ITREIA: Support to the East African Community

Key results:

- Full operationalisation of the customs union with electronic certificates of origin and SCT and ECTS systems integrated with national and regional platforms.
- Harmonization of standards, customs procedures, and regulatory frameworks enhanced and Common Market Scorecard reporting institutionalised.
- Enhanced capacity to manage trade disputes

Justification for support:

- further developing intra-African regional trade and integration will bolster the East African countries economic resilience; increased inter-regional trade and trade engagements with EU will also help the region negotiating the international trade-war.
- the EAC as an organisation is a key-player in developing Policies and strategies which removes barriers to trade and harmonisation. The EAC Secretariat has as a core responsibility to move the decisions taken by the EAC Partner States and hence plays a key-role not only in monitoring and reporting but also in negotiations and pushing forward topics for Council decisions.
- the project is relevant in relation to Danish priority to ‘strengthen free trade, investment, and market access between countries and with the EU’.

Major risks and challenges:

- Main contextual risk arises from the global trade war disrupting EAC exports, domestic markets, economies, and the basic political coherence of the EAC.
- A main programmatic risk is continued slow political decision on key legislation and mechanisms including on Customs Union and Common Market by member states.
- EAC Secretariat shows weak organisational capacity in implementing its Work Plan and MTEF, hence delaying achievement of expected results.

File No.	25/37668					
Country	East African Community					
Responsible Unit	Embassy in Tanzania					
Sector	33130 (Regional Trade Agreements)					
Partner	East African Community Secretariat					
DKK million	**2025**	**2026**	**2027**	**2028**	**20xx**	**Total**
Commitment	40	-	-	-		40
Projected disbursement	4.3	17.5	18.2	-		40
Duration	EAC FY 2025/26, 2026/27 & 2027/28					
Previous grants	2016-2021: DKK 11 million to the EAC Partnership Fund					
Finance Act code	06.32.01.10					
Head of unit	Jesper Kammersgaard					
Desk officer	Peter Morling					
Reviewed by CFO	YES: Michael Schou Olsen					

Relevant SDGs *[Maximum 1 – highlight with grey]*

No Poverty	No Hunger	Good Health, Wellbeing	Quality Education	Gender Equality	Clean Water, Sanitation
Affordable Clean Energy	Decent Jobs, Econ. Growth	Industry, Innovation, Infrastructure	Reduced Inequalities	Sustainable Cities, Communities	Responsible Consumption & Production
Climate Action	Life below Water	Life on Land	Peace & Justice, strong	Partnerships for Goals	

Objectives:

Strengthened capacity of the East African Community Secretariat to deliver its functions in selected essential areas for enabling EAC to progress significantly on its strategic objectives for the Customs Union and Common Market, in support of stronger regional trade, market integration, and economic resilience to shocks from global volatility and trade war.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	0	0	0	0
Total green budget (DKK)	**0**	**0**	**0**	**0**

Justification for choice of partner:

EAC’s mandate sets the organisation as a key player for driving trade and integration in the region. The Secretariat has an important role in driving the implementation of the approved protocols and monitoring implementation of Summit decisions. Through collaboration with the EAC Secretariat it is ensured that the actions supported by Denmark is grounded in the local contexts and aligned with the Community’s priorities. Further, supporting the EAC Secretariat not only capacitate the Secretariat to enhance its work but also respects the principle of African ownership and further sustainability of actions supported.

Summary:

Stronger regional trade, market integration, and economic resilience to shocks from global volatility and trade war in East Africa; through strengthening the East African Community Secretariat to deliver its functions in selected essential areas for enabling EAC to progress significantly on its strategic objectives for the Customs Union and Common Market. The support is provided as earmarked support.

Budget (engagement as defined in FMI**):**

Outcome 1 - Full operationalisation of the Customs Union	DKK 15.0 M
Outcome 2 – Harmonised standards, measurements, and testing practices for Common Market	DKK 11.0 M
Outcome 3 – Enhanced capacity to manage trade disputes	DKK 6.0 M
Outcome 4 – Enhanced monitoring and reporting capacity in the Secretariat	DKK 7.4 M
M&E and reviews	DKK 0.6 M
Total	**DKK 40.0 M**

Increased Trade and Regional Economic Integration in Africa (ITREIA) Support to the East African Community

Updated: 26-11-2025

Contents

Annexes:

Abbreviations

AfCFTA	Africa Continental Free Trade Area
AGOA	African Growth and Opportunity Act
AOP	Annual Operational Plan
AMG	Aid Management Guidelines
CET	Common External Tariff
CM	Common Market
CMP	Common Market Protocol
CU	Customs Union
DKK	Danish Kroner
EAC	East African Community
ECOWAS	Economic Community of West African States
EGD	European Green Deal
EPA	European Partnership Agreement
EU	European Union
GDP	Gross Domestic Product
IMF	International Monetary Fund
MFA	Ministry of Foreign Affairs, Denmark
MTEF	Mid-Term Expenditure Framework
NTB	Non-Tariff Barriers
PC	Danida Programme Committee
REISP	Regional Economic Integration Support Programme in East Africa
SCT	Single Customs Territory
SITA	Sustainable and Inclusive Trade in Africa programme
TMA	Trademark Africa
UNCTAD	United Nations Trade and Development

Exchange rates 1st July 2025

1 DKK = 0.16 USD

1 USD = 6.33 DKK

1. Introduction

The present project document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning *Increased Trade and Regional Economic Integration in Africa (ITRELA) - Support to the East African Community* (2025 – 2028) as agreed between the parties: The *East African Community Secretariat* and Embassy of Denmark in Dar es Salaam. The project/programme document is an annex to the legal bilateral agreement with the implementing partner and constitutes an integral part hereof together with the documentation specified below.

"The Documentation" refers to the partner documentation for the supported intervention, which is Sixth EAC Development Strategy 2021/22 – 2025/26, its successor, the Seventh Development Strategy 2026/2027 – 2030/2031 (currently under preparation), and EAC's underlying implementation and action plans.

The project is for a grant contribution of DKK 40 million for the period 2025-2027, provided to the EAC Secretariat in undertaking its critical role in relation to the two EAC protocols: Customs Union (CU) and Common Market (CM).

The contribution is an initiative on part of the Danish government to bolster the capacity of African countries to mitigate the economic and social effects of the mounting trade barriers globally. The initiative follows the Danish Government's Strategy for Strengthened Engagement with African Countries to strengthen partnerships with African institutions and respond to their demands and is part of a wider set of Danish initiatives to support trade and integration in the Africa region. EAC is chosen as partner for the Danish support due to its status as main African institution mandated to promote trade and economic integration in the region and the credibility of its commitment and plans to take this agenda forward.

2. Context, strategic considerations, rationale and justification

2.1 Trends and challenges of trade and economic integration for East Africa

Trade is **crucial for economic development and resilience** in most African countries, including in East Africa. With a total GDP of USD 313 billion, EAC's trade at more than USD 80 billion is a major contributor to the region's economies.

Trade is a critical engine for economic development in East Africa, driving growth in key sectors like agriculture and manufacturing, generating essential foreign exchange, and expanding market access. Diversifying these trade patterns is essential for achieving inclusive growth and poverty reduction. Trade drives growth and value-addition especially in the agriculture sector where the majority of Africa's population living in poverty is occupied. And trade can be a growth driver especially in job-intensive sectors such as manufacturing and SMEs. Moreover, about 40% of intra-African trade is informal – with a high concentration of poor people - and 70% of cross-border traders are women.[1]

Meanwhile commodities - especially oil, gas and minerals - dominate Africa's trade, covering more than 60% of export earnings in more than half the African countries, making

[1] https://www.tralac.org/documents/news/2239-idda3-high-level-event-concept-note-unga-september-2018/file.html

the **countries vulnerable to volatile global markets**. That also means trade in Africa is not automatically or always inclusive and benefitting the poor. Oil- and mineral exports typically generate fewer jobs, and free trade reforms can shift revenues away from low-income ones.

This underscores the central **need to develop intra-African regional trade and integration** and diversify trade networks and regional supply chains as way to bolster the African countries' economic resilience. It is also essential with targeted measures to ensure that trade is inclusive, and benefit the poor, women, and youth, especially in Africa where resources for compensation are limited.

Although the dominant part of East Africa's trade is with countries outside the continent, **East Africa's participation in global trade is low** at less than 3% of global trade.[2] East Africa's "global" trade is also largely concentrated with a handful of major economies, especially EU, China, and India. Consequently, East Africa – like Africa overall – is highly vulnerable to these countries' shifts in trade regimes and demands. It underlines the importance that Africa expand its regional trade and diversify value chains as a buffer against global market and political volatility.

EU is highly important as export destination for Africa's major agriculture sector, with strong potential to further develop trade relations. Key to utilise the potential fully is to clarify the way forward on the EU-Africa Economic Partnership Agreement (EPA) - giving Africa quota and preferential duty access to the EU - where the new EPA after expiry of the present agreement is not yet signed by EAC, due to differences among the partner states.[3] Also significant is the European Green Deal (EGD) and its EU Deforestation Regulation (EUDR). The regulations strengthen sustainability requirements of Africa's exports to the EU but challenge African growers and exporters who do not have the capacity and resources to comply. The EAC plays a key role in facilitating the dialogue and develop solutions that both meets African producers' concerns and EU sustainability requirements.

The **US** government's trade barriers can hurt Africa's trade and market integration in significant ways. The US is a significant destination for Africa's exports for a handful of oil and textile exporting countries (Nigeria, South Africa, Ghana, and Kenya). The US Government's levy of a 10% to 30% tariff for all African countries is a major deterioration in Africa's trade conditions especially in light of the African Growth and Opportunity Act (AGOA) which granted 32 Sub-Saharan African countries duty-free export rights to the US which expired in September. The direct impacts will be limited for the majority African countries that export only a minor share to the US. There are also fears of Chinese trade dumping in African markets as outfall of the trade hostilities. Such practices could be especially harmful if dumped products compete with African ones and find their way to common markets through uneven application of external tariffs and rules of origin. Highly significant could be the geo-economic fragmentation arising from the US-China trade disputes which could pressure countries to choose sides and undermine African integration. East African stakeholders call for continued trade- and economic integration in EAC as bulwark for the global trade and political volatility. Meanwhile there is need to better

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[2] Observatory of Economic Complexity (OEC), East African Community global trade figures, 2023.
[3] The LDCs will however continue to trade under the "Everything but arms" agreement.

understand and analyse the possible implications of the trade hostilities for Africa in order to prepare effective measures by the EAC and countries.

Trade among African countries remains low and beneath the potential. Only 16% of Africa's total trade is with other African countries. This includes EAC where total trade among the countries was USD 12 billion in 2023. While intra-EAC trade is increasing[4], the countries in East Africa rely little on each other for inputs.[5]

The **regional communities are essential for intra-African trade**, with most trade between the African countries concentrated within these. Half of EAC's exports at USD 7.1 billion are destined within the community itself. Such formal figures moreover miss the significant informal trade flows across Africa's borders that add to this - estimated at 7-16% of the formal intra-African trade, much of which comprise of foods and basic consumer goods[6]. The best immediate opportunities to expand and diversify East African countries regional trade remain within the EAC market.

The **East African countries are diverse** in economic capacity, development, opportunities, and interests – spanning larger developed economies like Kenya next to small mainly rural economies like South Sudan. Four are fragile and conflict prone, and five are landlocked. All are expected to benefit from greater trade and integration. Such diversity influences how proactively they engage in trade liberalisation and integration and are major factors where progress on implementing reforms have been slow, as indicated below.

Yet **opportunities exist to develop regional supply chains and diversification[7] and expand regional trade**. The fact that trade between EAC countries is dominated by manufactures suggests a potential of value chains that could be exploited and raise intra-EAC trade further (EAC Trade and Investment report, 2023).

Tackling both tariff- and non-tariff barriers is required to expand and diversify trade within East Africa. Countries in the EAC still apply different tariffs on cross-border trade in goods, despite the major steps to remove tariffs with signing the Customs Union protocol. Moreover, significant non-tariff barriers (NTB) remain and will continue to hamper trade even if tariffs were fully removed - including inadequate infrastructure, inconsistent technical requirements, and inefficient customs processes where different authorities involved in clearing customs at border points have not streamlined their systems and do not communicate and share information well enough. The cost in time, money, and stability of transporting goods along the regions two main corridors - the Northern Corridor and the Central Corridor[8] - is key to determining the level of intra-EAC trade and value addition.

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[4] EAC Trade and Investment Report, 2023.

[5] Only 16 of 54 countries source more than 0.5% of intermediate goods regionally. UNCTAD, Economic Development in Africa Report, 2024

[6] https://www.lse.ac.uk/research/research-for-the-world/economics/understanding-african-trade-is-key-to-helping-its-development

[7] UNCTAD 2024 Ibid.

[8] Northern corridor is the transport route to the East and Central Africa countries of Burundi, Eastern DR Congo, Kenya, Rwanda, South Sudan and Uganda. The central corridor: is a transport and trading route connecting Tanzania, Rwanda, Burundi and DRC.

NTBs are challenging to address, since they require coordination, streamlining of regulation and procedures, and institutional capacity of different stakeholders on the ground. Yet this is where focus is needed to significantly raise intra-EAC trade with significant potential benefits from reducing/removing.

2.2 East Africa Community's status and issues on trade and economic integration

The African countries have for decades engaged in trade liberalisation and economic integration, with the Treaty establishing EAC signed in 1999 and the African Continental Free Trade Area (AfCFTA) in 2018, aiming to expand trade, economic development, and create jobs and ultimately poverty reduction.

EAC's mandate to create a prosperous, competitive, secure, stable, and politically united East Africa makes it a key player for driving trade and integration in the region. Adoption and implementation of EAC Summit decisions depends on partner states' willingness to implement these at national level. The EAC Secretariat drive implementation of protocols, prepare policy and reform proposals for the EAC Council of Ministers and Summit, and coordinate and facilitate negotiations on reforms, analysing needs and monitoring the progress in trade and economic integration.

EAC is now regarded as one of Africa's most advanced on overall integration, especially in areas of movement of people and macroeconomic integration. EAC covers a population of 300 million and GDP of USD 313 billion (see Box 1).

EAC's achievements include adoption of several key protocols key to its trade integration and implementing a range of measures on the ground to speed up and facilitate cross-border trade and value chains in the regions, most notably integrated Border Management, Electronic Cargo Tracking System as prominent initiatives. The Customs Union is on its way to full implementation with Single Customs Territory established. A 79% saving in border crossing clearance time is recorded as a result of the One Stop Border Posts.

Intra-EAC trade is however still below its potential, and obstacles to fully implementing the Customs Union and Common market hamper further expansion in trade among the countries - especially in operationalising the Single Customs Territory (SCT), due to non-harmonised standards and disagreements on the interpretation of rules of origin. Tax harmonisation is behind, and obstacles still exist for the free movement of labour and service providers.

Moreover, despite heavy investments in trade facilitation, transport costs remain the highest in Africa, since systems to support cross border trade are still inefficient, with too low progress on information sharing across agencies to permit faster crossings, "no-stop" smart gates, cargo tracking, using technology for document processing, and infrastructure gaps remain a major obstacle.

The private sector actors, the majority firms in East Africa, are small and medium-sized enterprises (SMEs) most of which lack the capacity, capital, and networks to start trading across border. The EAC Secretariat, with its convening power, has an important role to play in fostering business networks across the sub-regional borders.

AfCFTA has widened the scope and ambitions for trade integration for EAC, creating the largest free trade area in the world, and covering 54 of the 55 African Union members, USD 3.4 trillion, and 1.4 billion people.

The gains would come from the envisaged tariff reduction, but especially from removing the significant non-tariff barriers that restrict trade across African borders linked to burdensome regulatory procedures, poor infrastructure, logistics, and transport facilities. EAC is expected to benefit significantly from AfCFTA, with an estimated export potential of USD 1.9 billion[9] and stimulate growth especially agriculture, pharmaceuticals, automotive, and logistics, while simultaneously accelerating digital trade and infrastructure development within the region. Yet, significant work is outstanding in amending and aligning the EAC protocols and agreements to the AfCFTA.

In relation to the ongoing rasing of trade barriers, the EAC is cognisant of the need to accelerate regional industrialization and intra EAC trade, to enable the region to build resilience and absorb shocks. While the EAC range of actions would remain within the EAC integraton agenda, it will equire not only adopting legal instruments but also strengthening their application and enforcement, and to move the region forward to compete as a bloc rather than as fragmented markets. To address this, the EAC Secretariat looks towards supporting several direct activities:

1. Operationalizing existing CUP Annexes on Trade Remedies: Annexes IV to VI, which cover anti-dumping, countervailing and safeguard measures, provide the legal basis to defend against unfair trade practices. However, they remain largely unused. Danish support could help establish regional investigative capacity, train national authorities and design fast track procedures to move these instruments from *"in the books"* to practical protection for industries.
2. Harmonizing the Duty Remission Scheme: The current Duty Remissions Regulations (2008) allow for the remission of duties on inputs for manufacturing, but in practice, Partner States operate country specific remissions that restrict intra EAC trade and dilute the EAC CET. Danish supported intervention could develop a mechanism for regional remissions aligned with EAC CET implementation and regional value chains, ensuring that it supports intra EAC production rather than just national priorities.
3. Developing regional value chains: Use remission strategically to promote sectors where the EAC has the potential to substitute imports (e.g., agro-processing, steel, textiles, pharmaceuticals and fertilizers). Danish support could fund studies and policy advice on priority products, guiding Partner States toward coordinated incentives and investment.
4. Enhancing trade facilitation as a shield against external shocks: Scaling up one stop border posts and piloting non-stop border models would reduce clearance times, cut logistics costs and help industries remain competitive despite global headwinds.

[9] https://eabc-online.com/download/study-on-export-trade-potential-of-the-east-african-community-under-the-african-continental-free-trade-area-afcfta/

2.3 Donor support to trade and market integration in East Africa

There is substantial support for trade development in East Africa, but only a handful of donors supports EAC directly (Box 3), though all through long-term commitments EU, Germany, and African Development Bank. The donors focus on areas across the EAC pillars on the Customs Union and Common Market. Several focus on selected value-chains, services, women and youth, civil society. In addition, Germany and AfDB support organisational development of the EAC Secretariat (including a few positions) through technical assistance. The UK is a significant donor of trade integration in East Africa but mainly through the organisation Trademark Africa, also supported by Denmark (see 2.4).

Box 3: Main direct donor support to EAC

- African Development Bank: capacity development for EAC integration, Retail payment systems, regional agricultural extension,
- World Bank: Capacity development of EAC Secretariat in statistics; digitization and connectivity
- Germany/BMZ-GIZ: Support to East African Integration, focused on selected value chains, services, and organisational development of EAC Secretariat (direct GIZ implementation). Euro 60 million 2022-2025
- EU, Leveraging Integration Frameworks for Trade in Services and CSOs in the EAC. Focused on services liberalisation for selected services, and engagement of civil society, women and youth organisation in regional economic integration at the EAC and continental level.
- EU supports a variety of programmes focused on East African regional trade and integration, covering selected value chains, civil society engagement for women and youth in trade, regional economic growth through private sector development and export promotion, advancing customs union implementation, and digitization. Total approx. Euro 100 million. All engagements through implementing agencies/service providers. Most in partnership with EAC Secretariat, including direct funding to EAC Secretariat in case of Customs Union support.
- World Bank: Eastern Africa Regional Digital Integration Programme. Focus on connectivity market development and integration. Partnership with EAC Secretariat. USD 202 million, 2024-2028

2.4 Danish policies and initiatives on free trade and economic integration in Africa

The project directly follows from the Danish Government's **Strategy for Strengthened Engagement with Africa** and reflects the strategy's declaration of the Government's commitment to support Africa's ambitions on economic integration. To supplement the Danish support to Sustainable Inclusive Trade Programme (SITA), among others, implemented through TMA in Kenya (see below), the present support reflects Government's intention to provide direct bilateral support to the core African partner institutions in line with the strategy's commitment to develop partnerships with African partners. The support also reflects the Danish Government's intention to support immediate needs and gaps of the African communities to tackle the consequences of the global tariff escalation and increased trade frictions.

The new Danish development cooperation policy, A Changing World – Partnership in Development (2025) underlines the connections between policies on development cooperation, foreign policy, and trade. In line with this, the project will also support Danish priority to *'strengthen free trade, investment, and market access between countries and with the EU.'*

The support will also build on results and lessons from the long-standing **Danish support to trade and regional economic integration in East Africa** (see Box 4). Notably, Denmark has previously supported the EAC Secretariat through the multi-donor EAC Partnership Fund through the Regional Economic Integration Support Programme in East Africa (REISP – 2012-2016) to further the implementation of the EAC CMP. Denmark discontinued this funding due to changes in priority and the planned closure of its Embassy in Dar-Es-Salaam. However, through TMEA (now TMA), REISP also supported infrastructure development, trade facilitation, and private sector development. The present support will not directly continue the previous Danish focus and modality for support to EAC, since the needs have shifted and it represents a reignition of Denmark's partnership with EAC that is initially focused on the more short/medium term horizon as platform for defining a longer-term support.

Box 4: Main Danish support programmes/projects linked to trade integration and private sector development in East Africa

Trade and market integration in Africa

- Regional programme (SITA): The SITA programme supports policy advocacy for implementation of the AfCFTA at the continental level. In addition, SITA provides support to a number of interventions at the regional level, with a focus on the Northern Corridor. Focus will be on ensuring more effective border-crossings, supporting informal women and youth border traders to gain market access and grow their income and facilitating a transition from the use of air freight for export of vegetables from East Africa to the use of sea freight. SITA is implemented through TradeMark Africa (TMA)
- In Uganda, under the Strategic Framework for Uganda 2023-2028, Denmark is promoting a green, sustainable and inclusive economic transformation through i) building a climate resilient border market for informal traders at Elegu, which is the border between Uganda and South Sudan; ii) supporting work on standards for exports, specifically focusing on building the capacity of the Uganda National Bureau of Standards (UNBS), to decentralise, increase facilities, including at border points and to become certified, including for eco labelling; and iii)) address compliance with EUDR, particularly in the coffee and cocoa sectors. TMA Uganda Country programme is the main implementing partner for the green, sustainable and inclusive economic transformation, with support worth DKK 30M for five years.
- Tanzania – upcoming new programme to support selected value-chains.

Inclusive, green, private sector development

- Kenya [to be updated in final project document],
- Somalia [to be updated in final project document]
- Ethiopia [to be updated in final project document]

In addition, the project will directly supplement and benefit from synergies with a range of other Danish initiatives addressing trade facilitation, market integration, and private sector development in the region. Strategic coherence between these initiatives will be ensured, including through the Embassy in Dar-Es-Salaam's participation in the SITA Advisory Oversight Committee, which provides a forum for coordination across multiple Danish interventions, including at AU, EAC and country-level. Most immediate this includes a parallel contribution to ECOWAS also for approval in 2025, and the Sustainable Inclusive Trade for Africa programme (SITA) 2025-2029. Denmark also supports TMA in Uganda.

More broadly, Danish private sector programmes including in Kenya, Uganda, and expected value-chain support in Tanzania, will address the conditions for African SMEs and agricultural producers to develop goods and products for trading under the initiative.

2.5 Lessons learned from previous support

The following lessons from across previous Danish engagements with support to trade and private sector development inform the support:

- Support to African institutions directly is essential in order to enable them to exercise the necessary leadership, direction, and ownership for the trade reforms and policies. This is essential for the trade reforms to be driven by African priorities and be sustainable and effective. Denmark should be courageous and engage in assisting the competent African institutions with fulfilling their mandates, also in difficult times.
- Trade reforms in the EAC are difficult to agree on and slow to implement. This reflects the political realities of a highly diverse community with varying challenges, capacities and interests. It is important to focus on what is achievable and adapt, based on lessons and opportunities arising. EAC faces many challenges and cooperation will be characterized by the fact that EAC Secretariat is primarily a political body, not charged with implementation.
- An effective and fruitful dialogue both for EAC and Denmark will require the necessary time and resources by the Embassy and MFA to manage the dialogue and follow-up.

2.6 Choice of EAC Secretariat as partner

EAC is **chosen as partner** for the Danish support due to its status as the main African institution mandated to promote trade and economic integration in the region and the credibility of its commitment and plans to take this agenda forward. EAC is the main convening actor in the area of trade and market integration recognised by the East African member states. No other institution in East Africa working on trade in the EAC region has this representation of member countries, including with a mandate for consultation and participation by the public, including the private sector. The Danish partnership with EAC is envisaged to complement the other Danish engagements relevant to trade and inclusive growth in the region, as outlined in section 2.4.

The Danish support will target the **Secretariat,** which is the EAC's executive arm, responsible for day-to-day management of the community's affairs and for driving, convening and coordinating the EAC integration. Located in Arusha, Tanzania, the Secretariat is led by a Secretary General and two Deputy Secretary Generals for 1) Customs, Trade and Monetary Affairs, and 2) Infrastructure, Productive, Social and Political sectors. The former has Directorates, among others, on Customs; Trade; and will be main anchors for the proposed Danish support (see organogram Annex 1).

The Secretariat works under EAC's **main organs** which are the Summit, the Council of Ministers, the Co-ordinating Committee, the Sectoral Committees, the East African Court of Justice (EACJ), the East African Legislative Assembly (EALA) and the Secretariat itself.

The Secretariat's core responsibilities are to coordinate EAC's initiatives and develop policies, strategies and programs, take lead on and facilitate removing barriers to trade and harmonise standards and requirements. Importantly, while the Secretariat will initiate and prepare policy initiatives, adoption of these is through political decisions by the Partner

States in the Council, and implementation happens at national member state-level. That means the Secretariat's deliverables include policy preparation and implementation support, but the "higher level" results, such as adoption of protocols, domestication of EAC trade legislation, or actual removal of non-trade barriers on the ground, depend on the Partner States decision and actions.

The Secretariat has 171 staff (June 2024), consisting of professionals from across the East African region, each with a maximum 10-year tenure. The Secretariat faces significant human resources constraints, with gaps in several positions including managers, lack of skilled staff in key areas, and the staff is often overworked. This reflects a combination of lack of funding (see below) for salaries and long delays in approving candidates from protracted negotiations among members states about the allocation of positions. The shifting out of staff after their 10-year tenure typically leads to gaps in knowledge due to weak or absent handover and knowledge transfer between out- and incoming staff because of the delayed recruitments. Moreover, the Secretariat is known to be slow in decision making, mainly due to often lacking political will among Partner States to move forward on implementing the agreements and protocols signed which in turn delays the implementation of key projects and initiatives. The severe gaps in staff and knowledge are significant factors in curtailing the Secretariat's ability to perform it core responsibilities and push the trade integration forward.

The Secretariat faces significant financial constraints. In 2023/24, its budget was USD 52.7 million of which Partner States' shares were USD 19.3 million, and development partner funded the remaining USD 32.4 million, but actual total amount received was USD 28.9 million (USD 14.9 from Partner States and USD 11.9 million from development partners), owing to some Partner States not paying all or part of their fees. Partner States not paying their contributions are sanctioned and may only participate as observers with no voting rights in some fora, which will hopefully motivate more financial discipline along the way. A further challenge arises from the fact that core-funding is no longer a preferred instrument of development partners. Funding that is restricted to project specific activities may not cover the Secretariat's most immediate gaps in their core mandate for driving, for instance, the Customs Union and Common Market forward.

The Secretariat is guided by **EAC's 6th Development Strategy** which with its four pillars (customs union, common market, monetary union, and political federation) defines the strategic objectives, key priority areas, high-level outcomes, and targets for EAC's work. The proposed Danish support will target especially EAC's objective areas on the Customs Union and Common Market. The 7th Development Strategy currently under preparation and expected to be approved in the December 2025 Summit is expected to maintain the same general direction as its predecessor.

Further, EAC implements the strategy through its rolling **medium-term expenditure framework (MTEF) 2025-2028** and the **Annual Operational Plan** (AOP) which sets the planned targets, performance indicators, activities, budgets and funding sources (own or donor financed) for each cost centre. It covers all EAC organs and is closely linked to the EAC strategy. The MTEF and AOPs will be the direct basis for earmarking the proposed Danish support, including monitoring and accountability.

The Secretariat is tasked with **monitoring progress and results** on the EAC Development Strategy, based among other on an annually updated Matrix of Priority Areas, Key targets and key performance indicators drawn from the EAC Strategy. The responsibility for monitoring and evaluation is placed in the Secretariat's Directorate of Planning and Policy. The Secretariat is presently developing an EAC Monitoring and Evaluation Policy and updating the Result Based Monitoring framework (with support from African Development Bank). The Secretariat prepares the Annual Report for presentation to the EALA. While the Annual Report is assessed as adequate for the Danish results monitoring, Denmark would need separate reports (results and financial) for the earmarked support as is also the practice for other donor funds. The reason for burdening the Secretariat with this additional reporting requirements is that the council-approved reports have a record of being delayed by several years in the past years, mainly due to protracted discussions among the Partner States in the Council. While EAC is working to reduce the timeline for publishing their report, it is assessed the processing time will not be sufficiently reduced within this project's lifespan, hence the requirement for separate reporting.

2.7 Poverty, gender, HRBA, and climate/environment

Improvement of the quality of life of the people in East Africa is a core value guiding the EAC's work. The deepening of the economic, political and cultural integration through increased competitiveness, value-added production, trade and investment is key to achieve this goal. The EAC Vision 2050 includes the following overall targets for gender and human development:

Indicators		2014	2030	2050
7. Other indicators				
	Foreign aid (%)	21	10	0
	Human development index	0.57	0.79	0.87
	Mo Ibrahim index	0.48	0.54	0.65
	Transparency index (reduced corruption)	2.5	4.7	9.5
	Seats held by women in Parliament (%)	36.8	45.6	50
	Gender adjusted development index	0.509	0.702	0.812

The inception report for development of the 7th Development Strategy indicates that the 7th Development Strategy will include increased focus on gender-sensitive trade policies and promotion of the inclusion of marginalized groups (women, youth, and small-scale traders) in regional trade activities as well as furthering sustainability and inclusivity into trade policies by promoting green trade, renewable energy, and climate-resilient infrastructure.[10]

[10] Inception Report 7th EAC Development Strategy (May 2025)

3. Objective

The **objective** of the support is:

- Strengthened capacity of the East African Community Secretariat to deliver its functions in essential areas for promoting significant progress on the objectives for the Customs Union and Common Market.

This objective supports the higher-level goal of achieving stronger regional trade, market integration, and economic resilience to shocks from global volatility and trade barriers. To achieve this, support is focused on the EAC Development Strategy's pillars on the Customs Union and the Common Market in nine areas that represent critical gaps in the EAC Secretariat's capacity to play its lead role in moving the agendas under these pillars forward.

4. Theory of Change and key assumptions

The Theory of Change guiding the support is summarised below. In summary, the Danish support is envisaged to reduce the EAC Secretariat's funding and resource constraints in areas scheduled in the EAC MTEF where the Secretariat plays necessary and critical roles for EAC overall to move forward on the objectives for the Customs Union and Common Market. The immediate results of the support (outcomes) are limited to what the Secretariat is capable of delivering within its mandate and roles. The full achievement of the pillar objectives on the Customs Union and Common Market depends on several aspects of the further political decisions and domestication by Partner States.

<table>
<tr><td colspan="9">If Denmark provides funding to the EAC targeted towards reducing critical resource and capacity constraints of the EAC Secretariat to play its role in moving key processes forward on the Customs Union and Common Market</td></tr>
<tr><td colspan="9">Then the EAC Secretariat will be able to implement necessary and critical activities in the MTEF, under responsibility of the Secretariat, to achieve EAC's strategic objectives on the Customs Union and Common Market</td></tr>
<tr><td colspan="9">And if Denmark through the Embassy maintains an active dialogue focused on results, lessons learned, and adaptive support with the EAC Secretariat</td></tr>
<tr><td colspan="9">Then the Secretariat will deliver the following set of critical and necessary Outcomes:</td></tr>
<tr><td>Policies / regulation developed</td><td>Harmonised standards and measurement</td><td>Platforms for investments facilitation</td><td>Mechanisms for trade dispute resolution</td><td>Aligned competition law and awareness</td><td>Tax harmonisation proposals and directives</td><td>Awareness on green trade and women and youth participation</td><td>EALA oversight effective</td><td>Monitoring of and reporting on CU, and EACJ capacity on trade disputes</td></tr>
<tr><td colspan="9">And then capacity will be strengthened of the EAC Secretariat to deliver its functions in selected essential areas for enabling EAC to progress significantly on its strategic objectives for the Customs Union and Common Market, in support of stronger regional</td></tr>
</table>

<table>
<tr><td colspan="2">trade, market integration, and economic resilience to shocks from global volatility and escalating trade barriers.</td></tr>
<tr><td>And then technical and capacity constraints to removing NTBs will be alleviated to facilitate more intraregional trade</td><td>And then the EAC Partner States through the Council will have at their disposal the technical documentation and policy/regulatory drafts on items that require political approval</td></tr>
<tr><td colspan="2">And then EAC will move towards achieving the EAC strategic objectives on the Customs Union and Common Market:</td></tr>
<tr><td>EAC Customs Union Pillar strategic objective: Attainment of a fully-fledged Customs Union through full implementation of the Single Customs Territory (SCT) and enhanced ICT systems for customs administrations and other key players</td><td>EAC Common Market Pillar strategic objective:
Enhancing domestication and implementation of regional commitments in line with the EAC Common Market Protocol, and other related regional, continental, and international frameworks</td></tr>
<tr><td colspan="2">And then East Africa will have reduced barriers to trade, leading to increased regional trade, value chains, and economic integration.</td></tr>
<tr><td colspan="2">And then East African countries will have strengthened their economic resilience to mitigate negative economic and social impacts from the disruption in global free trade regimes.</td></tr>
<tr><td colspan="2">And then East African countries will experience sustainable and inclusive jobs creations and poverty reduction</td></tr>
</table>

Assumptions

- Partner States have enough basic commitment to the community to ensure a general forward progression in removing trade barriers and towards economic integration.

- The EAC Council of Ministers continues to prioritise development of the Secretariat's institutional capacity development for a strengthened focus on the Secretariats core task of driving the implementation of the decisions and directives of the Council of Ministers, including coordination and implementation of the adopted directives and regulation.

- The Partner States are assumed to continue to delay the domestication and implementation of EAC policy/regulations, due to continued capacity weaknesses and institutional/political resistance, and domestication will vary among the countries given different conditions, but Partner States are assumed to have enough basic interest and commitment to partake in dialogue forums and monitoring exercises to guide capacity development support to tackle gaps in the implementation of the CU and CM protocols and for addressing NTBs.

5. Results framework

The outcomes for the Danish support have been selected with consideration for what is realistic to achieve within the 3-year period and a financial envelope of DKK 40 million; hence, the results defined are mainly "low level" outcomes and outputs. However, the outcomes and interventions target critical immediate constraints in the EAC Secretariat's ability to deliver due to a funding gap. The areas are reflected in EAC's Medium-Term Expenditure Framework (MTEF) with defined outputs and activities, but the Secretariat ability to implement them is constrained by insufficient financial and human resources. The support from Denmark will be reflected in the update of the MTEF for the years to come.

Since the Danish support will finance planned outputs and actions in EAC's MTEF which are underfunded, the Danish support will contribute importantly to moving forward on the Customs Union and Common Market the coming 3 years. The outcome areas supported are presented below, with an elaborated results frame at output level in Annex 3.

The outputs and indicators are drawn from EAC's MTEF, and thus represent a sub-set of, EAC's wider set of outputs/indicators expected to be delivered by EAC, as outlined in EAC's MTEF and performance monitoring matrix (Note: The overall logic and coherence of the Danish supported outcomes and outputs are provided by EAC's overall development strategy). The results framework builds on the wish-list presented by the EAC Secretariat during the field mission and later inputs, as well as draws on the information presented in the 'Final Inception Report 7th EAC Development Strategy' (May), which presents status on progress on the 6th EAC Development Strategy and outlines priorities for the 7th EAC Development Strategy. The indicators have been chosen selectively from EAC's results framework based on the aggregated list of activities from EAC's wish-list to best tally with Danish priorities for the commitment.

The outcome targets end-year 2027 are the targets for the accumulated resource envelope available for the area; it is noted that EAC monitoring, and results framework uses the planning and financial period July – June, hence the end-year 2027 target will be de-facto the target 30 June 2028. The EAC Secretariat will present workplan with annual target and activities for Embassy's approval prior to commencement of a financial year.

Programme	Support to East African Community trade and economic integration
Programme Objective	To strengthen the EAC Secretariat's capacity to advance the implementation of the Customs Union and Common Market. This to support of stronger regional trade, market integration, and economic resilience to shocks from global volatility and trade barriers.
Impact Indicator	Expansion in intra-EAC trade in USD

Outcome 1: Customs Union		Full operationalisation of the customs union	
Outcome indicator		% of tariff lines implemented at Common External Tariff (CET) rates	
Baseline	Year	2025	70% of EAC Partner States respects CET
Target	Year	2027	90% of EAC Partner States respects CET

Outcome 2 Common Markets		Harmonised standards, measurements, and testing practices for fair trade, equal market access, and reduced non-tariff barriers to trade (implementing the EAC standardisation, quality assurance, metrology, and testing act as well as the common market protocols)]	
Outcome indicator 2.1		Count of adopted standards Gazettes	
Baseline	Year	2024	1,918
Target	Year	2027	2,038
Outcome indicator 2.2		Levels of usage of harmonised standards under the EACG SQMT (final specification before first 6 months of implementation)	
Baseline	Year	2024	To be defined before first 6 months of implementation
Target	Year	2027	To be defined before first 6 months of implementation

Outcome 3 East African Court of Justice		Enhanced capacity to manage trade disputes	
Outcome indicator		Number of private sector cases brought before the Court	
Baseline	Year	2024	50
Target	Year	2027	80

Outcome 4 Secretariat		Enhanced monitoring and reporting systems in the Secretariat	
Outcome indicator		A framework for monitoring the implementation of the EAC Customs Union and Common Market in place	
Baseline	Year	2024	Fragmented system exists
Target	Year	2027	Revised and digitalized system developed

6. Inputs/budget

The budget table below shows the planned disbursements from MFA to EAC on the assumption of a DKK 40 million grant to finance activities in the EAC financial years 2025/2026 – 2027/2028 on outcomes. The table below shows MFA disbursement period 2025 – 2027. Funds released in 2025 will cover EAC implementation in the remaining part of FY 2025/2026 and subsequent disbursements will cover the implementation periods 2026/2027 and 2027/2028.

The budget will cover cost primarily related to technical assistance, temporary staff retention, training, and travel costs for supervision and monitoring of Partner States' implementation of EAC protocols. The Danish grant must be spent solely on activities leading to the expected outputs and outcomes as agreed between the parties.

	Mil DKK	**2025**	**2026**	**2027**	**Total**
Outcome 1	Full operationalisation of the customs union	1.5	6.5	7.0	15.0
Outcome 2	Harmonised standards, measurements, and testing practices for fair trade, equal market access, and reduced non-tariff barriers to trade (implementing the EAC SQMT Act and CMP)	1.0	5.0	5.0	11.0

Outcome 3	Enhanced capacity to manage trade disputes	1.0	2.5	2.5	6.0
Outcome 4	Enhanced monitoring and reporting systems in the secretariat	0.5	3.0	3.0	6.5
	Expenditure verification audits and reporting	0.3	0.3	0.3	0.9
	Sub-total disbursed to EAC				39.4
Reviews/formulation (retained and managed by Embassy)			0.2	0.4	0.6
Total grant					40.0

The anticipation is that most of the interventions during the grant period will fall under outcome 1 and 2, hence the larger budgets for these outcome-areas. However, reallocations between outcome areas, or reallocation between outputs of more than 10%, may be discussed with and approved by the Embassy in observance of the flexibility given in the Danish approach known as 'Adaptive Management'. The relatively low amounts budgeted for 2025 is because it covers only half a year's implementation (January – June 2026).

An activity-based budget is presented in Annex 4. The EAC will update the activity-based budget annually reflecting proposed changes and present it to the Embassy for approval together with an activity-based budget for the finance year to come; to facilitate both EAC's budget and planning cycle the budget is to be presented to the Embassy for approval latest in November in the year prior to implementation.

Considering the relatively small size of the grant vis-à-vis EAC's total annual budget the Danish grant will not have any impact on the size of EAC's indirect cost, hence there is no budget for an administrative fee.

A minor share of the contribution is allocated to reviews in order to meet Danish aid management requirements for learning-based adaptive management and end of project review/closing down plan.

7. Institutional and Management Arrangement

Management and oversight of the Danish contribution will be by EAC's existing governance, management, and reporting system, and funds will be administered in accordance with the applicable policies, procedures, and regulations approved for the Community. The Secretary General of the EAC is the overall Accounting Officer of the Community; authority to incur expenses can be delegated to members of staff. The Danish funds will be utilized under the oversight of the Deputy Secretary General for Customs, Trade, and Monetary Affairs with Directors/Task Managers as administratively managers and be responsible for implementation according to the tasks inscribed in the annual operational workplan and budget.

In compliance with EAC's Financial Rules and Regulations (2012) regulation 10.3 the Danish support will be declared and included in the EAC's budget for the years where funding is provided and utilized and thus the budget is subjected to approval by the Council of Ministers. Likewise, since the Danish funds will be included in the Annual Operational Plan (AOP), the contribution will also be part of the Secretariat's bi-annual and annual reporting to the Council of Ministers on the execution of the AOP and hence subjected to the Council's oversight.

Monitoring and reporting: The day-to-day monitoring of the implementation of the grant will rely on the EAC's monitoring and reporting system. Specific Danish monitoring will consist of review of the reports received and semi-annual dialogue meetings. The EAC Secretariat will submit half-yearly financial reports and annual narrative and financial reports, i.e. for the first half of a FY an unaudited financial statement reporting on expenditures as per output and expenditure type, and an annual narrative report reporting on activities performed and progress towards planned results together with the financial statement reporting on expenditures as per output and expenditure type plus a variance analyses (budget vs. actual). These reports will serve as the basis for the semi-annual dialogue meetings.

EAC will prepare the reports in a format that will facilitate monitoring and verification of results and expenditures related to the Danish grant annually. The reports will report on the funds used and results achieved during the reporting period as well as accumulated for the whole grant period. EAC will submit these reports no later than five (5) months after closure of the EAC financial year.

The focus for the Danish dialogue and monitoring of progress, results achievements, and lessons to be learned will be on the outcomes presented in the results framework above (section 5) and elaborated in annex 4. Semi-annual dialogue meetings will be conducted between the Embassy and the EAC Secretariat to take stock on the implementation and the progress towards the achievements of the perceived outcomes. The results framework which is the main basis for the Danish dialogue and monitoring will be supported by the elaborated outline in Annex 4 of the envisaged outcomes, outputs, and activities supported by Denmark, drawn from EAC's MTEF. EAC's rolling MTEF and AOP will provide supplementary information to the basis of the monitoring.

Review: The project will be subjected to an end-of-period review in late 2027 to assess progress towards envisaged results for this grant, lessons learned, and the quality of management, including compliance with the grant agreement, and will recommend on any adjustments to the project. Further, the review will assess the continued interface-fit between EAC's 7th Development Strategy 2026/27 – 2030/31 and Denmark's development strategies, and the continued financing needs of the Secretariat, and on this basis make recommendations regarding a possible continuation of support or phasing-out of the support to the EAC Secretariat. It is probable that a stock-taking exercise on the progress in the elimination/reducing of Non-Tariff-Barriers is desired as an input to the end-of-period review. Such would then be planned for late 2026/early 2027.

The review, and the eventual stock-taking exercise, will be conducted by external resources contracted and managed by the Embassy in Dar es Salaam. Terms of reference and the timing will be agreed with the Secretariat.

The Embassy of Denmark in Dar es Salaam and/or relevant unit in the Ministry of Foreign Affairs of Denmark shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the project/programme.

After the termination of the project/programme support, the Embassy of Denmark in Dar es Salaam and/or relevant unit in the Ministry of Foreign Affairs of Denmark reserves the right to carry out evaluations in accordance with this article.

Safeguarding: EAC Vision includes a focus on good governance practices in the mobilization of local and external resources and their prudent utilization for pro-poor growth and development. In 2021 the East African Community Integrity and Anti-Corruption Bill were enacted. At the more concrete level, the Staff Handbook for the Secretariat includes EAC's Code of Conduct, Conflict of Interest, Anti-Fraud and Anti-Corruption, and Confidential Reporting/Whistle Blowing. The EAC Governance Charter applies to all persons working with EAC and those affiliated to its decision-making process, and will apply also to this project.

Donor coordination: At the moment the EAC Secretariat does not have a structured donor coordination mechanism, neither is there a working arrangement at the inter-donor level. The previous functioning donor coordination structure established under the now closed pooled-funding arrangement ceased to work after the closure of the pooled-funding arrangement. However, both the Secretariat and GIZ (a major partner to EAC) has expressed a need for establishing a regular donor coordination mechanism. It will be relevant for Denmark to participate in this, when established.

8. Financial Management, planning and reporting

Both parties will strive for full alignment of the Danish support to the implementing partner rules and procedures, while respecting sound international principles for financial management and reporting. The following summarises the minimum requirements pertaining to the grant administration.

Disbursement: The Embassy will disburse funds to EAC Secretariat on an annual basis prior to commencement of the financial year in which EAC plan to utilize the funds. To initiate the disbursement, the EAC Secretariat will submit a written request, indicating the period for which the funds are intended to be utilized and include detailed information on the recipient bank account. The disbursement request shall be attached a copy of the approved activity-based budget and work plan, an interim financial statement for utilization of previous disbursements. The amount requested should consider balance of funds previously received. The EAC will, no later than 2 weeks (14 workdays) after receipt of funds in the EAC bank account, submit a confirmation of funds received with a clear indication of the amount received in USD.

Reallocation: The partner may have the discretion to re-allocate within the budget to a certain limit, if stated in the programme document. Normally, changes exceeding 10 % will be presented to and approved by the Embassy in Dar es Salaam. Spending in excess of the allocated budget (in DKK) cannot be covered by the Danish grant. Any reallocations to budget items for salaries and staff costs must be approved by the MFA. The contingency may only be used for activities already included in the approved budget and with the explicit approval of the MFA.

Planning and budgeting on the Danish grant will follow EAC' planning and reporting cycle. EAC's budget year runs from July – June. The annual work plan and budget (aka AOP) is prepared in May-June for approval by the Council in late June/early July; a half-year revision is made in November-December for presentation to the Council in December. As the Secretariat is only authorized to spend funds, which has been included in the approved budget/budget revision, it is paramount that the Secretariat submit and get approval of the Danish annual contribution timely to have it included in the AOP. The EAC Secretariat will take the necessary steps to have the Danish commitment included in the first-coming revision of the rolling MTEF, subject to approval and signing of the project agreement.

Further, the Secretariat will include the annual work programmes and budgets for the Danish grant in the EAC's budgets and annual work programmes. The Danish grant will be designated a unique 'vote number', which will enable identification of the activities financed by the Danish grant and the linkage to the EAC strategic priorities and results areas to which the Danish funds contribute. The Secretariat will present its work programme and budget for the Danish contribution as follows:

i) the activity plan (Annex 3a) for the remaining time period of the financial year 2025/2026 to be updated and presented together with a budget to the Danish Embassy for approval in November/December 2025, and

ii) subsequent work programmes and budgets for the FY2026/2027 and FY 2027/2028 to be presented by May each year for the approval of the Embassy. The format and content of the work programme and budget prepared for the Danish grant would be a sub-set of the overall EAC annual operational budget and should enable clear identification of areas of EAC outcomes and outputs financed by the Danish earmarked funds.

iii) Spending in excess of the allocated budget (in DKK) cannot be covered by the Danish grant. However, changes such as e.g. changes in the context and changes related to progress in implementation towards the overall results may require reallocations between budget lines.

Accounting: Accounting for the Danish project will follow EAC's accounting framework as outlined in the Financial Procedures Manual. EAC observes accounting principles and practices adopted by the Council of Ministers in conformity with International Public Sector Accounting Standards (IPSAS). EAC prepares its financial records and statements in United States Dollars, and the financial reports for the Danish grant will likewise be prepared in USD. Section 1.12.5.2 of the Financial Procedures Manual outlines the accounting treatment of donor funds (special funds).

Procurement: The EAC's own procurement framework will apply to the project. The Financial Procedures Manual outlines the main principles governing procurement and procurement will be conducted through the EAC's eProcurement system recently introduced. However, it is not expected that there will be any procurement of material size, save for the contracting of TA and short-term consultants, for which EAC's specific rules will apply.

Financial reports: The EAC Secretariat will submit half-yearly financial reports by end of June and December respectively and annual narrative and certified financial reports, i.e. for the first half of a FY an unaudited financial statement reporting on expenditures as per output and expenditure type, and an annual narrative report reporting on activities performed and progress towards planned results together with the financial statement reporting on expenditures as per output and expenditure type plus a variance analyses (budget vs. actual).

Audit: All funds under EAC management, including donor funds, are subjected to internal and external audit in accordance with the EAC Financial Rules and Regulation (regulation 118). The audit is conducted in accordance with International Auditing Standards by an Audit Commission composed of members from the Auditors General of the Partner States. The Audit Commission submits its reports to the Council for considerations and onwards presentation to the Assembly. The EAC Financial Rules and Regulations include detailed instructions regarding the content of the Auditor's management letter and timeline for the audit.

Specifically for the Danish project the project's financial statement will be subjected to a project expenditure and compliance review by an external audit firm (as per regulation 120). The selection of the audit firm and agreement on the Term of Reference will be agreed between the Secretariat and the Embassy, while contracting will be managed by the Secretariat and paid out of the EAC project budget (budget line for expenditure review and reporting). It should be ensured that the expenditure compliance review (contracting and work) is concluded timely for the reporting to reach EAC Audit Commission timely for it to feed into the EAC regular annual audit. The Secretariat will submit this project expenditure and compliance review report to the Embassy as part of the annual report and within 4 months after the closure of the EAC's financial year.

9. Risk Management

The Embassy will be responsible for monitoring and managing the risks that face the support from a Danish perspective. The Embassy will draw on EAC's risk management systems to this end. The semi-annual/annual meetings and reports will be the main Danish risk management instruments in addition to the planned review in 2027. The basis for the Danish risk management will be the risk matrix outlined in Annex 5, including the most significant risks highlighted below:

- A main **contextual** risk arises from the global trade barriers disrupting EAC exports, domestic markets, economies, and basic political coherence of the EAC. The main response is focus on continued strengthening of the EAC's intraregional trade and economic integration and diversification of regional value chains. This will strengthen economic resilience and ensure alternatives to global supply chains. The Danish support addresses this as a core focus.

- A main **programmatic risk** is continued slow political decision on key legislation and mechanisms including on Customs Union and Common Market by member states which in turn delay Secretariat's efforts to support implementation of the relevant instruments, hence delaying the expected results of the support. This is to be expected and a natural part of the political process. The main response is that the

Secretariat applies a stop-go process where it ensures solid preparation with the Partner States and detect and support the opportunities for progress when they arise, working within its capabilities of the regulation for approval when the Partner States are ready. Given EAC's enlargement with 3 countries in volatile security and political situations, an EAC progressing with variable geometry – some countries advancing faster that others with economic integration is a possibility.

- Another programmatic risk is that the EAC Secretariat shows weak organisational capacity in implementing its Work Plan and MTEF, hence delaying achievement of expected results. This is at the core of what the Danish support will aim to address, by reducing part of the financial constraint of the Secretariat and enable it to preserve and/or replace key knowledge resources and staff. However, the Danish support can alleviate part but not the entire capacity and resource gap facing the EAC Secretariat, so part of the risk will remain.

- Finally, a main programmatic risk is the Danish support covers a wide set of outcomes that could dissipate the focus and results linked to the CU and CM. The integration of the Danish support in the programmatic framework of EAC's MTEF and Business Plan should mitigate this risk, however, it will need to be carefully monitored. The biannual and annual dialogue and monitoring with EAC will be essential to ensure the focus and delivery of results. In the medium/longer term, the support should be reduced to fewer and strongly focused outcomes.

- The main **institutional risk** to consider concerns corruption, mismanagement, or fraud within EAC Secretariat including with Danish fund. However, this is assessed as unlikely, given the tight earmarking and EAC's strong financial management system. It is assessed that EAC has adequate and satisfactory systems for financial management to comply with AMG guidelines and Denmark's requirements regarding management of funds.

10. Sustainability/Closure

The EAC Secretariat is envisaged to be fully financed by its Member States, however, it continues to face financial constraints due to PS not paying their dues fully. While a policy on sanctions is under preparation, it is expected that the contributions from EAC Partner States will not by the end of this grant period (June 2028) be sufficient to fully finance the budget forecasted for the strategy. Hence it is foreseen that there will be a continued need for external resources and a medium to longer-term engagement could be an option, subject to both parties' strategic priorities and funding needs.

The sustainability of the results of the present support is ensured as the results and activity areas are included in the EAC's MTEF, which forms the basis for the Annual Plan of Operation and Budget, and selected with a view to address essential medium-term needs of the EAC to perform its essential functions, especially on SCT/CU.

The Mid-term review in late 2027 will form the basis for assessing progress towards envisaged results for this grant, lessons learned, and the continued interface-fit between EAC's 7th Development Strategy 2026/27 – 2030/31 and Denmark's development strategies, and continued financing needs of the Secretariat, and on this basis to make recommendations regarding a possible continued support or phasing-out of the support to the EAC Secretariat.

Whether or not the recommendation will be for continuation of an engagement between Denmark and EAC, the present grant will be financially closed at completion on the basis of the final narrative and financial reports from EAC for the last financial year. The tentative timeframe will be:

- November 2028 EAC submits final narrative and financial reports (including an expenditure verification report by an external audit firm).
- January 2029 EAC returns eventual unspent funds, and the MFA can administratively close the grant and reverse balance on provision.

Annex 1: Context

Trends and challenges of trade and economic integration for East Africa

Trade is crucial for economic development and resilience in most African countries, including in East Africa. With a GDP of USD 313 billion in total, EAC's global merchandise trade was more than USD 80 billion and intra-EAC total trade was USD 12 billion in 2023, with trade increasing among EAC countries[11]. By comparison, foreign aid to Africa as a whole totalled USD 42 billion aid in 2024[12]. Trade drives Africa's economic growth especially in commodity, agriculture, and manufacturing. Trade is key to most of the African countries for developing their small domestic markets and expand their market access and opportunities for specialisation. Further, exports are critical to generating foreign exchange earnings, much needed for the many debt-stressed countries in the region. Commodities, like oil, gas or minerals, tend to dominate Africa's trade, covering more than 60% of export earnings in more than half the African countries. While driving growth, such patterns make the countries vulnerable to volatile global markets (UNCTAD) and currency appreciation, challenging development of own manufacturing sectors. This underscores the importance of further developing the regional trade and integration as way to bolster the countries' economic resilience, including diversify the trade networks and regional supply chains (UNCTAD).

Increased and diversified trade patterns are critical for inclusive growth and poverty reduction in East Africa. Around 2/3 of the world's extreme poor live in Africa though the continent only has 16% of the world population[13]. Trade drives growth and value-addition especially in the agriculture sector, which is the main occupation for the majority of Africa's population living in poverty. Trade is also a driver of growth in job-intensive sectors, like manufacturing, where the most immediate potential exists for job and income creation for the poor, especially in Africa's growing urban areas. About 40% of intra-African trade is informal – with a high concentration of poor people - and 70% of cross-border traders are women.[14] More indirectly, trade has the potential to expand the range of goods available to the poor, keep prices in check and protect real incomes, and generate public revenue for social services. This underlines the importance of expanding regional trade for poverty reduction.

Trade in Africa is however not automatically or always inclusive and benefitting the poor. Oil- and mineral exports typically generate fewer jobs. And trade liberalisation, even if it successfully expands trade and economic development, can shift revenues and resources away from some income groups which could include low-income ones. As such, it is key to consider supplementary measures that ensure that trade is inclusive and addresses political economy factors, especially in Africa where resources for compensation are limited. Despite improved conditions for inter-African trade and increase in the levels, trade among African countries remains limited and below the potential, particularly in East

[11] EAC Trade and Investment Report, 2023.
[12] OECD DAC, 2025
[13] The African Continental Free Trade Area: Economic and Distributional Effects, July 2020, World Bank
[14] https://www.tralac.org/documents/news/2239-idda3-high-level-event-concept-note-unga-september-2018/file.html

Africa. According to UNCTAD, only 16% of Africa's total trade is with other African countries and the countries in East Africa rely little on each other for inputs.[15] Manufacturing firms in East Africa operate 30-40% below potential, largely due to limited market access and high production costs. With more than 60% of Africa's total regional exports being processed and semi-processed goods, the assessment is that opportunities exist to develop regional supply chains and diversification[16] and expand regional trade.

Trade between African countries is mainly concentrated within the regional communities, where the best immediate opportunities exist to expand and diversify trade. Half of the intra-African trade happens within the communities, which both reflects that preferred trade agreements and market proximity are highly important. In case of EAC, half the community's exports at USD 7.1 billion are destined within the community. It is estimated that EAC's primary market will continue to lie within the East African region itself at more than 39% of the potential total export. Moreover, such formal figures miss the informal trade flows across Africa's borders estimated to 7-16% of formal intra-African trade, with much comprising foods and basic consumer goods[17]. But the wider African markets remain important. EAC is now the third largest contributor to intra-African trade with approx. 15%[18] and has potential to expand further (Afreximbank).[19]

The East African countries are diverse in economic capacity, opportunities, and interests, but all are expected to benefit from greater trade and integration. The eight East African countries are small markets, with limited competition, but hugely diverse in terms of economic size and development – including Kenya with its GDP of USD 132 billion and South Sudan's at USD 4 billion (IMF)). Four are fragile and conflict prone, and five are landlocked. The diversity influences how proactively they engage in trade liberalisation and integration. The trade between EAC countries is dominated by manufactures, especially textiles, chemicals, edible oil, cement, iron and steel, cosmetics and pharmaceuticals, which suggests a potential of value chains that could be exploited and raise intra-EAC trade further (EAC Trade and Investment report, 2023). Most of the region's trade moves along two corridors, the Northern Corridor, from Mombasa port through Kenya, Uganda, and Rwanda to Kisangani in DR Congo, and the Central Corridor, from Dar es Salaam through Tanzania, Burundi, Rwanda, and DR Congo. The cost in time, money, and stability of transporting goods along these corridors is key to determining the level of intra-EAC trade and value addition.

<u>Tackling both tariff- and non-tariff barriers is required in order to expand and diversify trade within East Africa.</u> Countries in the EAC still apply different tariffs on cross-border trade in goods, despite the major steps to remove tariffs with signing the Customs Union protocol. Moreover, significant non-tariff barriers (NTB) remain and will continue to hamper trade, even if tariffs were fully removed. The potential benefits from

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[15] Only 16 of 54 countries source more than 0.5% of intermediate goods regionally. UNCTAD, Economic Development in Africa Report, 2024

[16] UNCTAD 2024 Ibid.

[17] https://www.lse.ac.uk/research/research-for-the-world/economics/understanding-african-trade-is-key-to-helping-its-development

[18] Afreximbank, African Trade Report 2024

[19] Afreximbank estimates the potential to above 17%. Products demonstrating the highest export potential are vegetables, chemicals, tea, ferrous metals, mineral products, food products, beauty products, vegetable oils, rice, and apparel.

reducing/removing NTBs in Africa are estimated to outweigh by far the reduction/elimination of tariffs[20] . Such NTBs include inadequate infrastructure, inconsistent technical requirements, and inefficient customs processes where different authorities involved in clearing customs at border points have not streamlined their systems and do not communicate and share information well enough. The NTBs tend to be challenging to address, since they require coordination, streamlining of regulation and procedures, and institutional capacity of different stakeholders on the ground. Yet this is where focus is needed to significantly raise intra-EAC trade.

East Africa' participation in global exports is low and largely concentrated with a handful of major economies, especially EU, China, and India. For Africa overall, despite a rebound in economic growth after the corona period, the continent's share in global trade has stagnated below 3% in recent years.[21] Moreover, Africa's global exports are dominated by commodities, which makes the economies highly vulnerable to global demand shifts and price fluctuations. In 2023, the global geopolitical conflicts and trade barriers resulted in a contraction in Africa's merchandise trade by 6% (Afreximbank). More than 50% is destined for EU, China, USA, and India, making Africa particularly vulnerable to shifts in trade regimes and demands of these countries. EU remains Africa's largest trading partner, but Africa's trade and economic orientation has changed significantly towards China and India in recent years.[22],[23]. The vulnerability to global commodity markets and a few partners underscores the need for Africa to expand its regional trade and diversify its value chains as a buffer against global market and political volatility.

EU is particularly important as export destination for Africa's major agriculture sector, with good potential for further growth if issues on trade agreements and requirements are addressed. For imports, East Africa brings in mainly manufactures from the EU. Africa's trade partnership with EU is based on the Economic Partnership Agreement (EPA) which gives Africa quota and duty-free access to the EU, however, it expires in 2027 and the new EPA is not yet signed by EAC due to differences among the EAC countries.[24] Also, the European Green Deal (EGD) and its EU Deforestation Regulation (EUDR), which strengthen the sustainability of imports to the EU from Africa, will challenge African growers and exporters most of whom do not have the capacity and resources to comply, which may result in exports being diverted to other markets. The EAC plays a key role in facilitating the dialogue and develop solutions that both meets African producers' concerns and EU sustainability requirements.

<u>The US Government's trade barriers are likely to hurt Africa's trade and market integration.</u> The US is a significant destination for Africa's exports, even if mainly for a small set of African countries, like Nigeria, South Africa, Ghana, and Kenya, and especially for oil and textiles. However, the US market's importance has reduced in recent years with lowered US demands for African oil. The US-Africa trade relation has been based on the African

[20] Economic Development in Africa Report 2024.

[21] Afreximbank, African Trade Report 2024

[22] , Share of Africa's exports to EU went from approx. 32% during 2004-2013 to 26% during 2014-2023, while to Asia it went from 16%to 26% the same period (Afrexibank report)

[23] China remined the dominant source of EAC imports valued at US$11 billionChina is the dominant source of EAC imports with a value of US$11 billion, followed by the United Arab Emirates (UAE) at US$6.4 billion in 2023.

[24] The LDCs will however continue to trade under the "Everything but arms" agreement.

Growth and Opportunity Act (AGOA), which allows 32 Sub-Saharan African countries duty-free exports to the US. Meanwhile, the US Government's trade barriers will impose a 10% base tariff for all African countries (and significantly higher rates for some), although it excludes the dominant oil exports. This will hurt a handful of countries, in particular Kenya in East Africa, and possibly reduce investments and capital flows into Africa. However, 19 AGOA countries export less than 4% to the US and will be less affected directly. There may however be wider ramifications of the trade frictions for Africa in political, economic, and social terms. The US-China dispute and geo-economic fragmentation could pressure countries to choose sides and undermine African integration ambitions of AfCFTA and EAC. Other threats include possible depreciation of the US dollar or dumping of Chinese surplus goods in the African markets, which may threaten especially African manufacturing. According to East African stakeholders consulted, the effective response is to continue the East Africa's on-going trade- and economic integration as bulwark for the global trade and political volatility.

East Africa Community's status and issues on trade and economic integration

The African countries have for decades engaged in trade liberalisation and economic integration – in East Africa, with the Treaty establishing EAC signed in 1999, and for the continent in 2018 with the African Continental Free Trade Area (AfCFTA), aiming to expand trade, economic development, and create jobs and ultimately poverty reduction.

The EAC's mandate to create a prosperous, competitive, secure, stable, and politically united East Africa sets the organisation as a key player for driving trade and integration in the region. While the adoption and implementation EAC Summit decisions ultimately depend on EAC partner states' political decisions, the EAC Secretariat has an important role in driving the implementation of the approved protocols, as well as initiating and preparing policy and reform proposals for the EAC Council of Ministers and Summit, coordinating and facilitating Partner States' negotiations on reforms, analysing needs and monitoring the progress in trade and economic integration. EAC is now regarded as one of Africa's most advanced on overall integration, especially in areas of movement of people and macroeconomic integration. EAC covers a population of 300 million and GDP of USD 313 billion (see Box 1). creating a wider market and trade in goods, services, investment, economic diversification, and stimulate local manufacturing – and is envisaged also to promote peaceful cooperation.

Box 1: EAC scope and status in the area of trade and economic integration

EAC includes Democratic Republic of Congo (DRC), Somalia, Burundi, Kenya, Rwanda, South Sudan, Uganda, and Tanzania, all small economies where seven are low-income, four fragile, and five landlocked countries. The EAC integration would lead to a population of 300 million and GDP of USD 313 billion. The EAC Treaty 1999 established the EAC, and its integration is further guided by the EAC Vision 2050 (?), a range of protocols and sector strategies, and implemented through five-year development strategies. EAC's political aim targets cooperation across political, economic, social, legal and security agendas. For economic integration, protocols have seen signed to establish the EAC Customs Union (2005), Common Market (2010), and Monetary Union (2013).

In the area of Trade Facilitation, EAC implements measures such as Authorised Economic Operators (AEO), One-Stop Border Posts (OSBPs), integrated Border Management (IBM), and Electronic Cargo Systems (ECS). Further, EAC members have signed the WTO Trade Facilitation Agreement and started to implement Trade Information Portals and simplify procedures.

Summary status of EAC integration:

- The Customs Union (CU) is signed (2005) and almost fully implemented. A Single Customs Territory (SCT) with streamlined clearing processes, a central platform to exchange customs and trade data, harmonisation of 3000 standards.
- The EAC Elimination of Non-Tariff Barriers Act (NTB) (2015) is signed, and some reduction in NTBs has occurred.
- The Common Market protocol is signed (200). Work permits are waived between Kenya, Uganda, Rwanda. EAC citizens have six months stay in all partner states. Permanent residency still subject to national law.
- Capital movement is the most liberalised […]. Land use and access still subject to national law.
- On movement of services, sectors such as financial and professional services have been liberalised, but integration of service providers still lagging.
- Monetary Union protocol is signed (2013), with the target by 2024, but least implemented, not yet stablished EA Monetary Institute, EA Statistics Bureau, EA Surveillance, Compliance and Enforcement Authority, EA Central Bank.
- Five remaining protocols remain to be signed.
- Presently 13 of the 15 marked OSBS are operational and 10 additional borders are identified for OSBS.

EAC's achievements include adoption of several key protocols key to its trade integration and implementing a range of measures on the ground to speed up and facilitate cross-border trade and value chains in the regions, most notably integrated Border Management, Electronic Cargo Tracking System as prominent initiatives. The Customs Union is on its way to full implementation a with Single Customs Territory established. A 79% saving in border crossing clearance time is recorded as result of the One Stop Border Posts.

Intra-EAC trade is however still below the potential, and obstacles to fully implementing the Customs Union and Common market hamper further expansion in trade among the countries. At less than 25%, the intra-EAC trade is below potential. There are obstacles especially in operationalising the Single Customs Territory (SCT), due to non-harmonised standards and disagreements on the interpretation of rules of origin (which determine where goods are produced hence how they are subject to tariffs)[25]. Tax harmonisation is behind. The aims on free movement of labour and service providers are prevented by lack of recognition of professional qualifications and difficulties in obtaining work permits. In order for the countries to implement the EAC protocols, they need to adjust their national regulation and set up the institutional processes to manage the provisions, which however is halted by capacity constraints in the key ministries and among parliamentarians. Moreover, despite heavy investments in trade facilitation, transport costs remain the highest in Africa, since systems to support cross border trade are still inefficient, with too low progress on information sharing across agencies to permit faster crossings, "no-stop" smart gates, cargo tracking, using technology for document processing, and infrastructure gaps remain a major obstacle.

On part of the private sector actors, the majority firms in East Africa are small and medium-sized enterprises (SMEs) most of which lack the capacity, capital, and networks to start trading across border. The intra-regional trade and development of value-chains will only happen once they identify the business case, which in turn depends on wider enabling business conditions as for example information, networks, and access to finance. The EAC Secretariat, with its convening power, has a vital role in fostering business networks across the sub-regional borders.

AfCFTA has widened the scope and ambitions for trade integration by EAC, creating the largest free trade area in the world, and covering 54 of the 55 African Union members, USD 3.4 trillion, and 1.4 billion people. AfCFTA has been estimated to increase export volume by 29% by 2035 compared to business as usual, if fully implemented, especially in manufactured goods like processed food, textile/clothing, light and heavy manufacturing. Affia is projected to generate 2 million jobs, 7% real income gain, and lift 68 million out of moderate poverty and 30 million out of extreme poverty (check source footnote # 3). The gains would come from the envisaged tariff reduction, but especially from removing the significant non-tariff barriers that restrict trade across African borders linked to burdensome regulatory procedures, poor infrastructure, logistics, and transport facilities. EAC is expected to benefit significantly from AfCFTA, with an estimated export potential of USD 1.9 billion[26] and stimulate growth especially agriculture, pharmaceuticals, automotive, and logistics, while simultaneously accelerating digital trade and infrastructure development within the region.

Box 2: Facts and status on AfCFTA

AfCFTA has eight protocols of which three are adopted, including trade in goods, services, and dispute settlement. The trade in goods is liberalised by progressively eliminating tariffs, quantitative restrictions, and non-tariff barriers through a process where countries submit tariff offers for negotiation. The rules of origin are item of the negotiations.

Presently work in completing the framework agreement and protocols and institutional structure is progressing, but five protocols remain to be adopted, with negotiations on tariffs on goods and services concessions taking longer than expected. Instead, the Guided Trade Initiative among 8 nations started in

[25]This is expected to continue especially when implementing the new Common Externa Tariff and the AfCFTA regime.

[26] https://eabc-online.com/download/study-on-export-trade-potential-of-the-east-african-community-under-the-african-continental-free-trade-area-afcfta/

Annex 2: Partner Assessment

The assessment of East African Community's relevance for Denmark as a partner for furthering trade facilitation in the East African region has been based on a number of criteria, including:

- EAC's mandate and relevance in relation to the implementation of AfCFTA and for furthering interregional work for widening and deepening co-operation among East African countries and other regional economic communities for removal/minimizing of trade barriers.
- How EAC's mandate, vision, and strategies relate to Denmark's Development Cooperation Strategy and Africa Strategy, and to Danish priorities.
- EAC's capacity, including the role and capacity of the EAC Secretariat.
- Funding requirements in light of funding from Partner States and support from other donors.
- Lessons from previous support.

The assessment has drawn on various documents, including Treaty establishing EAC, Staff Rules and Regulation, Financial Rules and Regulations, EAC's 6th Development Strategy, Mid-Term review of same and Inception Report on the development of the 7th Development Strategy, and experience from previous Danish support concluded in 2021 (F2: 2017-47204). Further, the EU pillar assessment from 2015/2016, audit reports from the past three fiscal years, and a Self-Assessment of compliance with the Danish requirements (as per the AMG) have informed the assessment.

Presentation of partner

The East African Community (EAC) was originally established in 1967 as a continuation of the framework for sub-regional cooperation between Kenya, Uganda and Tanzania in areas such as customs, transport, communication, and education. The original EAC organisation collapsed in 1977 due to intra-political issues, inter alias related to disagreements about the distribution of seats in the decision-making organs. The organisation was revived in 1999 when Kenya, Uganda, and Tanzania signed the Treaty for the Establishment of the East African Community. Burundi and Rwanda became members in 2007, South Sudan in 2016, DRC in 2022, and Somalia in 2024 as the community's 8th Partner State[27].

The rationale behind the Treaty establishing the EAC is to establish among the Partner States a Customs Union, a Common Market, and subsequently a Monetary Union; the ultimate goal is a Political Federation[28]. The overall objective is *"to widen and deepen economic, political, social and cultural integration, in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments"*[29].

The Treaty establishing the EAC outline the main Organs of the organisation to be the *Summit*, the *Council of Ministers*, the Co-ordinating Committee, the Sectoral Committees, the East African Court of Justice, the East African Legislative Assembly and the *Secretariat*.

[27] EAC@25
[28] EAC Vision 2050.
[29] EAC 6th Development Strategy

The *Summit* consists of the Heads of State or Government of the Partner States. The *Council of Ministers* is the 'policy organ of the Community' (ref. Article 14(1) of the Treaty). It consists of the Minister responsible for EAC affairs from each Partner State, the Attorney General of each Partner State and any other Ministers of the Partner States as determined. The regulations states that the decisions of the Council shall be binding on the Partner States.

The *Secretariat* is the executive Organ of the East African Community. It ensures that the regulations and directives adopted by the Council of Ministers are properly implemented and provides the Council of Ministers with strategic recommendations. As EAC's executive arm, the Secretariat is responsible for day-to-day management of the community's affairs and for driving, convening and coordinating the EAC integration activities in line with the EAC's Vision 2050 and the Development Strategy.

The Secretariat is organised along three (3) key offices:

- Executive Office of the Secretary-General: This is the central executive body responsible for coordinating the activities of the EAC and overseeing its Institutions.
- Office of the Deputy Secretary General in charge of Customs, Trade and Monetary Affairs: responsible for overseeing the development and implementation of policies that enhance trade integration, customs cooperation, and monetary harmonization among the Partner States.
- Office of the Deputy Secretary General in charge of Infrastructure, Productive, Social and Political sectors: in charge of Infrastructure, Productive, Social, and Political Sectors oversees the development and coordination of key regional initiatives in infrastructure, economic productivity, social development, and political integration across the EAC.

Strategically the EAC's Vision 2050 lays out the broad perspective for the development of the region to accelerate productivity and social wellbeing of people. The Vision 2050 is aligned with the African Union (AU) Agenda 2063, and the United Nations Sustainable Development Goals (SDGs) 2030. The Vision 2050 is unfolded in five-year Development Strategies which sets the overarching framework for the implementation of programmes and projects. Currently EAC is in the final year of implementation of its 6th Development Strategy 2021/22 – 2025/26, which has the overall goal of transforming *'the East African Community into a stable, competitive and sustainable lower-middle income region by 2030'*. Key Priority Areas of the EAC over the Plan Period 2021/22 - 2025/26 are:

1. Strengthening of regional peace, security, political processes, emergency response mechanisms and good governance to create a stable business environment.
2. Provision of Customs Services that facilitate legitimate trade and investment in the region.
3. Strengthening the productive and social sectors to improve production and productivity, increase value addition, and domesticate regional commitments to improve the welfare of East Africans.
4. Full implementation of the East African Monetary Union Protocol.
5. Re-engineering of Production and logistics arrangements in line with digitalised frameworks to enhance e-business opportunities and streamlining interconnectivity of transport logistics.
6. Development of Regional Infrastructure to Support the Integration Process.
7. Institutional transformation at the regional level, including skills development.
8. Promotion of awareness creation and dissemination of information on the Community.

Of these, priority 2 (implementation of the customs union (CU), and further development of the common market (CM)) are relevant and of interest for the Danish interventions.

Development of the 7th Development Strategy for the period 2026/27 – 2030/31 is ongoing. The working hypothesis is that the 7th Development Strategy will, in principle, update and refocus the priorities from the 6th Development Strategy, i.e. a roll-over of the key priorities, while the concrete interventions will be based on update and planned with due considerations to the stock-taking of the status of implementation and lessons learned from the 6th Development Strategy.

EAC, as a Regional Economic Commission (REC) is an important building block in the African Architecture for the implementation of AfCFTA. While the protocols for East African Customs Union and the East African Common Market, have already been signed, significant works is still outstanding to attain a fully-fledged Customs Union, and domestication and implementation of the regional commitment to a Common Market. EAC is recognized as an important player in this interregional work and for widening and deepening co-operation among its Partner States and other regional economic communities, and the Secretariat has a key role in this context.

The Secretariat's core responsibilities are to coordinate EAC's initiatives and develop policies, strategies and programs, take lead on and facilitate removing barriers to trade and harmonise standards and requirements. Importantly, while the Secretariat will initiate and prepare policy initiatives, adoption of these is through political decisions by the Partner States in the Council, and implementation happens at national member state-level. That means the Secretariat's deliverables include policy preparation and implementation support, but the "higher level" results, such as adoption of protocols, domestication of EAC trade legislation, or actual removal of non-trade barriers on the ground, depend on the Partner States decision and actions. Also, the Secretariat plays a co-ordination role in fund mobilization, project preparation, and monitoring and evaluation of the implementation of regional projects. However, the Secretariats efforts are challenged because of insufficient staffing and financial resources, which, inter alias, has led to inadequate monitoring of the Partner States' implementation of the policies and standards.

As of June 2024, the Secretariat has an approved staff pool of 171 as of FY 2025/2026 out of which approx. thirty positions are vacant as of June 2025. The level of staffing and positions are approved by the Council of Ministers on based recommendation from the Secretary General. All staff of the Secretariat are appointed on contract and in accordance with staff rules and regulations determined by the Council of Ministers. The Secretary General and the two Deputy Secretary General are appointed by the Summit on a rotational basis among Partner States based on the nomination from the Partner State; the Secretary General serves a fixed term of 5 years non-renewable, while a Deputy Secretary serves for 3 years renewable once. Professional staff serves on time-bound contracts of 5 years, renewable once (maximum 10-year tenure). For all staff categories serves that a balanced composition of nationalities and gender are considered in the recruitment process. The recruitment process for all staff categories is clearly laid out in the Staff Rules and regulations and stipulates that all recruitments must be merit-based, and candidates subjected to an interview by an interview panel of up to seven members (professional category). Further, while the rules and regulations do not state the balance of positions at the national level, the staff rules determine that following the advertisement of a position an equal number of candidates shall be shortlisted from each Partner State. In the case that there are insufficient qualified candidates from one or more Partner States, professional positions would be re-advertised. Since professional staff are to be appointed by the Council of Ministers, which meets only on twice a year, the recruitment process of professional staff can be very long. This has led to the Secretariat almost facing significant human resources constraints, with gaps in several positions including managers, lack of skilled staff in key areas, and the staff is often overworked. The shifting out of staff after their 10-year tenure typically leads to gaps in knowledge due to weak or absent handover and knowledge transfer between out- and incoming staff because of the delayed recruitments.

The severe gaps in staff and knowledge are significant factors in curtailing the Secretariat's ability to perform it core responsibilities and push the trade integration forward. It is not only the procedures-heavy recruitment process which contributes to severe gaps in the staffing but also lack of funding for salaries. The Secretariat faces significant financial constraints. In 2023/24, its budget was USD 52.7 million of which Partner States' shares were USD 19.3 million, and development partner funded the remaining USD 32.4 million, but actual total amount received was USD 28.9 million (USD 14.9 from Partner States and USD 11.9 million from development partners), owing to some Partner States not paying all or part of their fees. Most of the development partner funding is restricted to project specific activities and may not cover the Secretariat's most immediate gaps in their core mandate for driving for instance the Customs Union and Common Market forward.

The Danish support is envisaged to focus on strengthening the EAC Secretariats capacity to carry out its role as the 'executive organ' of the Community. Strengthening the capacity of the EAC Secretariat will facilitate the harmonization of regional and national policies, strategies, and systems in the two pillars, Customs Union and Common Market. The intention of the Danish contributions to EAC is to strengthen the Secretariat's capacity to execute its role specifically in the strategic pillars: Customs Union and Common Market. The support will support the last period of EAC's 6th Development Strategy and the first two years of the 7th development strategy (under development), and as such will be fully aligned to the priorities in EAC's Midterm Expenditure Framework (their rolling planning tool), where areas are underfunded. The areas where EAC rally for financing were presented to the formulation team during the meetings. The formulation teams finds that the EAC's overall objective aligns well with Denmark's Africa Strategy as well as the objective for the ITREIA project for East Africa; furthermore, the formulation team finds the proposal for areas to fund justified and with a sound rationale behind the activities. The alignment to the MTEF provides transparency in regard to the alignment of the Danish funding to the EAC's strategic priorities as well as in respect to areas funded from Partner State funding and funding from other donors.

Based on the review of a number of documents, including EAC's Staff Rules and Regulations and Financial Rules and Regulations, it is found that the Secretariat's financial management and control complies with the requirements as stated in the Danish Aid Management Guidelines for management of Danish development grants. The financial operations follow International Public Sector Accounting Standards (IPSAS), and audits are conducted in accordance with International Audit Standards (IAS) by an audit team composed of members from the Auditor General from Partner States. The Head of Internal Audit reports administratively to the Secretary General and functionally to the EAC Audit and Risk Committee. Further, an EU pillar assessment, which was carried out in 2015, shows overall compliance with EU standards, save for the area of procurement and internal control. A follow-up assessment showed improvements in these areas. The formulation team notes that Secretariat has further improved, and now make use of an eProcurement system, and further strengthened internal control (inter alias by staff training) resulting in internal control now are cognisant of its role in improving operational efficiency and ensuring standardized processes that align with international standards. As a consequence of the EU pillar assessment framework has increased the scope of assessment, EAC is preparing for renewal of the pillar assessment anticipated to happen in 2026.

The Secretariat prepares the Annual Report for presentation to the EALA. While the Annual Report is assessed as adequate for the Danish results monitoring, Denmark would need separate reports (results and financial) for the earmarked support as is also the practice for other donor funds. The reason for burdening the Secretariat with this additional reporting requirements is that the council-approved reports have a record of being delayed by several years in the past years, mainly due to protracted discussions among the Partner States in the Council. While EAC is working towards improving on the timeline for publishing their support it is assessed that sufficient improvements in the processing time will not be achieved within this project's lifespan, hence the requirement for separate reporting.

The formulation team has assessed the Secretariat's financial management capacity assessment as part of the identification/formulation mission for proposed earmarked financial support to EAC in the area of trade and commerce; more specifically support to the Secretariat's workstreams regarding its strategic objectives for the Customs Union and Common Market.

The assessment has been based on a number of documents, including:

- A self-assessment prepared by the EAC Secretariat and summarised in the table drawn from the Danida Aid Management Guidelines (AMG)/Financial management section, covering six areas: budgeting, accounting, internal controls, governance and staff, financial reporting, and auditing. For each area the Secretariat reported minimum requirements as met.
- Staff Handbook with key policies, rules and regulations related to governance, staff, and financial management.
- The financial audit reports from FY 2021/22, 2022/23, and 2023/24.
- The EU pillar assessment.

Further, in-situ meetings were held with key staff from finance, internal audit and procurement.

Risk and materiality assessments:

Risk Descriptor	**Lower Risk**	**Higher Risk**
Size of partner organization		Large turnover (>10 million DKK).
Number of employees in partner finance function	• More than 5 employees on permanent contracts.	

Experience of partner • Years in business • Number of successful engagements • History of mismanagement	• More than 2 years in business • Previous engagements successful managed • No history of mismanagement within the last 5 years.	
Span of control • Number of partners involved. • Geographical scope	• Few donor partners as well as recipient partners, • No onwards granting.	• Large geographical scope with activities in multiple countries.
Corruption	• Based on previous engagement and the type of organization: low risk of corruption.	
Materiality Descriptor	**Lower Risk**	**Higher Risk**
Size of amount granted (nominal amount)		DKK 40 Mio. (large grant = > DKK 10 Mio)
Size of grant relative to partner's turnover	Ratio < 10% - size of grant low relative to partner's turnover.	
Grant period		Multi-annual
Political significance		High political significance with low tolerance for failure (risk averse)

It is assessed that EAC has adequate and satisfactory systems for financial management to comply with AMG guidelines and Denmark's requirements regarding management of funds. It is, however, noted that there is a need for specific reporting on the Danish, as EAC's annual report and financial statement report on a higher level than desired for targeted project support.

Based on the guidance in the AMG, and considering, inter alias, the size of the Danish grant relative to the cumulative funds under EAC management, the ongoing strengthening of the internal control and procurement functions, and continuous team has assessed the risk and materiality of the Danish engagement with the EAC low to medium.

While the assessment is that the strategic frameworks with policies and procedures, and sufficient financial management systems, are in place to underpin operations, it is assessed that a risk exists regarding overall progress on implementation of the MTEF; EAC is known to be slow in decision making, mainly due to often lacking political will among Partner States to move forward on implementing the agreements and protocols signed, which in turn delays the implementation of key projects and initiatives. At the Secretariat level there is also a risk of delay in the implementation of the agreed results framework due to lack of human resources, but also due to the inbuild intertie caused by multiple stakeholders and Partner States; the Secretariat cannot move faster than its decision-making organs allows.

Summary of key partner features

Name of Partner	Core business *What is the main business, interest and goal of the partner?*	Importance *How important is the project/programme for the partner's activity-level (Low, medium high)?*	Influence *How much influence does the partner have over the project/programme (low, medium, high)?*	Contribution *What will be the partner's main contribution?*	Capacity *What are the main issues emerging from the assessment of the partner's capacity?*	Exit strategy *What is the strategy for exiting the partnership?*
EAC Secretariat	*Spearheading the East African*	*Low.*	*Low.*	*Convening meeting and*	*Strength:*	*No special requirements*

	economic, social, and political integration agenda *Wants to attain a fully-fledged Customs Union through full implementation of the Single Customs Territory (SCT),* *and enhance domestication and implementation of regional commitments in line with the EAC Common Market Protocol.*	*EAC has an annual turnover of approx. USD 31 million (Partner states and donors combined).* *The DK grant is less than 10% of the total turnover.*	*The outputs to be delivered by EAC have been specified in the agreement.*	*preparing document and protocols for adoption and approval by Head of States.*	*High political commitment from Head of States, and key actors.* *High convening power with significant capability to move decisions forward.* *Weaknesses: Resource constrained (both financially and staff)* *Opportunities: Enhanced monitoring and follow up can move the Partner States operationalisation of protocols forward.* *Threats: Uncertain whether the Summit will approve processes that will improve the financial contribution from Partner States.*	*after end of contract*

Annex 3: Results Framework

The results framework builds on the wish-list presented by the EAC Secretariat during the field mission and later inputs, as well as draws on the information presented in the 'Final Inception Report 7th EAC Development Strategy' (May), which presents status on progress on the 6th EAC Development Strategy and outlines priorities for the 7th EAC Development Strategy.

Programme	Support to East African Community trade and economic integration
Programme Objective	Strengthened capacity of the East African Community Secretariat to deliver its functions in selected essential areas for enabling EAC to progress significantly on its strategic objectives for the Customs Union and Common Market, in support of stronger regional trade, market integration, and economic resilience to shocks from global volatility and trade barriers.
Impact Indicator	Expansion in intra-EAC trade in USD

Outcome 1: Customs Union		Full operationalisation of the customs union	
Outcome indicator		% of tariff lines implemented at Common External Tariff (CET) rates	
Baseline	Year	2025	70% of EAC Partner States respects CET
Target	Year	2027	90% of EAC Partner States respects CET

Output 1.1		Electronic certificates of origin and SCT and ECTS systems integrated with national and regional platforms.	
Output indicator		% adoption of Electronic Cargo Tracking Systems (ECTS).	
Baseline	Year	2024	40%
Target	Year	2027	60%

Output 1.2		Regional and Global Trade Alignment	
Output indicator		% of alignment with international trade agreements achieved (e.g., WTO TFA, AfCFTA)	
Baseline	Year	2024	50%
Target	Year	2027	70%

Output 1.3		Trade Facilitation (NTBs, Border Operations)	
Output indicator		Full elimination of persistent NTBs	
Baseline	Year	2024	60%
Target	Year	2027	80 %

Output 1.4		Customs training programme developed and harmonised across EAC	
Output indicator		Impact and quality study of customs training across EAC	
Baseline	Year	2024	0

Target	Year	2027	1

Output 1.5		EAC planned support to Special Economic Zones (SEZ) regulation fully implemented	
Output indicator		% increase in Exports	
Baseline	Year	2024	$ 12.2 billions
Target	Year	2027	10% increase

Outcome 2 Common Markets		Harmonised standards, measurements, and testing practices for fair trade, equal market access, and reduced non-tariff barriers to trade (implementing the EAC SQMT Act and CMP)]	
Outcome indicator 2.1		Count of adopted standards Gazettes	
Baseline	Year	2024	1,918
Target	Year	2027	2,038
Outcome indicator 2.2		Levels of usage of harmonised standards under the EACG SQMT (final specification before first 6 months of implementation)	
Baseline	Year	2024	To be defined before first 6 months of implementation
Target	Year	2027	To be defined before first 6 months of implementation

Output 2.1.		Harmonization of standards, customs procedures, and regulatory frameworks enhanced	
Output indicator		Finalisation of Standards Catalogue	
Baseline	Year	2024	0
Target	Year	2027	1

Output 2.2		Institutionalize regular scorecard reporting	
Output indicator		Common Market Scorecard published	
Baseline	Year	2024	4 scorecard reports published by 2024
Target	Year	2027	1 (i.e. target is one additional report by 2027)

Outcome 3 East African Court of Justice		Enhanced Capacity to manage trade disputes	
Outcome indicator		Number of private sector cases brought before the Court	
Baseline	Year	2024	50
Target	Year	2027	80

Output 3.1.		Trade training program for EACJ judges strengthened	
Output indicator		# of judges trained	
Baseline	Year	2024	13
Target	Year	2027	34

Output 3.2		Integration/information of EACJ jurisprudence through traders/trade expert inputs enhanced	
Output indicator		# of legal cases tried with involvement of traders/trade expert perspectives Count of private sector companies in infrastructure projects	
Baseline	Year	2024	5
Target	Year	2027	15

Output 3.3		Bilateral meetings conducted to resolve trade disputes between Partner States	
Output indicator		# of trade disputes resolved through bilateral engagements	
Baseline	Year	2024	0
Target	Year	2027	10

Outcome 4		Enhanced monitoring and reporting systems in the Secretariat	
Outcome indicator		A framework for monitoring the implementation of the EAC Customs Union and Common Market in place	
Baseline	Year	2024	Fragmented system exists
Target	Year	2027	Revised and digitalised system developed

Output 4.1		A framework for monitoring the implementation of the EAC Customs Union developed and operationalized	
Output indicator		EAC Monitoring framework adopted and implemented.	
Baseline	Year	2024	0 (system not available)
Target	Year	2027	1 (monitoring framework in place)

Output 4.2		Common Market Protocol monitoring and Evaluation Framework Reviewed	
Output indicator		% improvement in data completeness in the Common Market Protocol Monitoring and Evaluation Framework	
Baseline	Year	2024	28 indicators lacking data completeness
Target	Year	2027	At least 95% data completeness across the 28 indicators in the CMP M&E Framework

Output 4.3		Enhanced functionality of EAC Monitoring System (incl. budget control and reporting)	
Output indicator		# of systems generated reports	
Baseline	Year	2024	5
Target	Year	2027	8

Annex 3a: EAC Activity Plan January – June 2026

ACTIVITY PLAN (JANUARY- JUNE 2026)

Outcome	Outputs	Activities
Full operationalisation of the customs union	Electronic certificates of origin, SCT and ECTS systems integrated with national and regional platforms.	1. Interfacing Regional electronic Cargo tracking system with Tanzania electronic cargo Tracking System 2. Enhance SCT platform with AEO module
	Regional and Global Trade Alignment	1. Conduct verification on availability of locally manufactured products to inform policy reviews and support market access; 2. Convene the EAC-COMESA- SADC Tripartite Summit of Heads of State on the operationalization of the Tripartite Agreement
	Trade Facilitation (NTBs, Border Operations)	Conduct Regional Monitoring activities on the resolution of NTBs;
Harmonised standards, measurements, and testing practices for fair trade, equal market access, and reduced non-tariff barriers to trade (implementing the	Harmonization of standards, customs procedures, and regulatory frameworks enhanced	Support Mutual Recognition and Capacity Building of the Conformity Assessment activities (Product Certification and Inspection)
	Institutionalize regular scorecard reporting	Undertake Regional Monitoring activities to assess progress on the implementation of the Common Market Protocol

Outcome	**Outputs**	**Activities**
EAC SQMT Act and CMP)		
Enhanced capacity to manage trade disputes	Trade training program for EACJ judges strengthened	Undertake training for EACJ judges on trade instruments
	Bilateral meetings conducted to resolve trade disputes between Partner States	Conduct atleast two meetings of Partner States on resolution of NTBs;
Enhanced monitoring and reporting systems in the secretariat	A framework for monitoring the implementation of the EAC Customs Union developed and operationalized	Finalise the development of the framework for monitoring the implementation of the EAC Customs Union. Commence collection of baseline data to support operationalization of the framework
	Common Market Protocol monitoring and Evaluation Framework Reviewed	Convene a regional meeting of experts to review the EAC Common Market Monitoring and Evaluation Framework

Annex 4: Risk matrix

Contextual risks

Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risk**	**Background to assessment**
Weak or lack of political commitment to and / or shifting political priorities of EAC and Partner States	Likely	Major	EAC Secretariat proactively engages with the Partner States within the confines of its mandate to address uncertainties at a technical level and generally ensures solid preparation and stakeholder processes when developing regulation, laws, and procedures and systems for political adoption.	Major	EAC Partner States' commitment and political decisions are the foundation for moving forward on the needed reforms to achieve the Customs Union and Common Market objectives and wider trade and regional integration
Limited buy-in and participation from private sector stakeholders	Likely	Minor	The support targets initiatives in the EAC MTEF which focuses on promoting private sector investments, including transparent information sharing on conditions and opportunities and investor platforms. In addition, Denmark through other development engagements in the region support private sector development incl. MSMEs more broadly.	Minor	Increased regional trade depends not only on removing barriers to trade but also that private sector perceives a business case exists for cross-border investments and trade opportunities and the wider enabling environment for private sector development, where especially the majority MSME sector faces constraints.
Geopolitical issues including global trade war disrupting EAC exports, domestic markets, economies, and basic political coherence of the EAC.	Likely	Major	Focus on continued strengthening of the EAC's intraregional trade and economic integration and diversification of regional value chains to strengthen economic resilience and ensure alternatives to global supply chains.	Minor	The global trade frictions are perceived to impact on East Africa's economies and trade, while how it will exactly play is not yet apparent. It is assessed to possibly affect some countries' exports to the US in a significant way and

					others less so. It can also lead to trade dumping and separating the political and trade orientation within EAC between the US and China.
Reduced momentum of AfCFTA implementation	Likely	Minor	EAC Secretariat continue to play its role in working towards the AfCFTA on behalf of the community while maintain focus on continued working towards the EAC Customs Union and Common Market in ways aligned with the AfCFTA.	Low	The AfCFTA results remain uncertain, as key political challenges related to the negotiations themselves are unresolved and actual development benefits from the AfCFTA are yet to materialise.

Programmatic risks

Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risk**	**Background to assessment**
Continued slow political decision on key legislation and mechanisms including on Customs Union and Common Market	Likely	Major	The Secretariat applies a stop-go process where it works to ensure solid preparation within its capabilities of the regulation for approval when the Partner States are ready	Minor	The EAC community has taken significant steps the past years with signing of protocols like the CU and CM, but Partner States are diverse in interests and priorities and political agreement and decision making remains slow.
Challenges in harmonizing legal and regulatory frameworks across countries delay implementation of the CU and CM	Likely	Major	EAC Secretariat to continue play its role in promoting harmonisation of laws and standards by implementing its MTEF with Danish support	Minor	This is at the heart of the challenge facing economic and trade integration which is being addressed as core focus through the EAC Development Strategy and MTEF.
EAC Secretariat shows weak organisational capacity in implementing	Almost Certain	Major	This is at the core of what the Danish support will aim to address, by alleviating part of the financial	Major	The EAC Secretariat faces significant human resource constraints in form of lack of staff and skills as well as severe financial constraints due

its Work Plan and MTEF			constraint of the Secretariat and enable it to preserve and/or replace key knowledge resources and staff. The Danish support can alleviate part but not the entire capacity and resource gap facing the EAC Secretariat.		to lacking payments by some Partner States
Weak EAC Secretariat management commitment to implement MTEF and focus on Secretariat's core business	Unlikely	Major	The Embassy to maintain the dialogue with the EAC Secretariat management and monitor the implementation of the support as well as EAC's pillars	Minor	The focus and priority of the Secretariat's management to implementing the MTEF and prioritise available resources, including Danish support, towards the critical intervention areas are essential for moving forward on the objectives of the CU and CM. However, the management's priority and commitment to this is assessed to be strong.
The Danish support covering a wide set of outcomes dissipates the focus and dilutes the results linked to the CU and CM.	Likely	Minor	In the short term, the integration of the Danish support within EAC's MTEF and Business Plan should mitigate this risk, however, it will need to be carefully monitored. The biannual and annual dialogue and monitoring with EAC will be essential to ensure the focus and delivery of results. In the medium/longer term, the support should be reduced to fewer and strongly focused outcomes.	Minor	The support covers 9 outcomes across different areas of the EAC MTEF and Business Plan, some of which with relatively low budgets, which could dissipate the effects of the support.

EAC not completely in control of delivery of all outputs	Likely	Minor	The majority of the selected outputs depend on inputs where EAC has reasonable control and where member states are expected to have good commitment and ownership.	Minor	The inherent nature of most of the outputs is their delivery depends on several actors, especially the various member states and their national institutions.

Institutional risks

Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risk**	**Background to assessment**
Corruption, mismanagement or fraud within EAC Secretariat including with Danish fund-	Unlikely	Major	Tight earmarking and monitoring the support by the Embassy. Annual external audits as supplement to EAC's standard audits.	Minor	Corruption is prevalent throughout East Africa and could affect EAC Secretariat as well. While the Danish funds are earmarked, the distinction between to non-Danish funding can seem theoretical if corruption occurs within EAC's overall funding. The earmarking will however reduce the risk by limiting it to certain areas.
EAC Secretariat is seen to not deliver on its responsibility in implementing the support spilling over into criticism of Danish support to trade and East Africa	Unlikely	Minor	The Embassy to maintain dialogue with EAC and monitor progress. Ensure a focus on results along the way in order to be able to justify and explain the investment	Minor	A slow implementation process could be interpreted by stakeholders and the public broadly as implying lack of commitment to the support, which could lead to criticism of Danish support to EAC, also considering previous experiences. The assessment is the risk is low with the present management and that it can be managed through upfront engagement and focus on results.

Annex 5: Budget

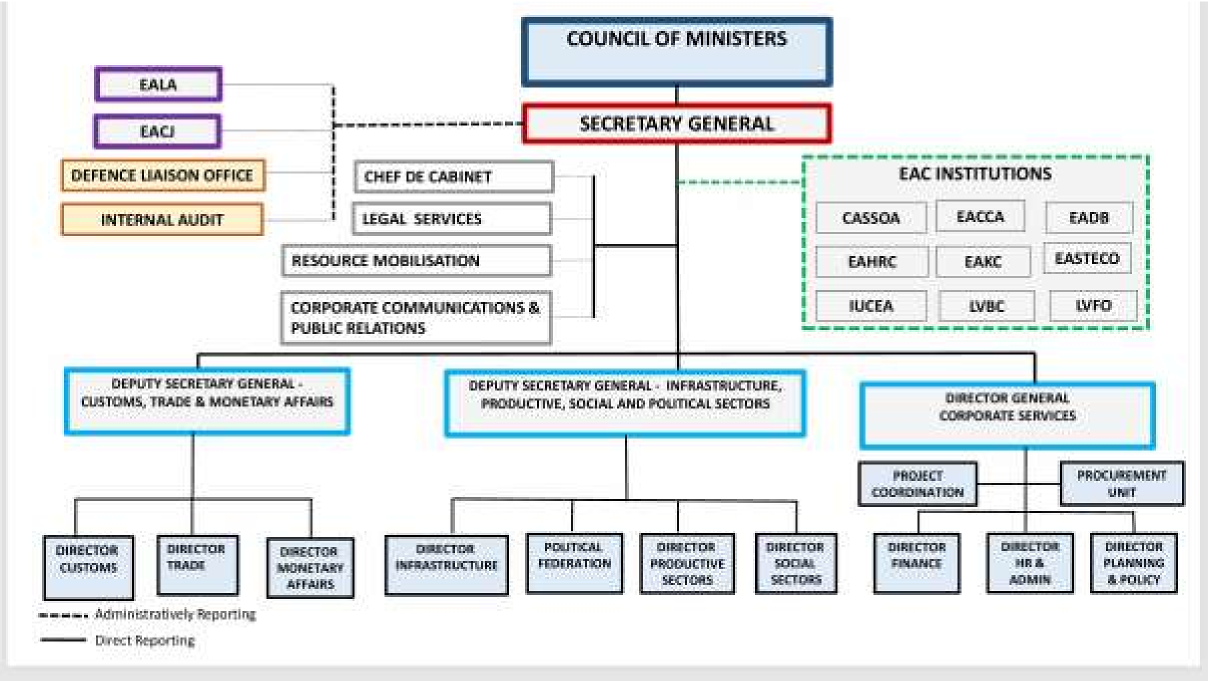
	Mil DKK	**Expenditure type**	**Responsible party**	**2025**	**2026**	**2027**	**Total**
Outcome 1	Full operationalisation of the customs union			1.5	6.5	7.0	15.0
Output 1.1.	Electronic certificates of origin and SCT and ECTS systems integrated with national and regional platforms.			0.5	2.5	2.8	5.8
Activity 1	Interfacing Regional electronic Cargo tracking system with Tanzania electronic cargo Tracking System						
Activity 2	Enhance SCT platform with AEO module						
Output 1.2	Regional and Global Trade Alignment			0.65	1	1	2.15
Activity 1	Conduct verification on availability of locally manufactured products to inform policy reviews and support market access						
Output 1.3	Trade Facilitation (NTBs, Border Operations)			0.35	1.5	1.5	3.35
Activity 1	Conduct Regional Monitoring activities on the resolution of NTBs						
Output 1.4	Customs training programmes developed and harmonised across EAC			0	0.7	0.7	1.65
Activity 1							
Activity 2							
Output 1.5	Special Economic Zones (SEZ) regulation fully implemented			0	0.8	1	2.05
Activity 1							
Activity 2							
Outcome 2	Harmonised standards, measurements, and testing practices for fair trade, equal market access, and reduced non-tariff barriers to			1.0	5.0	5.0	11.0

	trade (implementing the EAC SQMT Act and CMP)						
Output 2.1	Harmonization of standards, customs procedures, and regulatory frameworks enhanced			0.5	3	3	6.5
Activity 1							
Activity 2							
Output 2.2	Institutionalize regular scorecard reporting			0.5	2	2	4.5
Activity 1							
Activity 2							
Outcome 3	Enhanced capacity to manage trade disputes			1.0	2.5	2.5	6.0
Output 3.1	Trade training program for EACJ judges strengthened			0.8	1	1	2.6
Activity 1							
Activity 2							
Output 3.2	Integration/information of EACJ jurisprudence through traders/trade expert inputs enhanced			0.0	0.8	0.8	1.9
Activity 1							
Activity 2							
Output 3.3	Bilateral meetings conducted to resolve trade disputes between Partner States			0.2	0.7	0.7	1.5
Activity 1							
Activity 2							
Outcome 4	Enhanced monitoring and reporting systems in the secretariat			0.5	3.0	3.0	6.5
Output 4.1	A framework for monitoring the implementation of the EAC Customs Union developed and operationalized			0.2	1	1	2.2
Activity 1							
Activity 2							

Output 4.2	Common Market Protocol monitoring and Evaluation Framework Reviewed			0.3	1.2	1	2.4
Activity 1							
Activity 2							
Output 4.3	Enhanced functionality of EAC Monitoring System (incl. budget control and reporting)			0.0	0.8	1	1.9
Activity 1							
Activity 2							
	Expenditure verification audits and reporting			0.3	0.3	0.3	0.9
	Sub-total disbursed to EAC						39.4
Reviews/formulation (retained and managed by Embassy)					0.2	0.4	0.6
Total grant							**40.0**

Note: The goal of activity-basedactivity-based budgeting is to estimate the cost of the individual outputs of the engagement. In contrast to an input-based budget, where the structure of the budget is based on the type of input, the activity-basedactivity-based budget will be structured from the outputs of the engagement. It is a presentation of the breakdown of the expenditures, where the main categories of the budget are related the outputs. In cases where the same input goes into different outputs, it may be a challenge to estimate the breakdown of the costs. This can be handled by using a pro-rata method based on e.g. staff work hours.

Annex 6: Overview of EAC Organisational Structure



Annex 7: Process Action Plan

Action/product	Deadlines	Responsible/involved units	Comment/status
The project/programme budget is inserted into the proposal for the Finance Act	The project budget is inserted into the proposal for the adjustments of the Finance Act budget (rammejustering)	Responsible unit	Done
Formulation, quality assurance and approval			
Recruitment process for formulation consultants initiated.		LEARNING	Done
Development of project/programme document initiated.	Min. 6 months prior to the Minister's approval	Responsible unit in dialogue with potential partner(s). Consultant contracted as needed	An external consultant can be of major support in the formulation of the project/programme document.
Formulation proper	June	LEARNING & consultant	Ongoing
Field visit to EAC	16 – 19 June 2025	Embassy, LEARNING & consultant	Done
Further dialogue with EAC (virtual meetings & sharing of doc.)	August 2025	Consultants	Done
Draft TOR for appraisal developed	26. September	AFRPOL	
Contracting of appraisal consultants, including one month mobilisation period	6. October	AFRPOL	
Further work on the project document & consultations with Embassy	September Draft doc for Emb. Comments week 38	Consultants	
Submission of documents to Danida Programme Committee	24 September 2025	Embassy/ LEARNING	No public consultation
Meeting in Danida Programme Committee	7 October 2025	Embassy/ LEARNING responsible unit	
Written comments from the Programme Committee	9 October 2025		
Finalisation of the draft project/programme document	15 October 2025	LEARNING/consultants	Summary conclusions from the Programme Committee taken into account.
Appraisal	Medio Oct. – medio Nov 2025	Consultant/AFRPOL	
Updated project document considering the appraisal recommendations	15 November 2025	AFRPOL/Consultants	
Project presented to Under-Secretary for recommendation to the Minister	15 November 2025	AFRPOL	

Final version of project document sent for approval by Minister of Foreign Affairs	21 November 2025	AFRPOL	
Initial actions following the Minister's approval			
LEARNING facilitates that grant proposals are published on Danida Transparency after the Minister's approval	After Minister's approval	AFRPOL	
Signing of Commitment with EAC	30 November 2025	Embassy	
Register commitment(s) in MFA's financial systems.	1 December 2025	Embassy	
EAC to send request for first disbursement	4 December 2025	EAC Secretariat	
Disbursement of 1st trance	15 December 2025	Embassy	