

No. 23227

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**UNITED REPUBLIC OF TANZANIA,  
KENYA and UGANDA**

**Agreement for the division of assets and liabilities of  
the former East African Community (The East African  
Community Mediation Agreement 1984) (with  
annexes). Done at Arusha on 14 May 1984**

*Authentic text: English.*

*Registered by the United Republic of Tanzania on 4 January 1985.*

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**RÉPUBLIQUE-UNIE DE TANZANIE,  
KENYA et OUGANDA**

**Accord relatif à la division de l'actif et du passif de  
l'ancienne Communauté de l'Afrique orientale (Accord  
de médiation de la Communauté est-africaine de 1984)  
[avec annexes]. Fait à Arusha le 14 mai 1984**

*Texte authentique : anglais.*

*Enregistré par la République-Unie de Tanzanie le 4 janvier 1985.*

## AGREEMENT<sup>1</sup> FOR THE DIVISION OF ASSETS AND LIABILITIES OF THE FORMER EAST AFRICAN COMMUNITY

AGREEMENT BETWEEN THE GOVERNMENTS OF THE UNITED REPUBLIC OF TANZANIA, THE REPUBLIC OF UGANDA AND THE REPUBLIC OF KENYA (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "STATES")

Whereas:

The States by the Treaty for East African Co-operation, dated 6th June, 1967, established the East African Community (hereinafter referred to as "the Community"), and, as institutions thereof, certain Corporations (hereinafter collectively referred to as "the Corporations") and provided for certain services to be administered by the Community (hereinafter referred to as "the General Fund Services");

The Community and the Corporations ceased to perform their functions in 1977 and the General Fund Services can no longer be administered;

Conscious of the need to achieve a rational settlement of the Community's affairs, the States engaged the services of a Mediator (hereinafter referred to as "the Mediator");

The Mediator, on the basis of the findings presented in his Consolidated Report dated 28th October, 1981 (hereinafter referred to as the "Consolidated Report"), and in subsequent documents has made proposals for the permanent and equitable division of the assets and liabilities of the Corporations and the General Fund Services;

Now, therefore, the States, having considered the proposals of the Mediator, hereby agree as follows:

### *Article 1. DEFINITIONS*

In this Agreement, unless the context otherwise requires, the following terms and letters have the following meanings:

- (a) "EA Railways" means the East African Railways Corporation;
- (b) "EA P & T" means the East African Posts and Telecommunications Corporation;
- (c) "EA Harbours" means the East African Harbours Corporation;
- (d) "EA Airways" means the East African Airways Corporation;
- (e) "EA Extelcoms" means the East African External Telecommunications Company Limited, a subsidiary of the East African Posts and Telecommunications Corporation;
- (f) "EA Cargo Handling" means the East African Cargo Handling Services Limited, a subsidiary of the East African Harbours Corporation;

<sup>1</sup> Came into force on 14 May 1984 by signature, in accordance with article 16 (with effect from 1 July 1984 for article 8.01, in accordance with article 8.04).

(g) "GFS" means the General Fund Services;

(h) "Corporations" means the EA Railways, EA P & T, EA Harbours, EA Airways, and their subsidiaries, collectively, and the term "Corporation" means any one of the Corporations individually;

(i) "Division date" means in the case of:

- EA Railways 30th June, 1977;
- EA P & T 31st December, 1976;
- EA Harbours 30th June, 1977;
- EA Airways 15th February, 1977;
- EA Extelcoms 31st March, 1977;
- EA Cargo Handling 31st December, 1976; and
- GFS 30th June, 1977;

(j) "Long-term liabilities" means all those liabilities which are listed in Annex "A" to this Agreement;

(k) "Current liabilities" means those liabilities expected to be settled within a limited period not exceeding one year;

(l) "Net assets" means in the case of each Corporation and the GFS all the assets less current liabilities of such Corporation and of the GFS other than the assets and liabilities of the pension and provident funds and those which have been defined as long-term liabilities;

(m) "Rolling Stock Report" means the report on the identification and allocation of rolling stock between Kenya and Uganda dated 1st and 2nd December, 1982, hereto attached as Annex "B" to this Agreement together with the list of rolling stock and three Annexes thereto, submitted on 7th December, 1982, agreed to by Kenya and Uganda and hereby deemed part of Annex "B" of this Agreement;

(n) "Shs.m" means millions of shillings of Kenya, Tanzania or Uganda, as the case may be, at the rate of 8.31542 shillings to 1 US Dollar in effect on 30th June, 1977;

(o) "\$M" means millions of United States Dollars;

(p) "Convertible currency" means the following currencies:

- The Canadian Dollar;
- The Deutsche Mark;
- The Italian Lira;
- The Pound Sterling;
- The Japanese Yen;
- The United States Dollar;

(q) "Tribunal" means the Arbitration Tribunal as provided for in article 12 hereof;

(r) "Board" means the Board of Trustees as provided for in article 10 hereof;

(s) "Mediation ratio" or "Mediation formula" means the division in the proportion of forty-two per cent (42%) for Kenya, thirty-two per cent (32%) for Tanzania and twenty-six per cent (26%) for Uganda.

#### Article 2. ASSETS AND LIABILITIES COVERED

2.00. This Agreement covers the assets and liabilities of the Corporations and the GFS at the division date of each Corporation and of the GFS.

#### Article 3. NET ASSETS; EQUITY SHARES; EXCESS AND SHORTFALL

3.00. The amount of the net assets of the Corporations and of the GFS held in each of the States, the allocation of such amount as equity shares among the States, taking into account the geographic location of such assets and the common ownership interests by the States in such assets, and the resulting excess or shortfall of net assets are:

	EQUITY SHARE							
			Kenya 42%		Tanzania 32%		Uganda 26%	
	Shs.m	\$m	Shs.m	\$m	Shs.m	\$m	Shs.m	\$m
Assets held . . . . .	11,913	1,432.640	6,207.00	746.445	4,198.00	504.845	1,508.00	181.350
Equity shares . . . . .			5,003.46	601.709	3,812.16	458.445	3,097.38	372.486
			(42%)		(32%)		(26%)	
Excess (Shortfall) . .			1,203.54	144.736	385.84	46.400	(1,589.38)	(191.136)

#### Article 4. COMPENSATION TO UGANDA FOR SHORTFALL OF NET ASSETS; INTEREST PAYMENTS

4.01. Kenya and Tanzania shall compensate Uganda for its shortfall of net assets as set forth in article 3 hereinabove by one or more of the following methods:

- (a) Payments in convertible currencies;
- (b) The provision of goods;
- (c) The provision of services;
- (d) The financing of existing or new productive facilities;
- (e) The set-off, or compensation for mutually recognized claims; or
- (f) A combination of any of these modes;

all on terms and conditions agreed between Kenya and Uganda, and between Tanzania and Uganda, as set forth in Annexes "C" and "D", respectively, to this Agreement.

4.02. Kenya and Tanzania shall pay interest at the rate of seven per cent (7%) per annum from the date of signing of this Agreement on the outstanding amounts of compensation due to Uganda from time to time under this article.

*Article 5. COMPENSATION FOR EQUIPMENT AND ALLOCATION OF ROLLING STOCK TO UGANDA*

5.01. Kenya shall pay to Uganda the amount of shillings one million (Shs. 1m) equivalent to United States dollars one hundred and twenty thousand (US\$120,000) being compensation for certain GFS equipment.

5.02. Kenya shall transfer to Uganda the number of coaches and wagons of the quality, size and specifications as set forth in the Rolling Stock Report.

*Article 6. VALUATION OF LONG-TERM LIABILITIES*

6.00. The long-term liabilities of the Corporations and of the GFS at the division date of each Corporation and of the GFS amount to shillings two thousand eight hundred and sixty-three million, eight hundred thousand (Shs. 2,863,800,000).

*Article 7. ALLOCATION OF LONG-TERM LIABILITIES; INTERIM PAYMENTS*

7.01. The long-term liabilities of the Corporations and of the GFS as at the division dates, set out in Annex "A", are allocated to the States in the proportion of forty-two per cent (42%) to Kenya, thirty-two per cent (32%) to Tanzania, and twenty-six per cent (26%) to Uganda.

TABLE OF DIVISION

	Total		Kenya 42%		Tanzania 32%		Uganda 26%	
	Shs.m	\$m	Shs.m	\$m	Shs.m	\$m	Shs.m	\$m
Long-term liabilities.....	2,863.800	344.396	1,202.796	144.646	916.416	110.207	744.588	89.543

7.02. Payments made by each State in respect of the long-term liabilities from the division dates to 30th June, 1984, shared either in excess or short of the proportion allocated to a State in sub-article 7.01 are to be taken into account in calculating the amount of compensation due by or to that State under article 4.

*Article 8. LIABILITY TOWARDS CREDITORS*

8.01. The creditors of the long-term liabilities and the States having agreed to the division of the liabilities pursuant to article 7 and, where applicable, to the elimination of joint and several guarantees in respect of such liabilities, each State shall solely be responsible for such balance of liabilities allocated to it and as reflected in the separate Agreements between each State and each Creditor.

8.02. The repayment to local holders of loan stocks issued by the Corporations, shall be the responsibility of the Government of the State in which the stockholders reside.

8.03. Each State hereby indemnifies the other States against all responsibilities for the liabilities it has assumed as provided in sub-articles 8.01 and 8.02 above.

8.04. Notwithstanding any other provision in this Agreement to the contrary, the effective date of sub-article 8.01 shall be 1st July, 1984.

*Article 9. CLAIMS*

9.01. Claims, registered prior to 31st December, 1978, other than claims for pensions by former members of staff of the Community institutions, claims against EA Airways and long-term liabilities, shall be dealt with as follows:

- (a) Claims for amounts due in the currency of one of the States are assigned to, and shall be dealt with by such State in accordance with its existing procedures;
- (b) Claims for amounts due in foreign currency, not covered by article 8, may be dealt with by *ad hoc* agreement between the States or, failing such agreement, by the Arbitration Tribunal referred to in article 12 of this Agreement.

9.02. Claims against EA Airways registered prior to 31st December, 1978, not allocated as part of the long-term liabilities pursuant to article 7, shall be dealt with by the State in which they were registered in accordance with that State's existing procedures.

*Article 10. PENSION AND PROVIDENT FUNDS*

10.01. The assets of the Pension and Provident Funds of the Corporations and GFS consist of the value of the Pension and Provident Funds assets located in the States and those currently held and managed by the Crown Agents.

10.02. The Pension assets and liabilities of the Corporations and GFS shall be subject to an actuarial exercise which shall determine the value of the Pension assets and liabilities in each State and abroad for a decision by the States on the final division of the assets and the liabilities.

10.03. Pending the determination of the Pension assets and liabilities for each State:

(a) Pension and Provident Funds assets located in the States shall continue to be vested and managed by the States where they are so located.

(b) (i) Pension and Provident Funds assets of the Community currently held and administered by the Crown Agents shall vest in and be managed and administered by a Board of Trustees consisting of the Governors of the Central Banks of the States.

(ii) The Board shall sit not later than one month after the signing of the Mediation Agreement and shall thereafter meet quarterly and submit its reports to the Ministers responsible for Finance in the States.

(iii) The Board shall function in accordance with the rules of procedure set forth in Annex "F" to this Agreement. If any question of procedure arises which is not covered by the said annex, the Board shall decide the question.

(iv) The Board shall cease to exist upon a final division of the Pension and Provident Funds assets and other assets and liabilities as provided for in sub-articles 10.01, 10.02 and 11.03 of this Agreement.

(c) The Pension and Provident Funds Assets of the Community now held and managed by the Crown Agents consisted of the following as at 31st March, 1984:

- (i) Pension Fund assets amounting to Pounds Sterling twenty million, five hundred and ninety-two thousand, four hundred and fifty (£20,592,450).
- (ii) Provident Fund assets amounting to Pounds Sterling one million, two hundred forty-eight thousand, nine hundred and seventy-seven (£1,248,977).

10.04. The value of the assets of the Pension Fund of EA P & T other than those covered in sub-article 10.01 above, located in Uganda shall be ascertained and a decision made thereon by the States in the light of actuarial and other findings.

10.05. Each State shall:

- (a) Pay its nationals, employed by the Corporations or GFS and retired from active service by the division date the pensions and other benefits due to them on account of such employment.
- (b) Make provision for the pension rights and entitlements to other benefits accrued as of the division date in favour of its nationals in active service with such Corporations and GFS at that date.

10.06. (a) Each State shall pay to members of staff formerly employed by the Corporations or GFS, other than its nationals and other than those covered by the Pensions Take-over Agreement with the United Kingdom whose last duty station was within its territory, and to their widows and orphans the pensions and other benefits lawfully due to them on account of such employment.

(b) The obligation referred to in paragraph (a) of this sub-article covers both members of staff retired from active service and those in active service at the division date.

#### *Article 11. OTHER ASSETS*

11.01. Other assets of the Community held by the Crown Agents consist of:

(a) Sinking Funds which amounted, as at 31st March, 1984, to Pounds Sterling four million, five hundred thirty-eight thousand, six hundred eighty-two (£4,538,682):

- (i) Out of this amount, a sum of Pounds Sterling five hundred thousand, seven hundred and sixty-seven (£500,767) is distributed to the States in the proportion of forty-two per cent (42%) to Kenya, thirty-two per cent (32%) to Tanzania and twenty-six per cent (26%) to Uganda;
- (ii) The balance of Pounds Sterling four million, and thirty-seven thousand, nine hundred and fifteen (£4,037,915) shall be used to redeem the following two loan stocks:
  - 1957 East African High Commission (Railways and Harbours) 5 3/4% 1977-83;
  - 1956 East African High Commission (Railways and Harbours) 5 1/2% 1980-84.

Any surplus will be divided among the States in accordance with the Mediation formula.

(b) (i) Cash balances, which amounted to Pounds Sterling one million, one hundred and twenty thousand, five hundred ninety (£1,120,590) at 31st March, 1984, are distributed to the States in proportion of forty-two per cent (42%) to Kenya, thirty-two per cent (32%) to Tanzania and twenty-six per cent (26%) to Uganda.

(ii) Out of this amount, the sum of £5,400 may be transferred to Pensions Fund.

11.02. The amount due from the United Kingdom to the Community arising out of the Pensions Take-over Agreement which is currently estimated at Pounds Sterling five hundred and sixty-four thousand (£564,000) shall be distributed to the States in the proportion of forty-two per cent (42%) to Kenya, thirty-two per cent (32%) to Tanzania and twenty-six per cent (26%) to Uganda.

11.03. Any other assets not particularly provided for in this Agreement, which after the signature of this Agreement are ascertained by the States, the Board of Trustees or any other person or body as belonging to the Community, shall automatically vest in the Board of Trustees which shall manage and administer the same until a decision is made by the States for the final disposal thereof.

#### *Article 12. SETTLEMENT OF DISPUTES*

12.01. Any dispute between two or more of the States and/or any claim by any one or more of them against any other of the States arising under this Agreement, including any question concerning its interpretation or implementation, which cannot be determined by agreement between the parties, shall be submitted for decision to an Arbitration Tribunal.

12.02. (a) The Tribunal shall consist of four members appointed as follows: each State shall appoint one member, the fourth member, who shall be the Chairman of the Tribunal and who shall not be a national of any of the States, shall be appointed by agreement of the States.

(b) Notwithstanding the foregoing, in the event that one State shall fail to make an appointment within three months from the date of this Agreement the Tribunal shall be deemed to be properly constituted.

(c) In case the States fail to agree on the appointment of a Chairman within three months from the date of this Agreement, the President of the World Bank shall make such appointment.

12.03. The Tribunal shall function in accordance with the Rules of Procedure set forth in annex "E" to this Agreement. If any question of procedure arises which is not covered by the said annex, the Tribunal shall decide the question.

12.04. Every decision of the Tribunal shall be taken by the majority of the members present at a sitting, and where the members are equally divided in their opinions, that of the Chairman shall prevail.

12.05. The decisions of the Tribunal shall be in writing and shall be signed by each member present at the sitting.

12.06. The States shall by mutual agreement determine the terms and conditions of service of the Chairman of the Tribunal.

12.07. Each State shall pay the member of the Tribunal representing it allowances and other remuneration for attendance at sessions of the Tribunal. In addition, each member will be reimbursed by the State which appointed him for expenses reasonably incurred by him in the course of his duties as a member of the Tribunal.

12.08. (a) There shall be a Registrar who shall be appointed by agreement of the States.



(b) Until the States exercise their powers under sub-article 12.08 (a) above, the Secretary of the East African Development Bank shall be the Registrar of the Tribunal.

(c) The States shall make equal advance payments for the setting up of the Registry, and thereafter make appropriate financial arrangements for the running thereof.

12.09. The Registry of the Tribunal shall be situated in Kampala, Uganda.

12.10. The Tribunal may in any particular case meet and exercise its jurisdiction at any place, within the States, it considers desirable.

12.11. The Tribunal shall cease to exist upon the full and final payment and settlement of all compensation, claims and disputes under this Agreement.

#### *Article 13. LAW GOVERNING THIS AGREEMENT*

13.00. The Tribunal shall apply legal principles common to the contracting States and recognized principles and rules of International Law.

#### *Article 14. CONTINUATION OF CERTAIN INSTITUTIONS AND SERVICES; FUTURE CO-OPERATION*

14.01. The States agree that the Soroti Civil Flying School, the East African Development Bank, the East African Inter-University Committee, the Eastern and Southern African Management Institute, and the East African Community Library Services shall continue to function as joint East African institutions or common services, as the case may be, and agree to make appropriate arrangements for the financing and operation thereof.

14.02. The States agree to explore and identify further areas for future co-operation and to work out concrete arrangements for such co-operation.

#### *Article 15. ABROGATION OF THE TREATY FOR EAST AFRICAN CO-OPERATION*

15.00. The Treaty for East African Co-operation, dated 6th June, 1967, is hereby abrogated.

#### *Article 16. ENTRY INTO FORCE*

16.00. This Agreement shall enter into force upon its signature.

#### *Article 17. CITATION*

17.00. This Agreement shall be cited as "the East African Community Mediation Agreement 1984".

#### *Article 18. SCOPE OF THIS AGREEMENT*

18.00. This Agreement consists of 18 articles and 6 annexes, each of which forms an integral part hereof. The Agreement is made and signed in five originals, all in English and all of them being equally authentic. Each State shall retain one original and the fourth and fifth originals shall be deposited with the Secretaries-General of the United Nations and the Organization of African Unity.

DONE at Arusha, Tanzania, on the fourteenth day of May in the year one thousand nine hundred and eighty-four.

IN FAITH WHEREOF the undersigned have placed their signatures at the end of this Agreement.

For the Government  
of the United Republic  
of Tanzania:

*[Signed]*

JULIUS K. NYERERE  
President

For the Government  
of the Republic  
of Uganda:

*[Signed]*

A. MILTON OBOTE  
President

For the Government  
of the Republic  
of Kenya:

*[Signed]*

DANIEL T. ARAP MOI  
President

#### ANNEXES TO THE MEDIATION AGREEMENT

- A. Long-term Liabilities and allocation thereof
- B. The Rolling Stock Report
- C. Kenya/Uganda Compensation Agreement
- D. Tanzania/Uganda Compensation Agreement
- E. Rules of Procedure of the Arbitration Tribunal
- F. Rules of Procedure of the Board of Trustees

## ANNEX A. EAST AFRICAN COMMUNITY MEDIATION LONG-TERM LIABILITIES AND ALLOCATION THEREOF

## I. LOANS FROM GOVERNMENTS AND INTERNATIONAL AGENCIES

	<i>Balance at division date</i>					
	<i>Total</i>	<i>Kenya</i>	<i>Tanzania</i>	<i>Uganda</i>		
	<i>Currency</i>	<i>Shs. '000</i>	<i>Shs. '000 42%</i>	<i>Shs. '000 32%</i>	<i>Shs. '000 26%</i>	
<i>British Government</i>						
E.A. Railways						
1961 £5.6m 6 1/2% 1986 Exchequer .....	£	3,475,656	49,448	20,768	15,823	12,857
1965 £3.15m 7.1% 1984 ECGD .....	£	1,622,250	23,199	9,743	7,424	6,032
1970 £1.0m 1995 (interest free) .....	£	922,400	13,190	5,540	4,221	3,429
1970 £1.0m 5 1/2% 1982 commercial Credit .....	£	595,875	8,521	3,579	2,727	2,215
E.A.P.&T.						
1961 £0.75m 6 1/2% 1986 Exchequer .....	£	413,530	5,881	2,470	1,882	1,529
1963 £0.25m 5 1/2% 1988 Exchequer .....	£	164,913	2,359	991	755	613
E.A. Harbours						
1961 £1.9m 6 1/2% 1986 Exchequer .....	£	1,127,935	16,129	6,774	5,161	4,194
	£	8,322,559	118,727	49,865	37,993	30,869
<i>West German Government</i>						
E.A. Railways						
1964 AL 60 DM 8.96m .....	DM	3,466,296	11,245	4,723	3,598	2,924
1971 AL 634 DM 8.6m 1966 .....	DM	8,598,098	30,766	12,922	9,845	7,999
	DM	12,064,394	42,011	17,645	13,443	10,923
<i>Italian Government/Condotte</i>						
GFS .....	Lire	13,497 m	123,970	52,067	39,671	32,232
<i>Zambian Government</i>						
E.A. Harbours						
1966 Kw 4.0m 6% 1982 .....	Kw	1,234,000	12,975	5,450	4,152	3,373

	<i>Balance at division date</i>					
	<i>Total</i>		<i>Kenya</i>	<i>Tanzania</i>	<i>Uganda</i>	
	<i>Currency</i>	<i>Shs. '000</i>	<i>Shs. '000 42%</i>	<i>Shs. '000 32%</i>	<i>Shs. '000 26%</i>	
<i>East African Governments</i>						
E.A. Railways .....	Shs.	150,000,000	150,000	63,000	48,000	39,000
E.A.P.&T.						
Zanzibar Govt. ....	\$	1,617,670	13,450	5,649	4,304	3,497
GFS						
Balance .....	Shs.	2,000,000	2,000	840	640	520
Sinking Fund .....	£	(70,509)	(900)	(378)	(288)	(234)
			164,550	69,111	52,656	42,783
<i>I.B.R.D.</i>						
E.A. Railways						
No. 428-1 E.A. ....	\$	28,480,000	257,006	107,942	82,242	66,822
No. 674 E.A. ....	\$	31,590,000	259,495	108,988	83,038	67,469
E.A.P.&T.						
No. 483 E.A. ....	\$	10,890,000	111,000	46,620	35,520	28,860
No. 675 E.A. ....	\$	9,890,000	79,600	33,432	25,472	20,696
No. 914 E.A. ....	\$	22,650,000	181,700	76,314	58,144	47,242
E.A. Harbours						
No. 428-2 E.A. ....	\$	4,930,000	56,663	23,798	18,132	14,733
No. 638 E.A. ....	\$	30,250,000	262,068	110,068	83,862	68,138
No. 865 E.A. ....	\$	24,450,000	204,081	85,714	65,306	53,061
	\$	163,130,000	1,411,613	592,876	451,716	367,021
<i>Canadian International Development Agency</i>						
E.A. Railways						
1970 C\$ 14m 2020 (interest free) .....	C\$	13,955,000	109,506	45,993	35,042	28,471
E.A. Harbours						
1974 C\$ 33.5m 2022 (interest free) .....	C\$	32,930,000	258,409	108,532	82,691	67,186
	C\$	46,885,000	367,915	154,525	117,733	95,657
<i>UNDP</i>						
GFS .....	\$	414,791	3,061	1,286	979	796
<i>International Co-operation Administration</i>						
E.A. Harbours .....	£	103,914	1,486	624	476	386
TOTAL LOANS FROM GOVERNMENTS AND INTERNATIONAL AGENCIES			2,246,308	943,449	718,819	584,040

## II. COMMERCIAL LOANS

*Creditors of E.A.P.&T.*

C. Itoh Credit .....	Yen	925,676,244	26,456	11,111	8,466	6,879
Cable and Wireless .....	£	470,332	6,726	2,825	2,152	1,749

*Creditors of E.A. Airways*

## DC 9 Loans

National Bank of Kenya .....	Shs.	10,361,000	10,361	4,351	3,316	2,694
Bank of Commerce, Tanzania .....	Shs.	9,700,000	9,700	4,074	3,104	2,522
Consortium of Uganda Banks .....	Shs.	2,035,000	2,035	855	651	529
Eximbank .....	\$	5,456,000	45,683	19,187	14,618	11,878
MacDonnell Douglas .....	\$	606,000	5,074	2,131	1,624	1,319
VC 10 Loan — BAC .....	£	4,313,000	62,107	26,085	19,874	16,148
B707 Loan — National Bank of Kenya .....	Shs.	41,682,000	41,682	17,506	13,339	10,837
Special Loan — National Bank of Kenya .....	Shs.	18,945,000	18,945	7,957	6,062	4,926

*Creditors of E.A. Extelcoms*

Standard and Chartered Bank, Tanzania .....	\$	833,035	6,368	2,675	2,038	1,655
Tanzania Investment Bank .....	Shs.	13,000,000	13,000	5,460	4,160	3,380
Consortium-Grindlays/Grindlays International, Uganda .....	Shs.	17,000,000	17,000	7,140	5,440	4,420
Grindlays Bank, Uganda .....	Shs.	12,000,000	12,000	5,040	3,840	3,120
Marconi Communications Limited .....	£	103,107	1,650	693	528	429

## TOTAL COMMERCIAL LOANS

278,787	117,090	89,212	72,485
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## III. LOAN STOCK AND RELATED SINKING FUNDS

*E.A. Railways*

1954 £Stg 5m 4% 1973/76 local register .....	£	471,390	6,819	2,864	2,182	1,773
1956 £Stg 3.0m 5 1/2% 1980/84						
London register .....	£	2,896,665	41,422	17,397	13,255	10,770
Local register .....	£	117,730	1,684	707	539	438
Sinking fund .....	£	(1,339,882)	(19,160)	(8,047)	(6,131)	(4,982)
1957 £Stg 8.5m 5 3/4% 1977/83						
London register .....	£	7,257,483	103,249	43,364	33,040	26,845
Local register .....	£	278,558	3,983	1,673	1,275	1,035
Sinking fund .....	£	(3,133,555)	(44,810)	(18,820)	(14,339)	(11,651)

## Balance at division date

	Balance at division date					
	Total	Kenya	Tanzania	Uganda		
	Currency	Shs. '000	Shs. '000 42%	Shs. '000 32%	Shs. '000 26%	
1975 £Stg 5.9m 9% 1977 .....	£	6,810,428	97,750	41,055	31,280	25,415
1970 K£ 1.0m 6 3/4% 1990						
Balance .....	Shs.	22,700,000	22,700	9,534	7,264	5,902
Sinking fund .....	Shs.	(702,000)	(702)	(294)	(225)	(183)
1971 K£ 2.0m 6 3/4% 1986						
Balance .....	Shs.	45,437,858	45,438	19,084	14,540	11,814
Sinking fund .....	Shs.	(859,000)	(859)	(361)	(275)	(223)
<i>E.A.P.&amp;T.</i>						
1957 £Stg 3.0m 5 3/4% 1977/83						
Balance (London and local) .....	£	3,000,000	42,900	18,018	13,728	11,154
Sinking fund .....	£	(1,087,183)	(15,200)	(6,384)	(4,864)	(3,952)
<i>E.A. Harbours</i>						
1956 £Stg 0.5m 5 1/2% 1980/84						
London register .....	£	482,789	6,904	2,900	2,209	1,795
Local register .....	£	17,221	246	103	79	64
Sinking fund .....		(223,240)	(3,192)	(1,341)	(1,022)	(829)
1957 £Stg 1.0m 5 3/4% 1977/83						
London register .....	£	1,004,919	14,370	6,036	4,598	3,736
Local register .....	£	32,336	462	194	148	120
Sinking fund .....		(435,536)	(6,228)	(2,616)	(1,993)	(1,619)
1971 K£ 1.4m 6 3/4% 1986 .....	Shs.	29,149,504	29,150	12,243	9,328	7,579
1946 Supplementary Fund						
Kenya 2 3/4%						
Sinking fund .....	£	(177,572)	(2,539)	(1,066)	(813)	(660)
<b>TOTAL LOAN STOCKS AND RELATED FUNDS</b>			<b>324,387</b>	<b>136,243</b>	<b>103,803</b>	<b>84,341</b>

## IV. OVERDRAFT AND CASH BALANCES

*Crown Agents*

E.A. Railways — overdraft .....	£	2,297,117	32,849	13,796	10,512	8,541
E.A.P.&T. — overdraft .....	£	1,905,627	27,250	11,445	8,720	7,085
Miscellaneous receipts .....	£	(127,268)	(1,801)	(757)	(576)	(468)

GFS — overdraft .....	£	364,924	5,474	2,299	1,752	1,423
	£	4,440,400	63,772	26,783	20,408	16,581
<i>E.A.P.&amp;T. Headquarters Accounts</i>						
Uganda Commercial Bank .....	Shs.	(678,667)	(679)	(285)	(217)	(177)
Grindlays Bank, Uganda .....	Shs.	(1,049,233)	(1,049)	(440)	(336)	(273)
New York .....	\$	(26,374)	(219)	(92)	(70)	(57)
<i>GFS Overseas accounts</i>						
London .....	£	(4,991)	(80)	(33)	(26)	(21)
Bombay and Karachi .....		?	(75)	(32)	(24)	(19)
Montreal .....		?	(115)	(48)	(37)	(30)
TOTAL OVERDRAFTS AND BANK BALANCES			61,555	25,853	19,698	16,004

## V. MISCELLANEOUS

*Creditors of E.A. Railways*

Unallocated loan interest .....	Shs.	5,400,000	5,400	2,268	1,728	1,404
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*Owed to E.A. Governments by E.A.P.&T.*

1949 initial conversion (1979) 3% .....	Shs.	3,190,023	3,190	1,340	1,021	829
Depreciation loans .....	Shs.	9,659,480	9,660	4,057	3,091	2,512

*Overseas and liabilities of E.A. Railways*

Overseas assets .....	Shs.	(150,200,000)*	(150,200)	(63,084)	(48,064)	(39,052)
Overseas short-term liabilities .....	Shs.	46,400,000 *	46,400	19,488	14,848	12,064

\* Various currencies.

*E.A. Cargo Handling*

E.A. Harbours debenture .....	Shs.	4,600,000	4,600	1,932	1,472	1,196
E.A. Harbours loan .....	Shs.	22,500,000	22,500	9,450	7,200	5,850

*GFS*

Pension fund loans .....	Shs.	12,112,636	12,113	5,088	3,876	3,149
Building in Montreal .....	Shs.	(900,000)	(900)	(378)	(288)	(234)

TOTAL MISCELLANEOUS

(47,237)	(19,839)	(15,116)	(12,282)
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	<i>Balance at division date</i>			
	<i>Total</i>	<i>Kenya</i>	<i>Tanzania</i>	<i>Uganda</i>
	<i>Currency</i>	<i>Shs. '000</i>	<i>Shs. '000</i> <i>42%</i>	<i>Shs. '000</i> <i>32%</i>
<i>Summary</i>				
Loans from Governments and International Agencies .....	2,246,308	943,449	718,819	584,040
Commercial loans .....	278,787	117,090	89,212	72,485
Loan stocks and related sinking funds .....	324,387	136,243	103,803	84,341
Overdrafts and cash balances .....	61,555	25,853	19,698	16,004
Miscellaneous .....	(47,237)	(19,839)	(15,116)	(12,282)
	<u>2,863,800</u>	<u>1,202,796</u>	<u>916,416</u>	<u>744,588</u>

NOTE: The rates of exchange used in this table are as in the Mediator's Consolidated Report. The principal rates involved at 30 June, 1977 are: £1 = Shs. 14.30001. U.S. \$ 1 = Shs. 8.31542, DM 1 = Shs. 3.55059, Canadian \$ 1 = Shs. 7.84723.



## ANNEX B

D. M. S. Fairweather, B. Sc (Hons), C. Eng., F.I.Mech.E.  
Consulting Engineer  
Oxted, Surrey, RHB OBU

7th December, 1982

Gentlemen,

*East African Community — Mediation Working Party on Railway Rolling Stock*

Following the agreement reached between all railways at the meetings of the Working Party in Kampala on December 1st and 2nd, of which your delegates will already have advised you, a detailed list of the rolling stock to be allocated to Kenya and to Uganda has been drawn up in strict accordance with the methods agreed by the Working Party. A copy of this list is enclosed.

It was also agreed by the Working Party that any minor adjustments to this list, which may arise from practical problems relating to individual vehicles, should be agreed in bilateral discussions between the two railway organizations.

Copies of the following Annexes to the Agreement of December 2nd are also enclosed.

Annex 1. List of all rolling stock in existence at census date;

Annex 2. List of all rolling stock scrapped, or listed for scrapping, since the division date (30th June 1977);

Annex 3. Detailed division of rolling stock between Kenya and Uganda, by type of vehicle, age group and technical features.

Yours faithfully,

D. M. S. FAIRWEATHER  
Chairman, Working Party

The Managing Director  
Uganda Railways Corporation  
P.O. Box 7150  
Kampala, Uganda

The General Manager  
Tanzania Railways Corporation  
P.O. Box 468  
Dar-es-Salaam, Tanzania

The Managing Director  
Kenya Railways Corporation  
P.O. Box 30121  
Nairobi, Kenya

*East African Community Mediation Working Party on Rolling Stock*

1. The Working Party met in Kampala on 1st and 2nd December 1982.

Present were:

Mr. D. M. S. FAIRWEATHER	Chairman	
Mr. J. K. NJUE	Deputy Chief Mechanical and Electrical Engineer	K.R.C.
Mr. S. LUDEK	Data Processing Officer	K.R.C.

Mr. S. M. KWESIGA	Chief Mechanical Engineer	U.R.C.
Mr. C. KARAMAGI	Chief Traffic Manager	U.R.C.
Mr. E. M. KASIMBAZI	Chief Civil Engineer	U.R.C.
Mr. D. MURUNGI	Mechanical Engineer (Technical)	T.R.C.
Mr. M. S. KABIPE	Assistant Chief Mechanical Engineer	T.R.C.
Mr. G. N. HIZZA	Corporate Planning Manager	T.R.C.

2. The Working Party worked to the Terms of Reference given by the Mediator in his Consolidated Report of October, 1981.

3. The Working Party, having obtained and examined all possible sources of information on rolling stock in Kenya and Uganda, have agreed on a comprehensive list of all rolling stock in existence and of vehicles known to have been scrapped since the division date (30th June, 1977).

4. The Working Party agreed that all life expired vehicles, either scrapped in Kenya or listed to be scrapped in Uganda should not feature in the division of rolling stock.

5. The Working Party agreed that all non-life expired vehicles, scrapped as a result of accident damage, should be charged to the Railway on which the accident occurred.

6. The balance of rolling stock, after deduction of life expired stock (either scrapped in Kenya or listed to be scrapped in Uganda) has been divided in exactly the same proportions, for coaches and goods wagons, as in the Mediator's Terms of Reference.

The numbers of stock are:

	<i>Total No.</i>	<i>Kenya No.</i>	<i>%</i>	<i>Uganda No.</i>	<i>%</i>
Coaches .....	509	402	79	107	21
Wagons .....	<u>6,354</u>	<u>5,422</u>	<u>85.3</u>	<u>932</u>	<u>14.7</u>
TOTAL	6,863	5,824		1,039	

7. Bearing in mind specific traffic requirements for both Railways, and to assist as far as possible in Uganda's maintenance situation, the division of rolling stock in detail, covering every type of vehicle, age group and principal technical features was agreed; this division closely reflecting the Mediator's recommendations in his consolidated report of October, 1981, both numerically and financially.

8. The Working Party have agreed on the method of marking and identification of individual coaches and wagons in accordance with the above allocation.

9. The Tanzania Railways, as observers, submitted a list of wagons and coaches that were scrapped, or have been condemned, in Tanzania, since the division date. This is submitted for record and adjustment to para. 61 of the Mediator's Consolidated Report of October, 1981.

S. M. KWESIGA  
For Uganda Railways Corporation

J. K. NJUE  
For Kenya Railways Corporation

M. S. KABIPE  
For Tanzania Railways Corporation (Observers)

D. M. S. FAIRWEATHER  
Chairman, Working Party

ANNEX C. COMPENSATION AGREEMENT BETWEEN THE GOVERNMENTS OF THE REPUBLIC OF UGANDA AND THE REPUBLIC OF KENYA IN RESPECT OF THE SHORTFALL OF NET ASSETS UNDER THE MEDIATION AGREEMENT

Agreement between the Governments of the Republic of Uganda (hereinafter referred to as "Uganda") of the one part and the Republic of Kenya (hereinafter referred to as "Kenya") of the other part:

Whereas:

By virtue of the Agreement for the division of the Assets and Liabilities of the former East African Community (hereinafter referred to as the "Mediation Agreement") Kenya shall compensate Uganda for her shortfall of net assets the amount of shillings one billion, two hundred and three million, five hundred and forty thousand (Sh. 1,203.54 million) equivalent to United States of America dollars one hundred and forty-four million, seven hundred and thirty-six thousand (US \$144.736 million) calculated at the rate of Sh. 8.31542 per 1 US dollar as at 30th June, 1977. The amount shall be paid in convertible currencies.

Pursuant to article 5.01 of the Mediation Agreement, Kenya shall further compensate Uganda for the General Fund Services Equipment, the amount of shillings one million (Sh. 1 million) equivalent to United States of America dollars one hundred and twenty thousand (US \$0.12 million) calculated at the rate of Sh. 8.31542 per 1 US dollar as at 30th June, 1977. The amount shall be paid in convertible currencies.

By virtue of article 4 of the Mediation Agreement and the Memorandum of Understanding between Kenya and Uganda dated 3rd March, 1984, the compensation to Uganda shall consist of the following methods:

- (i) Convertible cash;
- (ii) Set-off of monies Uganda owes Kenya;
- (iii) Payment for services rendered to Uganda by Kenya;
- (iv) Payment for raw materials and manufactured goods obtained by Uganda from Kenya;
- (v) Payment for any fixed assets acquired by Uganda in Kenya; or a Combination of any one of these methods.

Uganda will, after due consultation with Kenya, and taking into account proposals and views submitted by Kenya at such consultation, decide on the extent and combination of modes of payment.

The parties hereto acknowledge the fact that there exist claims due to Kenya payable by Uganda Government arising out of the Inter Central Banks' Credit Facility Agreement of 1981 between Kenya and Uganda and the current indebtedness of the Uganda Government and her parastatal bodies to the Kenya Government, Kenya parastatal bodies and Kenya private sector.

Now therefore Kenya and Uganda agree on the methods of payment of compensation as hereunder:

*Article I. AMOUNT OF COMPENSATION*

The compensation amount is the sum of United States of America dollars one hundred forty-four million, seven hundred and thirty-six thousand (US \$144.736 million) and a further sum of United States of America dollars one hundred and twenty thousand (US \$0.12 million) amounting to a total sum of United States of America dollars one hundred forty-four million, eight hundred and fifty-six thousand (US \$144.856 million).

*Article II. PAYMENT OF COMPENSATION*

The amount hereinabove stated in article I shall be paid over a period of eight (8) years with interest at the rate of seven per cent (7%) per annum on outstanding balances from the date of signature of the Mediation Agreement as follows:

(i) For the first five years, the annual sum of United States of America dollars twenty-nine million, four hundred and twelve thousand (US \$29,412 million) inclusive of interest shall be paid by Kenya to Uganda in ten (10) half-yearly instalments of United States of America dollars fourteen million, seven hundred and six thousand (US \$14,706 million) each, commencing on 1st July, 1984 or three months after the signing of the Mediation Agreement whichever is the earliest and ending on 1st January, 1989 inclusive as set out in Schedule A to this Agreement.

(ii) The balance outstanding as at 1st July, 1989 or such subsequent date subject to the due date of the first instalment in article II (i) above, shall be paid in three (3) years in six equal half-yearly instalments inclusive of interest, commencing six months after the last instalment in article II (i) above and ending on the 1st day of July, 1992, or such subsequent date depending on the date of the first instalment herein.

Provided that after working out and adjusting Schedule A, Schedule B shall be worked out and shall form part of this article and shall be read and interpreted together with this Agreement.

*Article III. PAYMENT IN CONVERTIBLE CASH*

The compensation amount payable by Kenya to Uganda in convertible cash shall be paid into the Bank of Uganda's account with the Federal Reserve Bank in New York.

*Article IV. SET-OFF*

(i) Upon the coming into effect of the Mediation Agreement, there shall be set-off against the compensation amount payable by Kenya Government to the Uganda Government the amount payable by Uganda Government to Kenya Government arising out of the Inter Central Banks' Credit Facility Agreement of 1981 and such other debts owed by Uganda Government and her parastatals to the Kenya Government, Kenya parastatals and Kenya Private sector, as shall have been verified by 1st July, 1984.

(ii) Any debts which shall not have been verified by 1st July, 1984 shall be verified by 30th September, 1984 and off-set from the instalment next following. 30th September, 1984 shall be the cut-off date for all current indebtedness.

*Article V. PAYMENT BY OFF-SETTING CASH PAYMENT FOR SERVICES RENDERED:  
GOODS OBTAINED AND ASSETS ACQUIRED*

For the first five years Uganda shall at any time within any instalment, consult Kenya and, taking into account proposals and views submitted by Kenya at such consultation, decide the amount to be off-set for:

- (a) Any services rendered by Kenya to Uganda,
- (b) Any goods obtained from Kenya by Uganda,
- (c) Any fixed assets Uganda may acquire in Kenya.

*Article VI. INTEREST*

Kenya shall pay interest under article 4.02 of the Mediation Agreement only on any outstanding amounts of the compensation amount.

*Article VII. WAIVER*

Kenya shall waive all claims against Uganda arising out of the set-off specified in article IV to the extent of the amounts found due to Kenya and set-off against Uganda as at 30th September, 1984.

*Article VIII.* AMENDMENTS

This Agreement may be amended by mutual consent of the parties and such amendment shall be in writing and signed by duly authorized representatives of the two Governments and shall form an integral part of this Agreement.

*Article IX.* SCOPE OF AGREEMENT

This Agreement shall be attached to and form an annex to the Mediation Agreement and constitute an integral part thereof.

*Article X.* COMING INTO FORCE

This Agreement shall come into force upon the date of signature of the Mediation Agreement.

DONE at Arusha this 31st day of March, 1984.

SAM TEWUNGWA

Minister of Regional Co-operation  
for the Government of the Republic  
of Uganda

PETER C. J. O. NYAKIAMO

Minister of State, Office of the President  
for the Government of the Republic  
of Kenya

SCHEDULE A. PROPOSED PAYMENT SCHEDULE BY KENYA TO UGANDA  
IN U.S. DOLLARS (MILLION)

<i>Date</i>	<i>Outstanding U.S. \$</i>	<i>Interest U.S. \$</i>	<i>Total Due U.S. \$</i>	<i>Payment Due U.S. \$</i>
1st July, 1984 .....	144.856	2.535	147.391	14.706
1st January, 1985 .....	132.685	4.644	137.329	14.706
1st July, 1985 .....	122.623	4.292	126.915	14.706
1st January, 1986 .....	112.209	3.927	116.136	14.706
1st July, 1986 .....	101.430	3.550	104.980	14.706
1st January, 1987 .....	90.274	3.160	93.434	14.706
1st July, 1987 .....	78.728	2.755	81.483	14.706
1st January, 1988 .....	66.777	2.337	69.114	14.706
1st July, 1988 .....	54.408	1.905	56.313	14.706
1st January, 1989 .....	41.607	1.456	43.063	14.706

NOTE: The figures in Columns 1, 2 and 3 will be adjusted, subject to:

- (i) The date of the signature of the Mediation Agreement;
- (ii) The verified debts to be set-off on the date of the signature of the Mediation Agreement.

## ANNEX C (II). AMENDMENT

*(Number One)*

Whereas on the 31st of March, 1984 the Governments of the Republic of Uganda and the Republic of Kenya signed a Compensation Agreement in respect of the Compensation amount of United States dollars one hundred forty-four million, eight hundred fifty-six thousand (US \$144.856 m) payable by Kenya to Uganda;

And whereas article VIII permits the two Governments to amend the aforementioned Agreement;

And whereas after mutual consultations and discussions it has become necessary to amend some articles thereof.

Now therefore it is agreed as follows:

*Article I. SUBSTITUTIONS AND AMENDMENTS*

1. (A) Article IV (set-off) of the Agreement dated 31st March, 1984, is deleted and substituted with the following provisions:

*“Article IV. SET-OFF*

“(i) Upon the coming into effect of the Mediation Agreement, there shall be a set-off against the Compensation amount payable by the Government of Kenya to the Government of Uganda in the sum of United States dollars eight million, seven hundred thirty thousand, eight hundred and ninety-five cents fifty-seven only (US\$8,730,895.57) being:

“(a) Kenya’s net claim arising out of Kenya’s overpayment of the Long-term Liabilities of the Community as a result of the division of the said Liabilities in the mediation ratio of a sum of United States dollars seven million, six hundred twenty-seven thousand, five hundred and twenty-nine cents fifty-seven only (US\$7,627,549.57) as more fully set out and summarized in a schedule hereto attached and marked Annexure A.

“(b) Tanzania’s obligation to pay Kenya a sum of United States dollars one million, one hundred and three thousand, three hundred and sixty-six only (US\$1,103,366) as a result of the division of the Long-term Liabilities of the Community in the mediation ratio. The said obligation is assumed by Uganda as per exchange of letters between Uganda and Tanzania copied to Kenya dated 27th April, 1984 and as more particularly set out and summarized in a schedule hereto attached and marked Annexure B.

“(ii) Upon the coming into effect of the Mediation Agreement, there shall be a further set-off against the Compensation amount payable by the Government of Kenya to the Government of Uganda, the amount representing the current indebtedness of the Government of Uganda and her parastatals to the Government of Kenya, Kenya parastatals and Kenya private sector as shall have been verified by the effective date of the Mediation Agreement. The verified figure to be off-set shall be agreed upon by exchange of letters between the two Governments.

“(iii) Any Government debts which shall not have been verified by the effective date of the Mediation Agreement shall be verified by 30th September, 1984 and off-set from the instalment next following. 30th September, 1984, shall be the cut-off date for all current indebtedness.”

1. (B) Article VI (Interest) of the Agreement mentioned in 1 (A) above is amended to make the present provision (i) and introduce (ii) as hereunder:

“(ii) After the set-off in article IV (i) and (ii) the balance of the Compensation amount shall be subject to interest under article 4.02 of the Mediation Agreement.”

1. (C) Article VII (Waiver) of the Compensation Agreement shall be amended by substituting the reference “. . . Article 11 . . .” in the second line with the reference “. . . Article IV . . .”.

*Article 11. INTERPRETATION*

11. This Amendment shall be construed, interpreted and read together with and shall form an integral part of the Agreement dated 31st March, 1984.

DONE at Nairobi this 28th day of April, 1984.

SAM TEWUNGWA  
Minister for Regional Co-operation

For the Government  
of the Republic of Uganda

PETER C. J. O. NYAKIAMO  
Minister of State  
Office of the President

For the Government  
of the Republic of Kenya

ANNEXTURE A. SCHEDULE OF COMPENSATION PAYMENTS BETWEEN  
KENYA AND UGANDA

<i>Institution/Loan</i>	<i>Uganda to pay Kenya</i>	<i>Kenya to pay Uganda</i>
<b>A. Railways</b>		
1. 1956 £Stg. 3.5m 1980/84 .....	£ 92,537.17	—
2. 1967 £Stg. 8.5m 1977/83 .....	£ 238,925.80	—
3. 1961 £Stg. 7.5m 1986 Exchequer .....	£ 703,504.00	—
4. 1965 £Stg. 3.15m 1970/84 7.1% E.C.G.D. ....	£ 295,025.00	—
5. 1970 £Stg. 1.0m Comm. credit .....	£ 35,939.33	—
6. 1970 £Stg. 1.0m Interest Free .....	£ 46,199.00	—
7. 1965 I.B.R.D. Loan 428-1 E.A. ....	\$ 1,141,671.00	—
8. 1970 I.B.R.D. Loan 647 — E.A. ....	\$ 1,613,433.00	—
9. E. A. Government Loan .....	—	\$ 1,322,910.40
10. 1954 £Stg. 5.0m — 4% 1973/76 .....	£ 114,771.85	—
11. 1957 £Stg. 8.5m — 5 3/4% 1977/83 .....	£ 26,795.65	—
<b>B. Posts and Telecommunications</b>		
1. Standard Chartered Bank .....	—	—
2. Tanzania Investment Bank .....	—	—
3. Zanzibar Govt. Loan .....	—	—
4. Consortium Loan .....	—	\$ 1,182,661.00
5. Grindlays Bank Loan .....	—	\$ 1,123,466.00
6. Initial Conversion Loan .....	\$ 37,712.00	—
7. Depreciation Loan .....	\$ 29,386.00	—
8. C. Itoh Credit .....	Y 275,184,947.00	—
9. Marconi Communications .....	£ 28,282.00	—
10. Cable and Wireless Loan .....	£ 3,118.00	—
11. Crown Agents Overdraft .....	£ 13,980.00	—
12. I.B.R.D. Loan No. 483 — E.A. ....	\$ 94,965.00	—
13. I.B.R.D. Loan No. 675 — E.A. ....	\$ 77,776.00	—
14. I.B.R.D. Loan No. 914 — E.A. ....	\$ 201,291.00	—
15. British Exchequer Loan 1961/86 £Stg. 0.75m — 6 1/2% .....	£ 39,980.00	—
16. British Exchequer Loan 1963/88 £Stg. 0.25m — 5 1/2% .....	£ 15,220.00	—
17. 1957 E.A.H.C. £Stg. 3.0m — 5 3/4% 1977/83 ..	£ 13,320.00	—
<b>C. Harbours</b>		
1. I.B.R.D. Loan 428 — E.A. ....	\$ 354,880.00	—
2. I.B.R.D. Loan 638 — E.A. ....	\$ 2,049,704.00	—
3. I.B.R.D. Loan 865 — E.A. ....	\$ 1,623,641.00	—
4. International Co-operation Administration (1978) .....	£ 9,819.86	—

<i>Institution/Loan</i>	<i>Uganda to pay Kenya</i>	<i>Kenya to pay Uganda</i>
<b>D. GFS Liabilities</b>		
1. Building in Montreal .....	\$ 45,460.00	—
<b>E. Stocks — Local Register (Non-Sterling)</b>		
1. 1975 £Stg. 5.9m — 9% 1977 .....	£ 43,290.47	—
<i>Summary</i>		
	£ 1,720,708.13	—
	\$ 7,269,919.00	\$ 3,629,037.40
	Y 275,184,947.00	—
Conversion to U.S. \$		
£ 1,720,708.13 .....		U.S. \$ 2,959,100.04
		\$ 7,269,919.00
Y 275,184,947.00 .....		\$ 1,027,547.93
		\$ 11,256,566.97
Less .....		\$ 3,629,037.40
Net Position .....		\$ 7,627,529.57

## ANNEXTURE B

	<i>Kenya to pay Tanzania</i>	<i>Tanzania to pay Kenya</i>
<b>Railways and Harbours</b>		
1954 £Stg. 5m 4% — 1973/76 .....		£Stg. 81,665.32
1957 £Stg. 8.5m 5 1/4% — 1977/83 .....		£Stg. 36,800.80
E.A. Government Loan .....	U.S. \$ 240,529.16	
1961 £Stg. 7.5m 6 1/2% — 1986 Exchequer Loan..		£Stg. 2,968
1970 £Stg. 1.0m — 1995 .....		£Stg. 9,454
1975 £Stg. 5.9m 9% — 1977 Stock .....		£Stg. 53,280.58
<b>Posts and Telecommunications</b>		
C. Itoh Credit .....		JY. 338,689,165
Zanzibar Government Loan .....	U.S. \$ 997,224	
Marconi Communications .....		£Stg. 34,809
Standard and Chartered Bank .....	U.S. \$ 349,875	
Tanzania Investment .....	U.S. \$ 846,251	
Depreciation Loan .....		U.S. \$ 48,452.17
1957 E.A.H.C. £Stg. 3m 5 1/4% — 1977/83 .....		£Stg. 53,240
Cable and Wireless .....		£Stg. 12,473.76
Crown Agents Overdraft .....		£Stg. 116,360
1.B.R.D. 483 E.A. ....		U.S. \$ 379,860
1.B.R.D. 675 E.A. ....		U.S. \$ 311,103
1.B.R.D. 914 E.A. ....		U.S. \$ 805,163
6 1/2% British Exchequer Loan .....		£Stg. 18,360
5 1/2% British Exchequer Loan .....		£Stg. 5,040
<b>TOTALS</b>	U.S. \$ 2,433,879.16	U.S. \$ 1,544,578.17
		JY. 338,689,165
		£Stg. 424,451.46



*Kenya-Tanzania Settlement Analysis*

		<i>Tanzania to pay Kenya</i>	U.S. \$
U.S. \$			
2,433,879.16 — 1,544,578.17 U.S. \$		(-) 889,301	(-) 889,301
£Stg.			
424,451.46	£Stg.	424,451.46	+ 729,965
<i>Japanese Yen</i>			
338,689,165	JY.	338,689,165	+ 1,262,702
			<u>1,103,366</u>

ANNEX D (I). COMPENSATION AGREEMENT BETWEEN THE GOVERNMENTS OF THE UNITED REPUBLIC OF TANZANIA AND THE REPUBLIC OF UGANDA IN RESPECT OF THE SHORTFALL OF THE ASSETS ALLOCATION UNDER THE MEDIATION AGREEMENT

Agreement between the Governments of the United Republic of Tanzania (hereinafter referred to as "Tanzania") of the one part and the Republic of Uganda (hereinafter referred to as "Uganda") of the other part:

Whereas:

By virtue of the proposed Agreement for the Division of the Assets and Liabilities of the former East African Community (hereinafter referred to as the "Mediation Agreement") between the Governments of the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya, Tanzania has agreed to compensate Uganda for its shortfall of net assets the amount of US \$46.4m.

Under article 4 of the said Mediation Agreement the payment of compensation to Uganda shall be made by several methods amongst which is the set-off of mutually recognized claims.

The parties hereto recognize that there are outstanding claims due to Tanzania payable by Uganda arising out of the Loan Agreement dated 12th December, 1979, as amended by the Supplementary Agreement dated 26th June, 1981 and the Inter-Central Bank Commodity Loan Credit Agreement dated 18th May, 1979, as amended by the Supplementary Agreement dated 18th December, 1979.

After the reconciliation of actual figures of the Loans specified in the Long-term Liabilities schedule of the said Mediation Agreement under article 7 thereof, there may arise claims between Tanzania and Uganda.

Now therefore it is agreed and declared as follows: That Tanzania hereby offers to compensate Uganda and Uganda hereby accepts to be compensated by way of set-off from the balance of Tanzania's outstanding claims as hereunder:

1. That 88.6 per cent of the compensation amount shall be paid by way of set-off from Tanzania's claims against Uganda arising out of the Loan Agreement dated 12th December, 1979, as amended on 26th June, 1981.

2. That 11.4 per cent of the compensation amount shall be paid by way of set-off from Tanzania's net claims against Uganda arising out of the Uganda/Tanzania set-off of loans under Categories I and II of the Long-term Liabilities schedule of the Mediation Agreement.

3. That any balance of the compensation amount remaining after the set-off in clause 2 hereinabove shall be paid by way of set-off from Tanzania's claims against Uganda arising out of the Inter-Central Bank Commodity Credit Agreement dated 18th May, 1979, as amended on 18th December, 1979.

4. That any balance of the compensation amount remaining after the set-off in clause 3 hereinabove shall be paid by way of set-off from any further claims by Tanzania against Uganda arising out of the Loan Agreement specified in clause 1 hereinabove.

5. That the amounts in clauses 1 to 4 shall be appropriately quantified after reconciliation of the actual figures of the loans in the Long-term Liabilities schedule of the Mediation Agreement. The said quantified figures shall be agreed upon by exchange of letters between the two Governments.

6. That Uganda hereby waives claims against Tanzania under the Mediation Agreement to the extent of Shs. 385.84m (US \$46.4m) being the compensation payable to Uganda by Tanzania under the said Agreement and Tanzania hereby waives claims against Uganda under the Agreements in clauses 1 and 3 and the set-off in clause 2 above to the extent of the amounts set-off therein and further agree as follows:

- (i) That the set-off in clauses 1 to 4 hereinabove agreed, constitute a full and final payment of the compensation payable to Uganda by Tanzania;
- (ii) That Tanzania shall be obliged to pay interest under article 4.02 of the Mediation Agreement only on any outstanding amounts that may remain due to Uganda after the settlements stipulated in clauses 1 to 4;
- (iii) That the Agreements referred to in clauses 1 and 3 hereinabove shall be appropriately amended in respect of the amounts set-off therein.

7. That this Agreement shall be attached to and form an annex to the Mediation Agreement.

8. That this Agreement shall come into force upon the date of signature of the Mediation Agreement.

DONE at Kampala this 24th day of February, 1984.

C. D. MSUYA (M.P.)

Minister of Finance for the Government  
of the United Republic of Tanzania

S. TEWUNGWA (M.P.)

Minister of Regional Co-operation for the  
Government of the Republic of Uganda

#### ANNEX D (II)

THE UNITED REPUBLIC OF TANZANIA  
THE MINISTER FOR FINANCE  
THE TREASURY  
DAR ES SALAAM

27th April, 1984

Our Ref: TYC/E/640/85  
Your Ref: EA 43

Hon. S. Tewungwa (M.P.)  
Minister for Regional Co-operation for the Government  
of the Republic of Uganda  
Kampala, Uganda

Re: *Exchange of letters between the Governments of the Republic of Uganda and the United Republic of Tanzania on the set-off arrangements arising out of the Division of the Long-term Liabilities of the former Community*

I acknowledge receipt of your letter of 27th April, 1984, regarding the set-off arrangements arising out of the Division of the Long-term Liabilities of the former Community which reads as follows:

“I refer to the Compensation Agreement between the Governments of the Republic of Uganda (hereinafter referred to as ‘Uganda’) and the United Republic of Tanzania (hereinafter referred to as ‘Tanzania’) dated 24th February, 1984, and to the subsequent bilateral negotiations concerning the reconciliation of repayments and the ensuing set-off arrangements arising out of the Division of the Long-term Liabilities of the former East African Community in the mediation ratio and confirm the agreed set-off arrangements between Uganda and Tanzania as hereunder:

1. That the amount of United States Dollars ten million, two hundred and seven thousand, seven hundred ninety-four only (US \$10,207,794) being Tanzania’s net overpayment and Uganda’s underpayment of the Long-term Liabilities of the Community as a result of the division of the said Liabilities of the Community in the mediation ratio. These are more fully set out and summarized in a schedule hereto attached and marked “A”. The sum shall be settled between Uganda and Tanzania by way of set-off from the compensation amount of United States Dollars forty-six million and four hundred thousand (US \$46.4m) payable by Tanzania to Uganda.

2. That after the set-off in paragraph 1 above, the balance of the compensation amount payable by Tanzania to Uganda shall be paid by way of set-off from Tanzania’s claim against Uganda arising out of the Loan Agreement dated 12th December, 1979, as amended on 26th June, 1981, thereby reducing Uganda’s indebtedness to Tanzania thereunder.

3. That clause 3 of the Compensation Agreement dated 24th February, 1984, is deleted and shall not be included in the set-off arrangements.

4. (a) That Uganda accepts Tanzania’s proposals under their letter dated 27th April, 1984, and agree to pay the Government of Kenya on behalf of Tanzania through the Uganda/Kenya bilateral arrangements the sum of United States Dollars one million, one hundred and three thousand, three hundred sixty-six only (US \$1,103,366) being Kenya’s net overpayment and Tanzania’s underpayment of the Long-term Liabilities of the Community as a result of the division of the said Liabilities in the Mediation ratio. These are more fully set out in a schedule hereto attached and marked B and in the schedule to the Agreement between Tanzania and Kenya dated 27th April, 1984.

(b) The amount referred to in paragraph 4 (a) above shall be settled between Uganda and Tanzania by way of set-off from Tanzania’s claim against Uganda arising out of the Loan Agreement referred to in paragraph 2 above thereby further reducing Uganda’s indebtedness to Tanzania thereunder.

5. That in the event of any changes in the amount referred to in paragraphs 1 and 4 above, the same shall be settled between Uganda and Tanzania by way of a further set-off from Uganda’s indebtedness to Tanzania arising out of the Loan Agreement referred to in paragraph 2 above.

6. Any amendments shall be mutually agreed on by exchange of letters between the two Governments.

7. That Uganda waives claims against Tanzania under the Mediation Agreement to the extent of Shs. 385.84 million (shillings three hundred and eighty-five million and eighty-four thousand) equivalent to United States Dollars forty-six million and four hundred thousand (US \$46.4m) as at 30th June, 1977, being the compensation amount payable by Tanzania to Uganda and fully settled in paragraphs 1, 2 and 5 above.

8. (a) That Tanzania waives all claims against Uganda arising out of the net overpayments by Tanzania in respect of the Long-term Liabilities of the Community to the extent of the amounts set-off under paragraphs 1 and 5 above.

(b) That Tanzania waives claims against Uganda arising out of the Loan Agreement referred to in paragraph 2 above, to the extent of the amounts set-off in paragraphs 2, 4 (b) and 5 above.

(c) That Tanzania shall be obliged to pay interest under article 4.02 of the Mediation Agreement only on any outstanding amounts that may remain due to Uganda after the settlements in paragraphs 1, 2 and 5.

(d) That the Agreement referred to in paragraph 2 above shall be appropriately amended to reflect the amount set-off in paragraphs 2, 4 (b) and 5.

(e) That Uganda indemnifies Tanzania against all responsibility for the Liabilities it has assumed under paragraph 4 (a) above.

This letter correctly sets out the agreed terms of the set-off arrangements between our Governments and I propose that this letter and your reply thereto shall form an Agreement between our two Governments in respect of the set-off arrangements and shall constitute an amendment to clauses 1 to 6 inclusive of the Compensation Agreement dated 24th February, 1984, and shall be construed, interpreted and read together with and shall form an integral part thereof and shall likewise enter into force on the day of signature of the Mediation Agreement.”

I am pleased to inform you that the understanding therein is acceptable to the Government of the United Republic of Tanzania and therefore agree that your said letter and this reply shall form an Agreement between our two Governments in respect of the set-off arrangements and shall constitute an amendment to the Compensation Agreement dated 24th February, 1984 and shall be construed, interpreted and read together with and form an integral part thereof and shall likewise enter into force on the day of signature of the Mediation Agreement.

Hon. S. A. Kibona (M.P.)  
Deputy Minister for Finance  
for the Government of the United Republic  
of Tanzania

c.c. Hon. P. C. J. O. Nyakiamo (M.P.)  
Minister of State  
Office of the President of the Republic of Kenya

ANNEXTURE A. SCHEDULE OF COMPENSATION PAYMENTS  
BETWEEN UGANDA AND TANZANIA

<i>Institution/Loan</i>	<i>Uganda to pay Tanzania</i>	<i>Tanzania to pay Uganda</i>
A. <i>Railways</i>		
1. 1956 £Stg. 3.5m 1980/84 (overseas) . . . . .	£ 96,580.74	—
2. 1957 £Stg. 8.5m 1977/83 . . . . .	£ 242,360.20	—
3. 1965 £Stg. . . . .	£ 606.00	—
4. 1970 £Stg. 1.0m Comm. Credit . . . . .	£ 30,026.93	—
5. 1970 K£ 1.0m (1990) . . . . .	—	Sh. 383,575.50*
6. 1965 I.B.R.D. Loan 428-1 E.A. . . . .	\$ 951,392.60	—
7. 1970 I.B.R.D. Loan 674 E.A. . . . .	\$ 1,344,556.00	—
8. 1971 K£ 3.4m 6 3/4% (1986) . . . . .	—	Sh. 498,304.24*

<i>Institution/Loan</i>	<i>Uganda to pay Tanzania</i>	<i>Tanzania to pay Uganda</i>
<b>B. Posts and Telecommunications</b>		
1. Std. Chartered Bank .....	\$ 216,589.00	—
2. Tanzania Investment Bank .....	\$ 523,869.00	—
3. Zanzibar Government Loan .....	\$ 617,329.00	—
4. Consortium Loan .....	—	\$ 901,075.00
5. Grindlays Bank .....	—	\$ 855,974.00
6. Initial Conversion Loan .....	\$ 150.69	—
<b>C. Harbours</b>		
1. I.B.R.D. Loan 428-2 E.A. ....	\$ 670,328.50	—
2. I.B.R.D. Loan 638 E.A. ....	\$ 3,871,663.00	—
3. I.B.R.D. Loan 865 E.A. ....	\$ 3,066,876.00	—
4. I.C.A. (1978) .....	£ 18,548.65	—
<b>D. GFS Liabilities</b>		
Montreal House .....	\$ 34,636.00	—
<i>Summary</i>		
TOTALS	£Stg. 388,122.52	K.Sh. 881,879.74*
	U.S. \$ 11,297,389.79	U.S. \$ 1,757,049.00

\* This set-off figure of U.S. \$ 10,207,794.23 excludes K.Shs. 881,879.74 which is a future stock obligation.

Conversion in U.S. \$		
(a) £Stg. 388,122.52 .....	U.S. \$	667,453.44
(b) .....	U.S. \$	11,297,389.79
		11,964,843.23
	U.S. \$	1,757,049.00
Net position .....	U.S. \$	10,207,794.23

## ANNEXTURE B

<i>Railways and Harbours</i>	<i>Kenya to pay Tanzania</i>	<i>Tanzania to pay Kenya</i>
1954 £Stg. 5m 4% — 1973/76 .....		£Stg. 81,665.32
1957 £Stg. 8.5m 5 1/4% — 1977/83 .....		£Stg. 36,800.80
E.A. Government Loan .....	U.S. \$ 240,529.16	
1961 £Stg. 7.5m 6 1/2% — 1986 Exchequer Loan ...		£Stg. 2,968
1970 £Stg. 1.0m — 1995 .....		£Stg. 9,454
1975 £Stg. 5.9m 9% — 1977 Stock .....		£Stg. 53,280.58
<b>Posts and Telecommunications</b>		
C. Itoh Credit .....		JY. 338,689,165
Zanzibar Government Loan .....	U.S. \$ 997,224	
Marconi Communications .....		£Stg. 34,809
Standard and Chartered Bank .....	U.S. \$ 349,675	
Tanzania Investment .....	U.S. \$ 846,251	
Depreciation Loan .....		U.S. \$ 43,452.17
1957 E.A.H.C. £Stg. 3m 5 1/4% — 1977/83 .....		£Stg. 53,240
Cable and Wireless .....		£Stg. 12,473.76
Crown Agents Overdraft .....		£Stg. 116,360
I.B.R.D. 483 E.A. ....		U.S. \$ 379,860

	<i>Kenya to pay Tanzania</i>	<i>Tanzania to pay Kenya</i>
I.B.R.D. 675 E.A. ....		U.S. \$ 311,103
I.B.R.D. 914 E.A. ....		U.S. \$ 805,163
6 1/2% British Exchequer Loan .....		£Stg. 18,360
5 1/2% British Exchequer Loan .....		£Stg. 5,040
TOTALS	U.S. \$ 2,433,879.16	U.S. \$ 1,544,578.17 JY. 336,689.165 £Stg. 424,451.46

*Kenya-Tanzania Settlement Analysis*

	<i>Tanzania to pay Kenya</i>	U.S. \$
<i>U.S. \$</i>		
2,433,879.16 — 1,544,578.17 U.S. \$	(-) 889,301	(-) 889,301
£Stg. 424,451.46	£Stg. 424,451.46	+ 729,965
<i>Japanese Yen</i>		
338,689,165	JY. 338,689,165	+ 1,262,702
		1,103,366

## ANNEX E. RULES OF PROCEDURE OF THE ARBITRATION TRIBUNAL

### *Article 1. ESTABLISHMENT OF THE TRIBUNAL*

1.01. The Tribunal shall be established as provided for in sub-article 12.02 of the Mediation Agreement. The Chairman of the Tribunal shall not be a national of any of the States.

1.02. A vacancy occurring among the members of the Tribunal shall be filled within three months by the same method by which the appointment was made.

### *Article 2. PROCEDURES*

2.01. A State wishing to institute a proceeding under the Mediation Agreement shall lodge a claim in writing to the Registrar. The claim shall name the party or parties to the proceedings, state the nature of the dispute or claim and the nature of the remedy or relief sought.

2.02. The Registrar shall upon receipt of the claim:

- (a) Register the same;
- (b) Notify the aggrieved party or parties of the registration of the claim;
- (c) Send copies of the claim to:
  - (i) The party or parties named as respondents; and
  - (ii) The Chairman and Members of the Tribunal.

2.03. Any party named as respondent shall within 90 days acknowledge and file with the Registrar a Written reply to the claim.

2.04. The Registrar shall upon receipt of the Written reply to the claim promptly send copies thereof to:

- (i) The aggrieved party or parties; and
- (ii) The Chairman and Members of the Tribunal.

2.05. Every claim, pleading, application or other written instrument or document to be filed with the Registrar shall be accompanied by seven copies.

2.06. Every document prepared for use in the Tribunal shall be on foolscap paper of durable quality; only one side of the paper shall be used and a margin of not less than four centimetres shall be left on the left side of the sheet.

2.07. All documents prepared for use in the Tribunal shall be clear and easily legible and may be produced by printing, type lithography, stencil duplicating, photography, xerography, type-writing or writing or any combination of these media.

2.08. For the purposes of these Rules, the Registrar may, in consultation with the Chairman, designate any offices in Kenya and Tanzania as Sub-Registries of the Tribunal.

#### *Article 3. SESSIONS OF THE TRIBUNAL*

3.01. The Registrar shall, in consultation with the Chairman, fix the date, time and venue of the sittings of the Tribunal.

3.02. The Chairman shall preside at all sittings of the Tribunal.

3.03. The parties to the proceedings may be represented by authorized agents and/or counsel whose names and authority shall be notified to the Registrar before the commencement of the proceedings.

3.04. Every party to the proceedings shall be entitled to adduce oral or documentary evidence and/or to make oral submissions in support of its claim.

3.05. The Tribunal may on its own volition summon any person or persons to give evidence on any matter before it.

3.06. The Tribunal may either on its own volition or at the request of any party visit any locus for purposes of verifying any matter in dispute.

3.07. The announcement of the decision or award of the Tribunal shall be delivered in open session within forty-five (45) days after both parties have made their final submissions.

3.08. The Registrar of the Tribunal shall authenticate the original text of the decision or award and shall immediately dispatch certified copies thereof to each party to the dispute.

3.09. At the written request of both parties to a proceeding, the Tribunal shall discontinue the hearing of the dispute.

#### *Article 4. OTHER EXPENSES*

4.01. Each party to the proceedings shall bear the costs and expenses of its own duly authorized agents, counsel and witnesses appearing before the Tribunal.

4.02. Where the Tribunal has on its own volition called witnesses or experts the costs and expenses of such witnesses shall be borne and shared equally by the parties in the proceedings.

4.03. Reimbursements of expenses incurred by witnesses and experts summoned at the initiative of the Tribunal shall be made by the Registrar who shall thereafter recoup the same from the parties to the proceedings.

*Article 5.* MISCELLANEOUS

5.00. Save as provided for in the Mediation Agreement and these Rules, the Tribunal may regulate its own procedure.

*Article 6.* CESSATION

6.00. The Tribunal shall cease to exist upon the full and final payment and settlement of all compensation, claims and disputes under this Agreement.

ANNEX F. RULES OF PROCEDURE OF THE BOARD OF TRUSTEES

*Article 1.* ESTABLISHMENT OF THE BOARD

1.01. The Board shall be established as provided for in sub-article 10.03 (b) (i) of the Mediation Agreement and shall consist of three members who shall be the Governors of the Central Banks of Tanzania, Uganda, and Kenya.

1.02. In the event of the absence or incapacity of a member at a meeting, he may be represented by a Deputy Governor.

1.03. Each Central Bank shall be responsible for the allowances, remuneration and expenses payable to its member.

1.04. The Governor of the host Central Bank shall provide secretarial services to the Board. The Board shall maintain records of all proceedings and documents of the Board.

*Article 2.* FUNCTIONS OF THE BOARD

2.01. The Board shall manage and administer, in the best interest of the States, all the assets of the Community vested in it by virtue of articles 10 and 11 of the Mediation Agreement.

2.02. The Board shall determine the investment policy for all the assets under its control and may invest all or part of the assets in such a way as it shall deem fit at such interest rates and terms as shall be beneficial to the States.

2.03. The report of the Actuary to be established in accordance with sub-article 10.02 of the Mediation Agreement shall be submitted to the Board of Trustees who in turn shall forward it to the Ministers responsible for Finance in each State.

2.04. The Board shall cease to exist upon a final division of the Pension and Provident Fund assets and other assets and liabilities as provided for in articles 10 and 11 of the Mediation Agreement.

*Article 3.* MEETINGS OF THE BOARD

3.01. The Board shall hold its first meeting in Tanzania within one month of the signing of the Mediation Agreement and shall thereafter meet at least quarterly in the States in rotation.

3.02. The date and time of the first meeting of the Board shall be fixed by the States. At that meeting and at subsequent meetings, the Board shall fix the date, time and venue of the next meeting.

3.03. The meetings will be chaired by the Governor of the Central Bank in the host country.

3.04. The Board shall take its decisions by consensus.

3.05. The Board shall produce a quarterly report, duly signed by the members, certified copies of which shall be dispatched to the Minister responsible for Finance in each State.



3.06. Save as provided for in the Mediation Agreement and these Rules, the Board may regulate its own procedure.

*Article 4. OTHER EXPENSES*

4.01. Costs and expenses incurred by the Board, such as telephones, telexes, transport at meetings and other administrative services shall be a charge on the income from Pension Funds.

4.02. The Board shall keep and maintain a proper record of accounts of the costs and expenses charged on the income from the Pension Funds and shall submit a half-yearly report thereon to the Minister responsible for Finance in each State.