of EARC and the economic use of resources in the transport sector in East Africa. During negotiations for the proposed loan, the transport questions facing East Africa were discussed in the light of the Study's findings, and agreement was reached on measures to improve transport policy and operating practices in the region.

7. Road Competition. A number of the measures agreed during negotiations are aimed at enabling EARC to respond to the challenge of road competition and achieving an appropriate division of traffic between the two modes of transport. To that end it was agreed that:

(a) Certain powers to amend railway rates will be delegated by the Communications Council of the Community to the Board of Directors of EARC, and by the Board to the Director General, in order to provide the Corporation with sufficient flexibility of action.

(b) Various reductions in railway rates urgently needed to meet competition will be made not later than July 1,1970.

(c) EARC's tariff and rate structure, which at present is based on the "value of services" principle, will be revised, in accordance with sound economic and commercial principles, within one year of the signing of the proposed loan.

8. Dieselization. Apart from problems caused by road competition, EARC has been affected by delays in the acquisition of diesel locomotives under the 1965-1968 development program, due to disagreements in East Africa over procurement. Tenders for the supply of these locomotives, to be financed from bilateral sources, have now been invited, and failure to award a contract for them satisfactory to the Bank by July 1, 1970, would be an event for suspension of loan disbursements. The loan documents also provide that the complete dieselization of EARC's motive power shall be carried out by July 1, 1976.

9. Economic Lines and Services. Based on agreed criteria, studies will be undertaken by consultants of the economic feasibility of certain of EARC's railway lines and services. These studies will be completed within two years of loan signing, and appropriate measures to phase out or discontinue those lines and services found to be uneconomic will be implemented within three years of loan signing; alternatively, the losses involved in their continuation will be met by the Governments requesting their retention.

Prospects

10. The pressure of road competition will make considerable demands on the railway management during the next few years. It will also strain the

Corporation's finances. Because of the need to cut rates immediately to meet road competition, the Corporation is expected to operate at a small deficit during the next four years. By 1974, however, when about three-quarters of the motive power should have been dieselized, costs should have fallen to the point at which the Corporation can make a profit at rates competitive with road transport. Thereafter, as complete dieselization and modernization of operations are achieved, the Corporation's financial position should progressively strengthen.

Delays in Processing Draft Loan Documents

11. An up-to-date memorandum on this matter will be provided before Mr. McNamara's departure.

December 22, 1969

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to road
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PROPOSED LOAN TO EAST AFRICAN RAILWAYS CORPORATION

Delays in Processing Draft Loan Documents

1. Before presentation to the Executive Directors of any proposed Bank loan to one of the Corporations of the East African Community, approvals of the negotiated loan documents are required from the Governments of Kenya, Tanzania and Uganda, the Communications Council of the East African Community, and the Board of Directors of the Corporation concerned. Legislative approval of the guarantee of the Loan by Uganda and Kenya is also required. Because of these various requirements, the period between negotiations and Board presentation is somewhat more extended than the normal case in Africa.

2. In the case of the proposed loan to the East African Railways Corporation (EARC) ($42,400,000) negotiated last October the processing of the draft loan documents in East Africa has been further complicated by the Kenya elections. The new Kenya Cabinet is not due to be sworn in until mid-January. Consideration of the draft loan documents by the Communications Council of the Community has therefore been postponed until a meeting scheduled for January 24, 1970. It is after the approval by the Council that the guarantees are approved by the Kenya and Uganda legislatures.

3. In addition, we have been informed that the Uganda Government has some reservations about two matters relating to the loan arrangements, namely:

(a) the composition of the railways development program, which, though already formally approved by the three partner states some time ago, Uganda would like to see revised to include more works in Uganda;

(b) the proposed delegation of powers to the Director-General of EARC to lower rates between meetings of the Board of Directors of the Corporation, to permit him to respond to road competition.

4. Of these two matters, 3(a) is not expected to create problems, since the Uganda Government would obviously hesitate before reopening an issue to which it had already given its agreement. The Government's attitude as regards 3(b) is more uncertain.

5. Because of the Director-General's present lack of powers in rate-setting, EARC has not been able to respond adequately to road competition, which has now become intense; as a result, the railways have been losing traffic to the roads. At the loan negotiations in October the Bank proposed that the Director-General should be given powers to cut rates whenever necessary, with the proviso that the Board of Directors

could reserve the right to reverse any of the Director-General's actions at their next meeting. Minister Malecela, Chairman of the Communications Council, who led the East African delegation to the negotiations, said he would recommend this proposal to the partner states. However, he foresaw some difficulty in getting the partner states to agree to it.

6. In procedural terms, the arrangement would be that the Board of Directors of EARC would pass a resolution delegating powers to cut rates to the Director-General. This resolution would be submitted to the Bank prior to presentation of the loan to the Executive Directors and is referred to in the loan documents.

Talk to Uganda

7. We understand that Kenya and Tanzania are willing to agree to the Bank's proposal. Uganda, however, is afraid that the delegation of rate-cutting powers to the Director-General would work to its detriment; rates, it fears, would be cut on the short hauls where road competition is strongest, notably in Kenya, while rates on the longer hauls to and from Uganda would be raised to compensate for the reductions. Part of Uganda's reluctance arises from a deep distrust of the present (Kenyan) Director-General.

8. The facts of the situation are that, as agreed at negotiations, 1 rates on "sensitive" commodities could only be increased by the Communications Council, where Uganda can exercise her veto if she so wishes. In addition, although the Board of Directors, on which Uganda is represented, would be empowered to increase rates by up to 10% on other commodities, 2 increases over 10% would also require Communications Council's approval. Thus Uganda's fears seem unfounded. In any case, experience in other countries has shown that the danger of road encroachment is equally imminent over the long haul as it is over the short haul. Unless the railway administration has the power to react fast enough to forestall the establishment of a competitive road organization anywhere on the system, by lowering tariffs where necessary, the loss of traffic thereby induced will inevitably lead to the remaining rail traffics bearing a higher burden of overheads, to the detriment of all users, including those in Uganda.

9. When Minister Malecela was here in early December for the East African telecommunications loan negotiations, he expressed confidence that, after further discussion of the problems among the East African parties, Uganda would accept the documents as negotiated. He said that President Nyerere of Tanzania had already been in touch with President Obote of Uganda about the matter. He also said that he would stop off in Uganda on his way back from the telecommunications loan negotiations to discuss the question further and that he would advise us informally of the outcome of his talks; to date we have no further information. During the recent telecommunications negotiations we ourselves took the opportunity to raise the matter with one of the Ugandan representatives to the negotiations, Mr. Sibo, who is Deputy Secretary for Economic and East African Community Affairs in the President's Office.

ask Malecela for a report

I must extract a promise to resolve by x date

10. From our past experience with the Community, it is evident that all the three partner states are highly sensitive to any proposal which they think impinges upon their national interests. On these earlier occasions, private consultations among the partner states have always been successful in resolving the differences among them in due course. Minister Malecela is a very astute politician and diplomat, who knows how to smooth out ruffled feelings within the East Africa group, and there is every reason to believe that this will again be the case in this instance.

11. From a project point of view, a delay in finalizing the loan until March/April would not have serious repercussions. The most important single item in EARC's development program, the purchase of diesel locomotives, is being financed from bilateral sources and tendering for these locomotives is now in progress. Nonetheless, EARC's cash position is tight. The sooner the loan can be finalized, the sooner the works to be financed by the Bank can move forward. Two or three months delay, however, would not have a severely harmful effect.

January 5, 1970

EAST AFRICAN RAILWAYS CORPORATION (EARC)

CHAIRMAN: S. Okello-Ojok (Uganda)

No details available about his early days. Apparently in early 40's. Tall and silent, is largely an unknown quantity to the Bank, though our projects staff have some reservations about him. Was the first Ugandan to be appointed to a position in the Uganda Consulate in London in pre-independence days. While in England was active in the Labour Party, eventually being elected to the Council of a middle-class district in Suburban London, no mean achievement for a black African. Admits to knowing little about railways as yet but anxious to learn. It could be wrong to under-rate him.

DIRECTOR-GENERAL: E. N. Gakuo (Kenya)

About 40-45. Educated at Alliance High School, 1936-46. Later attended College of Commerce, University of Delhi, 1949-52, and Delhi School of Economics, 1953-55. Is a B. Com. (Hons) and M.A. (Econ.). Was a Lecturer in the Department of African Studies at the University of Delhi from 1955 to 1957. Then spent three years as a research student at the University of Freiburg in Germany. Later was Assistant Secretary and Chief Information Officer of East African Tobacco Limited, a member of the Board of the Industrial Development Corporation, and a Director of the Pulp and Paper Company of East Africa. Succeeded Sir Gordon Mackay (now Deputy Director, Transportation Projects Department) as General Manager of East African Railways and Harbours Administration after a period as his Deputy. First African to be appointed to run this large, important corporation. A Kikuyu, is reputed to be close to President Kenyatta and to be working at times under his instructions. For this reason, is regarded with some suspicion by Tanzania and Uganda, who suspect him of trying to run the railways for Kenya's benefit. Has been at the centre of a number of storms in the Community; e.g., over locomotive dispute. The bitter personal attacks on him are said to have taken a lot of the fire and spirit out of him; and there has been talk for some time that he may eventually resign or be replaced. With intense road competition and shortage of skilled staff, he will need all his resources to bring the Corporation successfully through the next few years. The political circumstances will not make his task any easier. No doubt because of his other preoccupations, communications from the Corporation to the Bank have lately been somewhat sporadic.

under Status [illegible] loan with him

December 22, 1969

10

EAST AFRICAN POSTS AND TELECOMMUNICATIONS CORPORATION (EAPTC)

Background

1. EAPTC was established as a corporation by the East African Posts and Telecommunications Act of December 1967. It has the exclusive right to operate telecommunications and postal services throughout East Africa, and is required to be financially self-supporting. The Corporation is also the licensing authority for privately operated radio communications facilities. It owns 60% of the shares of the East African External Telecommunications Company (EXTELCO), which provides international service beyond the confines of the three countries. EAPTC operates the Post Office Savings Banks in the three countries on behalf of their governments.

Past Lending

2. Loan No.483 EA of $13.0 million was signed on February 17, 1967, to help finance the Corporation's development expenditure over the period May 1966-December 1970. The Project financed by Loan No. 483 EA was based on an estimated demand growth rate of 6% per annum. The actual rate proved to be higher and, in September 1968, the Bank agreed to redefine the project to allow certain savings to be applied to the purchase of additional equipment. Even so, serious delays are common on the main long-distance telephone routes, and there is about a two-year waiting list for subscriber connections.

Prospective Lending

3. Negotiations were completed in December 1969 for a Bank loan of $10.4 million to help finance EAPTC's 1969-72 development program. The Swedish International Development Authority (SIDA) would participate in the financing by providing an additional $5.2 million. The project extends and supplements the plan provisions financed under Loan No. 483 EA. Main items are the provision and extension of telephone exchange equipment and distribution networks; extensions of subscriber long-distance dailing facilities, long-distance trunk network, and subscriber telex facilities; and provision of a new headquarters building for the Corporation at Kampala.

4. Demand ~~for~~ telephones in East Africa has been growing at a rate of about 8.5 percent per annum. Under the proposed project, a 12 percent per ~~annum~~ growth rate for exchange connections and a 10 percent growth rate for stations are being applied in order to reduce the subscriber waiting list as much as possible within EAPTC's staff resources. The project would reduce the waiting time for subscriber connections to about one year by the end of 1972.

5. Under EAPTC's present organizational structure, telecommunications and postal operations and telecommunications planning are conducted by the same division, while a separate division is responsible for telecommunications engineering. In view of the growth in the Corporation's size and complexity, it is important that telecommunications functions be separated from postal operations and that they be combined in one department. A reorganization along these lines was agreed during negotiations.

Issues

6. The only main issue during negotiations arose from the proposed SIDA participation and did not directly concern the Bank. The Swedish finance will be lent to the three Governments on IDA terms and relent to EAPTC on Bank terms. The question arose during negotiations as to how the surplus funds arising from this arrangement should be employed in East Africa. SIDA proposed that, for a specified period of perhaps 10 years, the funds should accrue to the Community for use "for such projects and in such manner as shall be agreed from time to time" between the Community and Sweden. Minister Malecela, who led the East African Delegation, undertook to recommend this proposal to the partner states but indicated that there might be some difficulties.

December 22,1969

EAST AFRICAN POSTS AND TELECOMMUNICATIONS CORPORATION (EAPTC)

CHAIRMAN: S.O. Josiah (Kenya)

Age about 53. Had somewhat rudimentary education. Worked in various positions in district and regional government, eventually becoming provincial Governor of western Province. Stood for Parliament at the recent Kenya elections but was defeated. As a result, his future as Chairman of EAPTC is thought to be in some doubt. A Luo, was allegedly associated with the now-banned Kenya People's Union (KPU). A very strong personality, seems completely to dominate the Director-General. Fortunately is able and sensible. Has considerable drive. Has taken a great interest in the Corporation since becoming Chairman in 1968 and has acquired a good knowledge of the business. Is well regarded by the management.

DIRECTOR-GENERAL: J. Keto (Tanzania)

No details available about his early days, except that he was at Makerere University College, Kampala, at the same time as President Nyerere. Apparently about the same age as the Chairman. A short, rotund figure, is in sharp contrast with the Chairman both physically and temperamentally. Very retiring, appears happy to leave others to run the business.

December 22, 1969

EAST AFRICAN DEVELOPMENT BANK

1. The East African Development Bank (EADB) is regarded by Uganda and particularly Tanzania as the principal means, together with the transfer taxes, of redressing the imbalance in industrial development within the Common Market. Although the Bank is also supposed to finance projects "designed to make the economies of the Partner States increasingly complementary in the industrial field," its financial and technical assistance is to give priority to "industrial development in the relatively less industrially developed Partner States". This special objective is reflected also in the stipulation that the Bank invest only in manufacturing, assembling and processing industries where the industrial imbalance is considered to be most marked.

2. Specifically the Bank is required to distribute its investments and guarantees in such a way that in successive five-year periods Tanzania and Uganda will each get 38-3/4 percent of the total and Kenya 22-1/2 percent. At the same time the Bank is to be guided by "sound banking principles" and "finance only sound and technically feasible projects."

3. The authorized capital of the Bank has been fixed at 400 million shillings and the paid-in capital at 200 million shillings, of which the Partner States are providing 120 million shillings, half in local currency and half in convertible foreign exchange. In addition to its equity capital, it is intended that the Bank should raise loan funds as part of its ordinary resources both within the Community and abroad. It is also envisaged that the Bank should accept special funds for administration, for example from external aid agencies, which are designed to promote the objectives of the Bank.

4. The Bank's chief executive officer is the Director General who is appointed by the Authority. The Board consists of one appointee of each government and eventually of two members elected by shareholders other than the three governments.

5. EADB is authorized to make investments in the form of equity as well as loans. The Bank will normally finance projects directly, but may make or guarantee loans to national development agencies as long as such loans are for specific projects. The Bank can engage in joint operations with such parastatal organizations as the National Development Corporation (NDC) in Tanzania and the Uganda Development Corporation (UDC) as well as with mixed companies such as the Development Finance Company of Kenya and similar companies in Uganda and Tanzania.

6. EADB has concentrated so far on building up its organization and staff; in this respect it is now quite well established. Financing operations have begun only quite recently and have been confined to a few small projects. It is too early to tell whether the Bank will have success in remedying industrial imbalance within the Common Market without relaxing the requirement of applying only objective economic and technical criteria in its investment decisions. The Bank could become an important source of funds

to the NDC and UDC. In the private sector the Bank can be helpful only to the extent that there are private entrepreneurs willing to start new ventures, particularly in Tanzania and Uganda, and requiring supplementary financing. Lack of finance has not been a serious constraint on private industrial development up to the present.

December 22, 1969

EAST AFRICA:

EAST AFRICAN DEVELOPMENT BANK (EADB)

1. A description of EADB has been given you in another brief. Here are a few supplementary notes.

2. EADB was established in December 1967, but did not begin operations until October 1968. Its authorized share capital is EA £ 20 million ($ 56 million), of which EA £ 6 million has so far been subscribed by the three East African member governments. EADB intends to place an additional EA £ 4 million of shares with foreign private financial institutions, such as Standard Bank and National and Grindlay's Bank.

3. There is a close relationship between EADB and the Bank, and we have been able to offer advice and other assistance in several ways.

4. In the first months of 1968, just after its establishment, EADB drew heavily on the Bank Group for advice on personnel and organization, as well as investment policy.

5. Its Secretary, Mr. Kajura, spent two weeks with the Bank in March 1969, studying its organization and procedures.

6. In May 1969, Mr. Mathew of this Department visited EADB, at its request, to review and advise on its organization, personnel needs, and procedures. His report and recommendations have led EADB's management to instigate a number of internal changes.

7. Mr. Ellsworth Clark, Legal Department, visited EADB recently to advise on legal problems and procedures.

8. The Chairman and Director-General of EADB is Mr. Iddi Simba, who was an Alternate Executive Director of the Bank before he took up his post with EADB.

9. EADB is likely to have sufficient resources for maybe the next two years. When new resources are needed, we expect it to approach the Bank for a loan.

January 4, 1970

EAST AFRICAN DEVELOPMENT BANK

DIRECTOR GENERAL: Iddi Simba (Tanzania)

Age about 35. Alternate Executive Director of Bank for Burundi, Ethiopia, Guinea, Kenya, Liberia, Malawi, Mali, Nigeria, Sierra Leone, Sudan, Tanzania, Trinidad and Tobago, Uganda and Zambia, 1966-68. Is a B.Sc. in Agriculture of Punjab Agricultural College, Lyallpur, Pakistan, which he attended from 1957 to 1961. Took Post Graduate Course in Agricultural Economics, University of Toulouse, under French Government scholarship, 1962-64. In 1966 was a participant in Agricultural Projects Course of Economic Development Institute. Prior to his studies at Lyallpur had been a salesman for a British enterprise and announcer for Tanganyika Broadcasting Corporation. In 1964-66 was Assistant Director of Planning in charge of Regional Planning and Plan Implementation in one of the National Economic Zones in Tanzania, and later head of the Agricultural Divison, Ministry of Economic Affairs and Development Planning. A quiet, constructive person, has shown determination to run EADB on sound lines and not be distracted by political pressures. His real test will come when EADB begins to get involved in proposals for major regional projects.

December 22,1969

12

EAST AFRICAN AIRWAYS

1. The East African Airways Corporation (EAA) is another jointly owned corporation of three East African Countries. Operating from its headquarters in Nairobi, it provides an important domestic service to twenty-seven airports and airfields within East Africa. Its international operations include scheduled flights to Malawi, Burundi, Zambia, Ethiopia, U.A.R., Ghana, Nigeria and Mauritius and overseas flights to Western Europe, Saudi Arabia, Aden, Pakistan and India. It has recently started flights to Hong Kong and Tokyo, and will begin a trans-Atlantic service shortly. From small beginnings as a charter service in the 1930s, EAA has grown to become one of the major carriers in this part of the world. It is a member of IATA and has commercial arrangements with British Overseas Airways Corporation (BOAC), Air India, Ethiopia Airlines, Air Malawi, Zambia Airways and Ghana Airways, which call for a pooling of revenues earned on routes operated in common. Although the Chairman, Director-General and Board are all Africans, the technical staff of the Corporation are still largely European, particularly the aircrews.

2. The aircraft fleet consists principally of Super VC.10 jet aircraft, Comet-4 jets, F-27 "Friendship" turbo-prop aircraft and DC 3s. The fleet is well maintained and in good condition. One of the major issues facing EAA at the moment is the replacement of the Comets, which are approaching the end of their useful life.

3. The airline has benefitted from the growth in tourism and bsuiness travel in East Africa and its financial record has been good. The introduction of the Super VC 10s in 1966-67 considerably enhanced EAA's competitive position vis-a-vis other carriers serving the East Africa-Europe and India routes. EAA has participated successfully in advertising campaigns in Europe to promote East African tourism and package tours, though competition is fierce. Domestic air services which are an EAA monopoly are doing well, particularly on the routes connecting the three capitals and Mombasa.

4. Air cargo operations are in an early stage of development. However there appears to be a healthy potential demand for goods transport by air to and from East Africa, consisting of exports of perishable horticultural foodstuffs during the European winter, and imported spare parts, small machinery, etc. At present there are three international airports in the region, at Nairobi, Entebbe and Dar es Salaam. A fourth, near Arusha, is under construction (see Tanzania brief, Tab No.18)

5. In the past EAA has been able to finance new investment from its own resources and from suppliers credits paid off out of current revenue. In general it is a sound organization that has produced a good return on its investments, and it is a useful foreign exchange earner.

December 22,1969

EAST AFRICAN AIRWAYS

CHAIRMAN: Chief Alhaj Abdullah Said Fundikira (Tanzania)

Age not known. Apparently around 45. Born at Tabora. Educated at Tanga Secondary School, 1938-39, and Makerere University College, Kampala, 1940-44. Worked in the agricultural sector from 1945 to 1958, with a year out to study at Cambridge University, England. Obtained Diploma in Agriculture. Was a Chief 1957-62. Elected to the Tanganyika Legislative Council at the first elections in 1958, re-elected in 1960. Was Minister of Justice, 1961-63, and Chairman of the Tanganyika Development Corporation in 1963. Has now been Chairman of the Airways for several years. To a large extent a figurehead of the Corporation, which is still primarily managed by expatriates.

DIRECTOR GENERAL: Wilson Lutara

Age about 40. Attended Makerere University College, Kampala, 1952-56, where obtained a Diploma in Agriculture. After spell in district administration became Clerk to the Uganda Cabinet. Later Permanent Secretary for Defence. Retired from the Civil Service and was Chairman of Rothmans (Uganda), the tobacco company, before being appointed Director General of the Airways.

December 22, 1969

13

EAST AFRICAN RESEARCH ORGANIZATIONS

When the East African Community was established in 1967, it acquired a number of research organizations which, for a number of years, had been operated as inter-territorial research units under the auspices of the predecessors to the Community. The scope of research undertaken by these organizations is quite wide and, among the major fields covered are agricultural and fisheries, and medical and veterinary research. The major research organizations (all of which bear the prefix East African) are as follows:

1. Agriculture and Forestry Research Organization, Kenya;
2. Freshwater Fisheries Research Organization, Uganda;
3. Marine Fisheries Research Organization, Kenya;
4. Trypanosomiasis Research Organization, Uganda;
5. Veterinary Research Organization, Kenya;
6. Leprosy Research Centre, Kenya;
7. Institute of Malaria and Vector-Borne Diseases, Tanzania;
8. Institute for Medical Research, Tanzania;
9. Virus Research Organization, Uganda;
10. Industrial Research Organization, Kenya;
11. Tropical Pesticides Research Organization, Tanzania;
12. Tuberculosis Investigation Centre, Kenya.

The East African research organizations have been supported by the three Governments, initially through annual financial allocations and, since 1961/62, through a procedure enabling EACSO (the predecessor to the Community) to have first claims on some of the revenues collected by EACSO on behalf of the three Governments. Prior to the attainment of independence by the three countries, the research organizations received massive assistance from the United Kingdom under the Colonial Development and Welfare Act. The United Kingdom has since continued its support of these organizations in other forms such as "topping up" of salaries of research personnel, providing equipment, etc.

During the past few years, a feeling has grown in the three countries that the East African research bodies are not fully responsive to their needs, and that the focus on fundamental and long-term research which characterizes research undertaken in these organizations does not fit in with the more immediate requirements of the countries. Problems have also arisen through lack of liaison between the territorial and East African research organizations. The East African institutions came in for growing criticism as "ivory towers" with no practical orientation in their work. In consequence the Community appointed a commission to inquire into the performance of the Eastern African institutions and make recommendations on giving a practical bias to their programs. The Commission was headed by Dr. David Wasawo, Professor of Zoology at the University College, Nairobi, and we are informed that its report has been presented recently. While the contents are not known at this time, it is generally believed that the East African institutions will, in future, have to come under closer direction by the three countries, and identify themselves more closely with the task of resolving short-term problems.

FORM No. 57 INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. B. Chadenet

DATE: December 31, 1969

FROM: L.J.C. Evans

SUBJECT: KENYA Country Program Review Meeting December 19; Agricultural Research

1. Your memorandum of December 19 recorded that during the Kenya Country Program Review Meeting on December 19 Mr. McNamara asked whether Kenya was not a place to set up a research centre because of the Common Market. Can it be done? What should it do? Livestock? Could Area, Mr. Demuth and Mr. Evans produce a paper on this subject?

2. I have not had time to prepare a paper and to clear it with Area and with Mr. Demuth, but I am sending them a copy of this memorandum which gives below an outline of some of the facts and conclusions that such a paper would contain.

3. Kenya would be high on the list of places where a new research centre might well be set up. A good deal of thought has been given to this already by the Rockefeller and Ford Foundations. The centre should probably concentrate on livestock research.

4. A Conference sponsored by the Rockefeller Foundation was held at Lake Como in June 1968 to discuss "strategies for managing East Africa's rangelands." Representatives from Kenya, Uganda, FAO, Rockefeller and Ford, US-AID and UK-ODM attended; IBRD was represented by Mr. Walter Schaefer-Kehnert, the senior agriculturalist in PMEA. One of the conclusions of the Conference was that there were vast areas of tropical rangelands (not only in East Africa but throughout most of Central Africa and in some other parts of the world) which were either unutilized or not sufficiently utilized; that much basic and applied research must be accomplished to define the biological and environmental factors and relationships necessary for the effective management of these areas; and that such broad scale problems have been attacked successfully through the organization of international research institutes, e.g. IRRI.

5. A follow-up meeting was held at Rockefeller Foundation in New York on January 11 and 12 /1969 and was attended by Mr. Fransen of the Agriculture Projects Department. Rockefeller and Ford concluded that the need for a "range research institute" existed in Eastern and/or Central Africa and that insufficient information was available as yet to establish research priorities or to pick the location. The Foundations seem uncertain as to what specific type of institute would need to be established but felt that they should proceed on the assumption that there should be an international centre using national satellite research stations for field operations in several countries. Ford and Rockefeller decided to set up a working party with headquarters in the Ford Foundation in Nairobi to prepare additional information on the proposed institute. We have suggested that Mr. Schaefer-Kehnert of PMEA should be consulted by the working party.

6. In my opinion an international research institute established in East Africa would be fairly high on the list of potential new international research centres deserving of support. Whether it should have higher priority than an international centre for livestock research in Asia is a matter of opinion. We have had discussions with Sir John Crawford about such an institute in Asia which Australia might well be interested in supporting. We have mentioned this to the Rockefeller Foundation, but they seem at present to be more interested in East Africa.

7. We are writing to Mr. Brakel and Mr. Schaefer-Kehnert and shall be discussing further with Rockefeller when we see them in January.

cc: Messrs. Demuth
El Emary/Williams
Lejeune
Wapenhans/McIvor
Stoops
Willoughby

LJCEvans:lkt

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ASSOCIATION WITH EUROPEAN ECONOMIC COMMUNITY

In September 1969 the East African Community and the European Economic Community (EEC) signed a trade agreement under which East African products - except for cloves, canned pineapples and unroasted coffee - will be allowed into the European Common Market countries free of customs duties and quantitative restrictions. Quotas for the "sensitive" commodities were enlarged. In return, the East African Community has given the EEC tariff concessions ranging from two to nine percent on 58 products. East African Community officials hope that, under the agreement, the partner states will start exporting some manufactured goods to Europe as well as their traditional agricultural produce. The agreement, which lasts until January 1975, provides for a parliamentary committee to meet once a year to review the arrangements. During negotiations the Community pressed to have the same benefits as enjoyed by the 18 Associate Members of the EEC, including the complete abolition of quotas, but were unsuccessful. An earlier trade agreement between the two Communities had been signed in June 1968.

December 23, 1969

15

APPLICATIONS FOR MEMBERSHIP

Several countries -- Burundi, Ethiopia, Somalia, Rwanda and Zambia -- have applied for full or partial membership of the Community. Various committees have been formed by the Community to consider these applications, which raise complex questions. Negotiations appear to be most advanced with Zambia, and we have been informed that an agreement in principle may be reached in the not too distant future for some form of Zambian association with the Community. Exactly what form this association would take is not clear, but a link-up with some of the East African Common Services and joint research activities is known to be under consideration. Ethiopia's interest appears to be mainly in establishing closer trade links with the Community. (Reuters reported on November 13 that Somalia's new Foreign Minister, Mr. Omer Arteh Ghalib, had said in an interview in Mogadishu that Somalia was unhappy about the lack of response to its two-year old application to join the East African Community. He said a reply to a similar application from Ethiopia had also been delayed.)

December 22, 1969

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FORM No. 57

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara - President - World Bank Group

DATE: December 18, 1969

FROM: Christopher Kahangi

SUBJECT: The East African Community - Kenya, Tanzania and Uganda

In connection with our meeting this afternoon, I thought I should address to you the following personal views on various matters that are likely to be raised during your forthcoming visit to the Partner States of the East African Community.

THE EAST AFRICAN COMMUNITY

1) Community Headquarters -- As you know the Community was inaugurated at Arusha on December 1, 1967 and the latter small town became the headquarters of the Community. Arusha was, at that time, the administrative headquarters of one of the Regions in Tanzania. In order to make room for the Community, the Government of Tanzania moved the Regional headquarters to Moshi in the neighbouring Kilimanjaro Region. Even with this move of the Regional headquarters, Arusha is still far too small to cater for the requirements of the Community in terms of offices, residential quarters, water and sewerage facilities etc...

   The Bank has not been approached formally on this matter. Informally, however, the reaction seems to be that this is an area which the Bank would not be prepared to enter into at the present time.

   My personal view, which I have on a number of occasions communicated (informally) to the Bank management and my authorities in East Africa, is that we should be able to sell to the Bank a package deal incorporating not only housing but all the facilities I have listed above. I have been informed that preliminary studies have been conducted to this effect.

2) Widening the Membership of the East African Community -- As you know, a Committee has been set up within the Community to consider applications by Burundi, Zambia, Ethiopia and

Somalia for membership in the Community. The Committee's work is well under way.

In the interest of promoting Regional Cooperation, to which the Bank is committed, I think the Bank can play a big role. There are three aspects in this exercise.

First, the existing members of the Community are, as should be expected, trying to find out what they will gain by admitting more members. On the other side of the coin, each individual applicant for membership is, at the same time, trying to study the possible gains by associating with the Community. The third aspect which is not, in my opinion, being fully covered, is to find out how the entire group, taken collectively, will benefit from an association and how will this be brought about with the minimum amount of delay.

It is in the latter aspect that I think the Bank can play the biggest role. With the facilities available to it, the Bank can initiate a study or studies for a wider economic integration in that part of Africa and the advantages of such an arrangement to each individual member state (existing and potential).

In this respect, the Bank has the following great advantage. Since the late fifties the Bank has been involved in Telecommunications, Railways and Harbours development on an East African basis. Negotiations have just been completed for a second set of loans in these three areas. As a next step, which I feel should be embarked on almost immediately, studies could be undertaken in the Bank aimed at extending these facilities to cover the countries that have applied for membership in the Community. As example, Burundi has already indicated interest in being connected with East Africa in the field of Highways and Telecommunications. Plans are well under way to connect Zambia to Tanzania by railway and by road. The latter being financed by the Bank. Ethiopia is being linked with Kenya by a Highway.

3) East African Industrial Development -- The East African Development Bank (EADB) was created by the East African Community Treaty to invest in industrial projects (industry being defined as manufacturing, processing and assembly but excluding mining, tourism, building and transport industries). Within sound banking and commercial principles the EADB must give priority, in the selection of projects it finances, to the less developed partner states. It is, therefore, simultaneously a financial institution and a development regulator.

The East African industrial sector still has problems. These problems are currently being looked into by the EADB and the Partner States. It is gratifying to note that the Bank has offered to help in this field and I trust we shall take advantage of this offer at a convenient time. It is even more gratifying to note that the Bank has already established a contact with the EADB with a view to future collaboration and assistance.

4) Consultative Group for East Africa -- With the Bank as Chairman, Consultative Group meetings have taken place first in April 1968 (for the entire group), and last October on Uganda. Meetings on Kenya and Tanzania are scheduled for early next year.

A wish has been expressed that there are advantages in holding some of these meetings in the recipient countries. Among other advantages, this would give donor countries a chance to have a first hand look at the developments and/or problems in the recipient countries. I share this view although I am, at the same time, aware of the dangers involved in doing this. One of these is that high level officials from donor countries would not always be available to make trips to the recipient countries. The result is they send junior officials who can't make decisions on the spot.

5) East African Transport Coordination -- The East African Partner States have already noted the contents of the East African Transport Study report which was completed recently and for which the Bank acted as Executing Agency. The recommendations of the report are still subject to discussion between the Partner States and the Bank. Here, I would like to add that I see a great connection between this and what I have said in (2) above.

6) Tourism Development in East Africa -- East Africa has a great tourism potential. The Bank is very well aware of this. It is also well aware of the advantages of tourism development on an East African basis. The latter requires a special machinery, however. This machinery on an East African basis is not available.

In the mean-time, I request that the Bank continue its efforts to support tourism projects on a national basis.

7) East African Association Agreement with the Member States of the European Economic Community -- The above Agreement, which is aimed at establishing free trade arrangements between the signatories, was recently renewed.

The concessions involved in the Agreement represent a considerable sacrifice on the part of East Africa with regard to revenue and bearing in mind the upward trend of imports from the E.E.C. to East Africa. East Africa is not, however, worried about the actual cash lost in revenue "but about the implication and effects on our foreign exchange and our development effort".

Furthermore, if the E.E.C. can agree that in case of an agreed generalized scheme of preferences within the framework of UNCTAD East Africa should be allowed to participate. The Bank can use its influence on this matter.

Regarding projects in the pipeline for Bank/IDA/IFC financing in Kenya, Tanzania and Uganda, I trust the Staff have or will brief you much better than I ever can. I will only underline those projects which I think are of very high priority and urgency.

KENYA

The Second Education Project, Nairobi Water Supply, Power development, Nairobi Airport development and Tourism development are at the top of the list as far as Kenya is concerned. Concrete proposals on all these projects are already in the hands of the Bank Staff.

TANZANIA

Agricultural Credit, Power development, Feeder and other roads, Smallholder tea development and Tourism development are of the highest priority and discussions with the Bank Staff are well under way.

I would like to take this opportunity to invite your attention, once more, to the emphasis that Tanzania is placing on Rural Development. This vital scheme has been successful and I am sure you will get a chance to know more about it while you are in the country.

Lastly, and as far as Tanzania is concered, I wish to draw your attention to one of Tanzania's main cash crops -- Sisal. As the world's largest producer, Tanzania is facing an increasing decline in sisal prices (and thus loss of foreign exchange) mainly because of the fast development of synthetic fibres in the developed world. In the light of this, Tanzania has to start thinking seriously about developing alternative uses of sisal fibre, for example, other small scale export-oriented industries based on sisal etc... This requires expert study. Maybe the Bank can help in this area by conducting a study to this effect.

UGANDA

Agricultural Credit, the second Education project and Power development are of top priority and discussions with the Bank Staff are well under way.

CK/ba

TANZANIA

My arrival in Tanzania brings me to a part of the world which it has long been my desire to see. I am particularly delighted that this visit will provide me with the opportunity to meet President Nyerere, under whose leadership your country has dedicated itself to achieving economic progress through your own efforts. This reminds us of a fact we should never forget: that the developing countries mobilize 85% of their development requirements from their own resources - on the average, only 15% is supplied from external sources. Over the next few days, my main aim here will be to meet with your leaders, to acquire a better understanding of your problems and your potential for economic progress, and to see how much more we in the World Bank Group can do to help transform that potential into reality.

We are already in the process of greatly increasing our assistance for Tanzania's economic development. In Fiscal 1969, we took a first step in this direction by more than doubling the volume of our new lending commitments. It is our hope and intention that in the five years 1969 through 1973, these commitments should be three or four times as large as they were in the previous five years. Apart from studying the sectors for which we have already provided assistance, such as education, transportation, agriculture and power, I look forward while here to seeing something of your beautiful country and the scope for investment in tourism.

Africa is the continent of the future. I am convinced that this is where many of the greatest development opportunities of the coming years are going to be found. The conviction has inspired us to prepare for a very major increase in our activities. In fact, we expect that in the five years to 1973, our lending in Africa will be several times what it was in the previous five years. I am happy to say that we are already well on our way to achieving that goal.

My visit to Tanzania marks the first stage of a two-week tour that will later take me to Uganda and Kenya - your partners in building the highly promising East African Community. Over the week-end, I shall be in Arusha to discuss with Ministers and senior officials of the Community how we can help forward this uniquely important experiment in regional cooperation. We have so far provided a total of $110 million to assist the railways, harbors and telecommunications services in the Community. Before long, subject to the approval of our Executive Directors, we hope to be able to make two more substantial loans - of $42 million for the railways and $10 million for telecommunications.

Over the next few days, I look forward to becoming better acquainted with the problems and prospects of your country. From this there will, I hope, be developed a basis for closer and more fruitful cooperation in moving towards our common goal: enabling the people of Tanzania to achieve a better, happier and fuller life.

PRESIDENT NYERERE

NYERERE, Julius Kambarage; born 1922, Butiama; educated Tabora Secondary School, Makerere University College, Edinburgh University 1949-52; Dip. Ed. (E.A.), M.A. (Edin); Hon. LL.D. Duquesne University U.S.A.: Hon. LL.D. (Edin); Teacher; President, African Association Dar-es-Salaam, 1953; formed TANU, left teaching, campaigned for Nationalist Movement 1954; Addressed U.N. Trusteeship Council 1955 and Committee of U.N. General Assembly 1956; Member of Legislative Council 1957; resigned in protest; elected Member for Eastern Province 1960; Prime Minister of Tanganyika 1961-62; President of the Republic of Tanganyika 1962-64; President of the United Republic of Tanzania (formerly Tanganyika and Zanzibar) since 1964; First Chancellor of the University of East African since 1963; Fellow of Makerere University College and of the University College Dar-es-Salaam; Address, The State House, Dar-es-Salaam.

KARUME - VICE PRESIDENT OF TANZANIA

KARUME, Sheikh Abeid; born 1905, Zanzibar; educated Zanzibar; Sailor on cargo boat 1920; returned to Zanzibar 1938 and exmployed with motor boat syndicate running a shore launch service; appointed Town Councillor 1954; entered politics 1954, became President of the African Association which, merging with Shirazi Association as Afro-Shirazi Union, won election 1957; after election the Union became Afro-Shirazi Party; Minister for Health after 1961 elections (all-party caretaker government was formed); assumed leadership of Opposition in National Assembly 1963; appointed President of Zanzibar after the revolution 1964; became the First Vice President of Tanzania April 1965; Address, P.O. Box 3021, Dar-es-Salaam.

KAWAWA - VICE PRESIDENT - TANZANIA

KAWAWA, Rashidi Mfaume; born 1929, Songea; educated Tabora Secondary School Social Development Department 1951-56; Secretary General and later President T.F.L.: nominated Member, Legislative Council, 1957; elected Member of Parliament for Nachingwea 1960 and re-elected unopposed 1965; Minister for Local Government and Housing, Minister without Portfolio 1961; Prime Minister of Tanganyika 1962; Second Vice President of the United Republic of Tanzania; Vice President TANU 1962 and re-elected 1965 and 1967; Address, P.O. Box 3021, Dar-es-Salaam.

MINISTER JAMAL

JAMAL, Amir Habib; born 1922, Dar-es-Salaam; educated Mwanza, Dar-es-Salaam and Calcutta University; B. Com.; joined Family Business 1943; elected to Parliament 1958; Minister for Urban Local Government and Works 1959; Minister for Communications, Power and Works 1960-64; Minister of State, President's Office, Directorate of Development and Planning 1964-65; elected M.P. for Morogoro North; Minister for Finance 1965; Chairman, National Development Corporation; Address, P.O. Box 9111, Dar-es-Salaam.

MINISTER BOMANI

BOMANI, Paul Lazaro; born 1925, Ikizu; educated Ikizu T.T.C., Loughborough Co-operative College England; Higher Cert. Co-op. Accounts; Secretary Mwanza African Traders Co-operative; General Manager, Victoria Federation of Co-operative Unions Ltd.; Nominated Member, Legislative Council, 1954; Elected Member, Legislative Council, 1959; Minister for Agriculture and Co-operative Development 1960; Minister for Agriculture 1961; Minister for Finance 1962; Minister for Economic Affairs and Development Planning 1965; Minister for Economic Affairs and Development 1967; Member, Higher Education Trustee Board of Tanzania; Address, P.O. Box 9242, Dar-es-Salaam.

MINISTER BRYCESON

BRYCESON, Derek Noel Maclean; born China; educated St. Pauls School, Cambridge University; B.A.; R.A.F. Pilot 1940-43; Farmer Kenya 1947-51; Tanganyika since 1951; Assistant Minister for Social Services 1957-58; elected Member, Deputy Leader of Opposition, 1958-59; Minister for Mines and Commerce 1959-60; Minister for Health and Labour 1960-62; Minister for Agriculture 1962-63; Minister for Health 1964; M.P. for Dar-es-Salaam North; Minister for Agriculture, Forests and Wildlife 1965; Minister for Agriculture and Co-operatives 1967; Address, P.O. Box 9192, Dar-es-Salaam.

KAHAMA

KAHAMA, Clement George; born 1929, Bukoba; educated Government. Sec. School Tabora 1948-50, Loughborough College U.K. 1952-54; Administrative Assistant, Tanzania Medical HQ 1950; Bukoba Cooperative Union Ltd. 1951, Secretary/Treasurer 1954-59, General Manager; nominated unofficial Member, Legislative Council, 1957-58; elected Member for Bukoba 1959; Minister for Cooperatives/Community Development 1959-60; Minister for Home Affairs 1961; Minister for Commerce and Industry 1962-64; Chairman, Tanzania St. John Ambulance Association, Tanzania Development Finance Co. Ltd., and Vice Chairman, Tanzania Education Trust 1963-64; Tanzania Ambassador to Federal Republic of Germany and East Africa's Embassador to European Economic Community 1965-66; General Manager, National Development Corporation since 1966; Address, P.O. Box 2669, Dar-es-Salaam

SAIBULL

SAIBULL, Solomon Alexander Ole; born 1935, Sinon Arusha; educated Kimandolu Primary School, Monduli Middle School, Kiamwangi Kikuyu Independent School, Ilboru Lutheran Secondary School 1953-54, Tabora Government Senior Secondary School 1955-56, Makerere University College 1957-61, Exeter University 1961-63; Assistant Secretary, Ministry of Lands, Forest and Wildlife, 1963-64; Senior Assistant Conservator, Ngorongoro Conservation Unit, 196465; Conservator of Ngorongoro 1965; Address, P.O. Box 6000, Arusha

<u>OUKO</u>

OUKO, Robert John, born 1932, Kisumu; educated privately, Secondary School tuition by correspondence from Oxford; Addis Ababa University 1958-62; B.A.: International Relations and Diplomacy' course, Makerere University College,1962 Foreign Service training Rome and London 1963; Teacher 1952-55; District Revenue Assistant 1955-58; Assistant Secretary, Ministry of External Affairs, 1962; Senior Assistant Secretary, External Affairs Branch in the Prime Minister's Office, 1963, Permanent Secretary 1963-64; Permanent Secretary, Ministry of Works, Communications and Power, 1964-67;Permanent Secretary, Ministry of Works since 1967; Minister for East African Community - Finance and Administration, 1969.

BIGIRWENKYA

BIGIRWENKYA, Zurubaberi Hosea Kwayma; born 1927, Masindi, educated King's College Bodo 1946-48, Makerere College 1949-53, London University 1956-57; Community Development Officer 1956-60; Lecturer, Nsamizi Training Centre 1960-61; Principal Assistant Secretary, Ministry of Community Development 1961-62; Under Secretary, Ministry of Agriculture and Co-operatives 1962; Permanent Secretary, Ministry of Animal Industry, Game and Fisheries, 1962; Permanent Secretary, Ministry of Foreign Affairs 1963-67; Secretary General, East African Community, 1968; Address, East African Community, Arusha.

MINISTER SHAKO

SHAKO, Juxon Levi Madoka; born 1918, Taita; educated Alliance High School Kikuyu, Oxford University 1960-61; Public Administration Course; Schoolmaster 1937-52; Administrator since 1953; Senior DC and Regional Government Agent Mombasa 1963; appointed Kenyat Ambassador to Paris 1963; Ambassador to France and Federal Republic of Germany with residence in Bonn and Paris; Permanent Secretary, Ministry of Defence, 1966-68; Chairman, E.A. Harbours; Minister for Tourism & Wildlife, 1969.