



## **EAST AFRICAN COMMUNITY**

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### **IN THE EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)**

#### **The Official Report of the Proceedings of the East African Legislative Assembly 137<sup>TH</sup> SITTING – THIRD ASSEMBLY: SIXTH MEETING - FOURTH SESSION**

**Thursday, 1 June 2016**

*The East African Legislative Assembly met at 3:07 p.m. in the in the Chamber of the Assembly,  
EAC Headquarters, Arusha, Tanzania.*

#### **PRAYER**

*(The Speaker, Mr. Daniel .F. Kidega, in the Chair.)*

*(The Assembly was called to order)*

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#### **PAPERS**

The following paper was laid on the Table: -

(by the Chairperson, Committee on General Purpose (Dr Odette Nyiramilimo) (Rwanda)

The Report of the Committee on General Purpose on the Budgetary Proposals for the East African Community for the Financial Year 2016/17.

#### **MOTION FOR THE CONSIDERATION OF THE BUDGET OF THE EAST AFRICAN COMMUNITY FOR THE FINANCIAL YEAR 2016/17**

*(Debate interrupted on Thursday, 26 May  
2016 resumed)*

**The Speaker:** Honourable Members, you will remember very well that the Chairperson of the Council of Ministers eloquently

presented the Budget Speech and it was referred to the General Purpose Committee. The General Purpose Committee has been considering the submission that was laid before it on our behalf.

I would now like to propose the question of the motion, which is before this Assembly -

That this Assembly do resolve itself into: -

(a) A Committee of Ways and Means to consider and approve the financial statement for the financial year 2016/17; and,

(b) A Committee of Supply to consider and approve the estimates of expenditure for the Financial Year 2016/17.

*(Question proposed)*

**The Speaker:** Debate is open. I now invite the Chairperson to present the Report of the Committee.

**Ms Pareno:** Procedure, Rt. Hon. Speaker.

**The Speaker:** Yes, procedure.

**Mr. Ogle:** Rt. Hon. Speaker, I notice that the bench of the Council of Ministers - apart from one Minister, the rest are absent. I am just wondering whether it is procedurally right for us to consider the Budget of the East African Community for this financial year without the rest of the Council of Ministers.

**The Speaker:** Thank you so much. Let me first clear the procedural matter.

The Office of the Speaker has considered the issue of the attendance of the members of the Council of Ministers in this House as a very serious matter. I have a letter drafted for my signature addressed to the Chair, Council of Ministers about this. However, needles to mention, one Member here, who is sitting in for the Chair, Council of Ministers, represents the Council of Ministers.

The Secretary General communicated to me yesterday that he would not attend the morning session but would be here in the afternoon. So I expect that the Secretary General should be joining us anytime.

However, pertaining to the issue of the members of the Council of Ministers absence during the sittings of this House, it is a serious matter, and I am taking it to another level. Thank you so much.

**Mr. Ogle:** Thank you for your ruling, Rt. Hon. Speaker. I think the matter of the absence of the Council of Ministers has been a nagging issue in this House. We have raised it time and again, but I think it is high time that you possibly gave guidance to the subject and we move a resolution to report to the Summit about the absence of the Council of

Ministers. They are not taking us seriously; this is contentious; this is very serious for the future of this Community.

**The Speaker:** Thank you hon. Ogle. One step at a time. I will write that letter and the response to the letter may cure the problem. I am conscious that the Council of Ministers, but to be specific, the Ministers responsible for EAC Affairs of Partner States are supposed to be in this House. I have written a letter to that effect. Member of this House are at liberty to move any resolution to that effect, but I beg that we give the Office of the Speaker a chance to do something about it first. Thank you.

**Ms. Zziwa:** Rt. Hon. Speaker, thank you very much. I am happy that a Member of the Council of Ministers is here. I think it would be procedurally right for one of them to move the motion so that we are able to go into the business after your advice. At least it would be good because the motion belongs to the Council of Ministers. Therefore, I am happy that he is here, and it will give us a good way of procedure.

**Ms. Byamukama:** Mr Speaker, Sir I am not disputing what has been said but I just thought that when you write that letter, you would take note of the fact that the Republic of Uganda has been consistent in attending the Council of Ministers - (*Applause*). Thank you.

**The Speaker:** Thank you so much, Hon. Colleagues for this guidance.

Honourable Members, as you will remember, the Minister moved the motion on the Order Paper, and we are proceeding with it on the basis that I have invited the Chairperson of the Committee on General Purpose to present the report of the Committee. I thank you very much, Hon. Colleagues for the input and the guidance.

**The Chairperson, Committee on General Purpose (Dr Odette Nyiramilimo) (Rwanda):** Thank you, Rt. Hon. Speaker.

Mr. Speaker, Sir, In accordance with the provisions of Articles 49 and 132 of the Treaty for the Establishment of the East African Community, Rules 74, 75 and Annex 5(f)(2) of the Rules Of Procedure of the Assembly, I beg to present to the Assembly for consideration and debate, the report of the Committee on General Purpose on the estimates of Revenue and Expenditure of the East African Community for the financial year 2016/17.

Specifically, in accordance with Articles 49(2) and 132 of the Treaty for the Establishment of the East African Community, as well as Rules 74, 75, 76, 77 and 78 of the Rules of Procedure of the Assembly, the Annual Estimates of Revenue and Expenditure of the East African Community in the form of budgetary

proposals are presented to the Assembly for consideration, debate and approval. The Committee on General Purpose, mandated by the Rules of Procedure through its pre-budgetary function analyses the proposals and makes recommendations to the Assembly. This mandate is specifically premised on Rules 81 (c), (d), (e), and (g) as well as Annex 5 (f) (2) (c).

The estimates for revenue and expenditure of the East African Community for the Financial Year 2016/17 were tabled before the Assembly by the Council of Ministers on Thursday 26<sup>th</sup> May 2016 and referred to the Committee on General Purpose.

The Council of Ministers requests approval of USD 101,374,589 as compared to USD 110,660,698 for Financial Year 2015/16 as shown in the Table I.

## SUMMARY OF THE PROPOSED BUDGET FOR 2016/17

Planned Expenditure				
Organisation/Institution	FY 2015/16	FY 2016/17		
	(US \$)	US \$	Change (US\$)	% Change
EAC Secretariat	69,636,849	57,872,785	-11,764,064	-17%
East African Legislative Assembly	15,865,646	16,034,324	168,678	1%
East African Court of Justice	4,301,551	4,286,477	-15,074	0%
Lake Victoria Basin Commission	10,137,163	11,214,708	1,077,545	11%
Lake Victoria Fisheries Organisation	3,091,097	2,131,422	-959,675	-31%
The Inter-University Council for East Africa	4,507,648	4,553,890	46,242	1%
East African Science and Technology Commission	726,755	1,161,438	434,683	60%
East African Kiswahili Commission	756,361	1,134,542	378,181	50%
East African Health Research Commission	935,498	1,397,438	461,940	49%
East African Competition Authority	701,530	1,587,565	886,035	126%
<b>TOTAL</b>	<b>110,660,098</b>	<b>101,374,589</b>	<b>-9,285,509</b>	<b>-8%</b>
<b>EXPECTED REVENUE</b>				
SOURCE OF REVENUE	FY 2015/16	FY 2016/7	CHANGE	
	(US \$)	(US\$)	(US\$)	% CHANGE
Ministries of EAC Affairs	41,890,538	41,890,538	0	0%
Ministries responsible for Education	4,122,228	4,121,967	-261	0%
Ministries responsible for Fisheries	1,554,207	1,552,872	-1,335	0%
Member Universities	385,420	431,923	46,503	12%
Development Partners	58,555,635	46,717,601	-11,838,034	-20%

Miscellaneous Revenue	232,540	305,440	72,900	31%
General Reserve	3,919,530	6,354,248	2,434,718	62%
TOTAL	110,660,098	101,374,589	-9,285,509	-8%

## 1.0 ACHIEVEMENTS DURING FY 2015/2016

### 1.0 Priority programmes planned for implementation during the FY 2015/16

In line with the Fourth EAC Development Strategy 2011/12 – 2015/16, the following were the major programmes planned for FY 2015/16:

- a) Establishment of the East African Monetary Institution and the East African Statistics Bureau to support the transition to a single currency;
- b) Consolidating the Single Customs Territory by developing and implementing the requisite systems and administrative mechanisms as outlined in the road map for the implementation of the Single Customs Territory;
- c) Enhanced implementation of the EAC Common Market Protocol particularly focusing on the implementation of the road map for the new generation East African Internationalized e-passport; and development of the EAC trading payments and settlement systems;
- d) Implementation of the road map on Constitution making process for the East African Political Federation;
- e) Development of Cross-Border infrastructure in the respective sub-sectors including:
  - (i) Roads – the Arusha-Holili/Taveta-Voi (Reconstruction works); the Malindi-Lunga Lunga/Horohoro – Bagamoyo (reconstruction works); Nyakanazi-Lusahunga – Rusumo/Kayonza-Kigali Road (Study completion); and

Nyakanazi – Kasulu-Manyovu-Rumonge – Rutunga – Bujumbura (study completion);

- (ii) Implementation of the Vehicle Load Control Law (sensitization, coordination of the Recalibration and Recertification of weigh scales and weigh stations and development of a training curriculum for weigh scales and weigh stations and development of a training curriculum for weigh bridge operators;

- (iii) Implementation of the Heads of State directives on prioritized projects in the railways, ports, inland waterways and energy;

- (iv) Preparation of the implementation framework of a liberalized EAC airspace (preparation of a road map) and implementation of the EAC Upper Flight Information Region and operationalize the EAC Agreements on Search and Rescue (SAR); and

- (v) Preparation of a policy and regulatory framework for international mobile communications roaming services.

- (f) Implementation of the EAC Industrialisation Policy and Strategy with specific focus on upgrading of SMEs, competitiveness; strengthening the collection and compilation of Industrial Statistics for production reports; and strengthening

regional collaboration in industrial research technology and innovation;

(g) Implementation of the EAC Food Security Action Plan and Climate Change Strategy with particular focus on the SPS Protocol and establishment of a regional agricultural marketing information and early warning system;

(h) Harmonisation of higher education systems and developing a harmonized EAC curriculum for pre-primary, secondary Teacher Education and Training;

(i) Conclusion of the negotiation of the Tripartite Free Trade Area Agreement encompassing EAC –COMESA- SADC; and

(j) Implementation of the EAC Peace and Security initiatives.

## **2.0 Key Achievements during the FY 2015/2016**

The Committee was informed that the achievements so far realized during the first half of the FY 2015/16 were among others:

a) The draft Bill for the establishment of the East African Monetary Institute has been developed, negotiated by the Partner States, and reviewed by Legislative Drafters. The draft Bills for the establishment of the East African Statistics Bureau and the East African Surveillance, compliance and enforcement Commission have been developed and are awaiting negotiation by Partner States;

b) Implementation of Single Customs Territory, which initially commenced on pilot basis on the Northern and Central Corridors in 2014, was consolidated in 2015 through finalization of key operational instruments entailing revision of SCT business manuals, development of SCT monitoring and evaluation tool,

framework for deployment of staff in other Partner States and revision of the enforcement and compliance framework. The instruments have been adopted and are being applied by the Partner States;

c) To facilitate free movement of persons under the EAC Common Market Protocol, the 32<sup>nd</sup> Meeting of the Council of Ministers adopted the East African Regional e-immigration strategic framework. The Community is implementing the project on installation of the Capital Markets. Infrastructure CMI for the EAC Capital Markets. Four Partner States: Burundi, Rwanda, Uganda and Tanzania have been proceeded with the implementation of the CMI infrastructure project;

d) The EAC Time Bound Programme (TBI) on Elimination of Non-Tariff Barriers was updated. The TBP shows that as of September 2015 eighteen (18) NTBs were reported as new and eighty seven (87) NTBs were resolved;

e) As of October 2015, 35 Kilometres of bitumen had been laid out on the 85 Kilometres section of the Taveta-Mwatate Road; and as of October 2015, site clearance over the entire 14.2 Kilometres of the Sakina-Tengeru Dual Carriageway had been completed. Consultants have submitted preliminary survey findings on design review of the Tengeru- USA- Moshi Road. The purpose of the design review is to determine the requirements to bridge the funding gap for this section.

f) The One Stop Border Post Bill and Vehicle Load Control Bill, which were enacted by the East African Legislative Assembly (EALA) in April 2013, and May 2013 respectively, were forwarded to the Republic of Rwanda in September 2015 for final assent. Meanwhile, the

Secretariat was developed regulations to support implementation of both Acts when fully assented. Stakeholders and experts have approved the regulations.

- g) The Technical Team on the establishment of the EAC UFIR has completed the key projects' deliverables including the inclusion of Rwanda and Burundi into the study on detailed analysis of the sustainability of the lower airspace (below flight level) 24,500 feet above sea level, the project is risk analysis, safety analysis and preparation of a detailed implementation plan. The team is finalizing the documentation of the road map towards the establishment of the EAC UFIR.
- h) Out of 15 borders earmarked to operate as OSBP, seven (7) have been completed and three (3) are operating as OSBPs using Bilateral Agreements. The seven OSBPs are:

Gasenyi/Nemba; Ruhwa; Lunga Lunga/Horohoro; Holili/Taveta; Isebania/Sirari; Kagitumba/Mirama; and Rusumo OSBPs. The three that are operational are Gasenyi/Nemba; Ruhwa; and Holili/Taveta. Five (5) borders stations, which are almost completed, are Namanga, Busia, Malaba, Mutukula and Kobero/Kabanga. Work has also commenced on Katuna/Gatuna.

- i) A feasibility study on the establishment of a regional Centre for adaptation and transfer of manufacturing and industrial technologies (CATMIT) has been prepared. The centre will serve as a regional reservoir for cutting edge manufacturing and industrial technologies and processes, and capacity building on technology management, selection, prospecting (foresight) and road mapping. The Centre will also provide support towards technological

upgrading of SMEs and for selected manufacturing value chains.

- j) In order to facilitate effective implementation and enforcement of the SPS Protocol, the EAC Secretariat has finalized the development of Phyto-sanitary and sanitary measures and measures and procedures plants and sanitary measures for fishery and fish products.
- k) Towards elimination of import duties, under COMESA-EAC-SADC Tripartite Free Trade Area, EAC and Southern African Customs Union (SACU) have agreed on a road map to negotiate various tariff offers.
- l) The Community has continued with deliberation and consultations on the establishment of the EAC Peace and Security Council. Through a consultative process, an EAC Inter-Religion Council (EAC-IRC) has been established to serve as a platform for collaboration on peace, security and stability in the region.

### **KEY CHALLENGES FOR FY 2015/2016**

During the interaction with the DSG F & A, the Committee was informed that the key challenges affecting implementation of the Community programmes and projects include:

- a) Slow pace in harmonization of domestic taxes to facilitate the functioning of a Single Customs Territory;
- b) Inadequate political mobilization for the full implementation of the Common Market Protocol;
- c) Maintenance of the key macro-economic criteria essential for the Monetary Union;

- d) Inadequate staffing, particularly in the run-up to exit of several staff in early 2017;
- e) Delays in remittance of funds from Partner States and Development Partners to Organs and Institutions of the Community;
- f) Limited financial resources, occasioned especially from non-remittance from Development Partners; and
- g) Long decision-making and budget approval processes.

#### **KEY PRIORITY PROGRAMMES FOR THE FY 2016/17 - 2018/9**

The Committee was informed that the Community would focus on the following key priority programmes:

- (i) Full implementation of the EAC Single Customs Territory;
- (ii) Enhanced implementation of the EAC Common Market Protocol, especially in regard to: negotiating additional commitments and interconnectivity of border immigration systems and procedures across the Partner States;
- (iii) Development of cross-border infrastructure and harmonization of laws, policies and standards in the respective sub-sectors;
- (iv) Implementation of a liberalized EAC Air Space;
- (v) Enhanced implementation of computerized weather prediction models; implementation of a One Network areas in Telecommunications; and

- (vi) Convene 4<sup>th</sup> Head of State Retreat on Infrastructure, Development and Financing;
- (vii) Enhancement of productivity value addition in key productive sectors including regional agricultural and industrial value chains, and strengthen capacity for food security, natural resources, tourism and wildlife management;
- (viii) Institutional strengthening;
- (ix) Development and harmonization of policies, legislation, regulations and standards to establish an EAC Energy, Common Market, including work on an EAC Energy Exchange and finalise remaining energy interconnectors across borders; and,
- (x) Implementation of EAC Peace and Security initiatives.

#### **Proposed EAC Medium Term Expenditure Framework 2016/2017 to 2018/2019**

The Medium Term Expenditure Framework (MTEF) for 2016/17 – 2018/19 has been prepared in line with the Treaty for the establishment of the East African Community, the outcomes of the Pre-Budget Conference that was held in August 2015, decisions of the Council and directives from the Summit of Heads of State.

The Committee was informed that to achieve the above key priority programmes for the financial year 2016/2017, the Community has developed annual targets because of key and sector priorities for the FY 2016/2017.

- (i) To consolidate the benefits of a fully-fledged Customs Union;

- (ii) To fully implement the EAC Common Market Protocol;
- (iii) To establish the East African Monetary Union;
- (iv) To lay foundation for a Political Federation;
- (v) To develop regional infrastructure to support the integration process sustainable productive sectors to support regional and global integration process;
- (vi) To develop and strengthen the Regional Competitive and sustainable productive sectors to support regional and global integration process;
- (vii) To strengthen Service Support Sectors;
- (viii) To strengthen and enhance the mandate of EALA;
- (ix) To enhance the design of the Court under the Treaty, its appreciation and visibility and develop its human and material capacity;
- (x) To promote sustainable utilization and management of the Lake Victoria Basin resources;
- (xi) To promote sustainable utilization and management of the living resources of Lake Victoria for maximum socio-economic benefits;
- (xii) To strengthen coordination and operational capacity of Inter-University Council and develop human resources capacity in all disciplines of higher education in East Africa;
- (xiii) To maximize benefits of a safe, secure and efficient air transport system in the region.

### **2.3 Expected Outcomes over the Medium Term (2016/2017 – 2018/19)**

It is expected that the implementation of the above priority programmes will result into the following outcomes:

- a) Increased trade and economic prosperity in the region as a result of implementation of programmes and projects towards attainment of a Single Customs Territory, and removal of non-tariff barriers;
- b) Implementation of the Regional e-immigration framework is expected to offer excellent e-immigration services for a secure, developed and integrated region;
- c) Increased cooperation in monetary and fiscal matters among Partner States, specifically on: - harmonization of monetary fiscal and exchange rate policies; currency convertibility in the region; coordination of budget processes; harmonization of public debt analysis and management frameworks procurements, accounting and oversight practices in the EAC; and coordination and development of a framework for fiscal regime and management of natural resources;
- d) Improved infrastructure for expansion of cross-border trade, further reduction in the turnaround time for trucks from the ports to land-linked countries; reduction in transport costs, reduced cross border Telecommunication tariffs, and reduced road traffic accidents;

- e) Enhanced industrial competitiveness of the EAC region, increased productive and supply capacity for manufactured products within EAC and improved attraction of investors in EAC priority regional industries in line with implementation of the EAC Industrialization Policy and Strategy, thereby resulting into improved welfare;
- f) Enhanced competitiveness of agricultural value chains and improved value addition in EAC Partner States, particularly to benefit SMEs and small hold farmers; and
- g) Increased deployment of renewable energy technologies and their contribution to the energy mix, resulting into reduced cost of energy in the region.

#### **2.4 The Financial Status of the EAC as of 18<sup>th</sup> May 2016**

The Secretary General informed the Committee that remittances from the Partner States had been a serious challenge while donor funds had drastically reduced. In summary, EAC has received 65.09% of the contributions due for FY 2015/2016 for the Secretariat, EALA, EACJ, LVBC, EASTECO and EAKC.

The IUCEA has received 34% of contributions due for 2015/2016 and USD 9,206,762 for previous year; 1980-June 2015 is still outstanding from Partner States;

LVFO has received 53.6% of the due contributions due for FY 2015/2016 and USD 701,683 is still outstanding for FY 2014/15.

The detailed analysis of the financial status per Organ and Institution is shown in Annex I (from pages 1 to 4). A detailed analysis is also provided.

### **3.0 METHODOGY**

The Committee considered the following documents:

S/N	DOCUMENT NAME/TITLE
1.	Statement by the Secretary General on the EAC Budget FY 2016/2017
2.	EAC MTEF Budget 2016/17: Volume 1 and 2
3.	EAC Budget Summaries for 2016/2017
4.	EAC Annex to the Budget 2016/17 (Detailed MTEF at inputs level)
5.	EAC Annual Operational Plan 2016/2017
6.	EAC Procurement Plan for 2016/2017
7.	EAC Budget Performance For 2015/2016 (July 2015 – March 2016)
8.	33 <sup>rd</sup> Ordinary Meeting of Council of Ministers Report
9.	EAC-Explanatory Notes to the EAC Budget for Financial Year 2016/2017
10.	Financial Statements and Statement of Estimates of Expenditure for 2016/2017

The Committee requested for the following additional documents:

- (i) Detailed conference and travel budget

- (ii) EAC Financial Rules and Regulations handbook
- (iii) The Report of the 33<sup>rd</sup> Ordinary Meeting of the Council of Ministers meeting
- (iv) Records, Minutes and correspondence of the EALA Commission

The Committee further considered previous recommendations adopted by the Assembly from previous budget consideration, reports and debates for previous financial years, personnel salaries by Organ, Institution, Projects and Programs.

- The EAC Human Resources Policies and Procedures Manual.
- The bank statement/status of the EAC Reserve Fund.

The Committee also considered the Budget Speech delivered to the Assembly by the Chairperson of Council on Thursday 26<sup>th</sup> May 2016.

The Committee interacted with the Secretary General of the EAC, the Acting DSG (F & A) also DSG (P & I), Officers from the Organs and Institutions. The Committee then met with the Council of Ministers and the Secretary General of the EAC on Tuesday 31<sup>st</sup> May 2016.

The Committee finally considered and discussed the estimates for revenue and expenditure of the departments of the Organs and Institutions of the EAC with the Acting DSG F & A and the DSG P & I and the technical officers of the EAC and makes the following observation and respective recommendations.

The questions, issues raised comments and respective recommendations by the Members

and respective responses and explanations provided are herewith annexed as Annex II.

#### **4.0 CONSIDERATION OF THE EAC BUDGET ESTIMATES FOR FY 2015/2016**

The Committee appreciates and commends the continued efforts by the EAC Council of Ministers in maintaining a notable achievement in the integration agenda in terms of progress, achievements and registered successes. This has impacted on visibility recognition and has continued to attract consolidated useful partnerships and that EAC has developed. The Committee however made the following observations and respective recommendations:

##### **4.1 Observations on the EAC Budget Estimates of Revenue and Expenditure for the FY 2016/17**

The Committee received an updated briefing on the financial status of the Committee, which presented the Community as being in alarming financial situations as shown in Annex I of this report mainly due to partial fulfilment of commitments by the Partner States (65%) and low and irregular disbursement by donors (30%). This situation reflects that serious drastic measures need to be taken with immediate effect given that the ability and commitment to pay June 2016 salaries is uncertain with a current deficit of 14 million dollars. The Secretary General informed the Committee that the Executives had already put in place cost cutting measures to reduce on expenditure and to ensure optimum output given the very limited resources the Community has. The Committee appreciates and commends the measures put in place, which among others include:

- A review of the calendar of activities to reduce meetings, conferences;

- The requirement for officers to spend no less than 50% of their work program/schedule at the work station in Arusha at the Headquarters;
- Setting up of an interdisciplinary Committee to rationalize and validate use of Consultancies;
- Reduction and restriction on number of days for meetings;
- Drastic reduction in number of delegates travelling for meetings outside the Headquarters by permitting travel of only essential staff who are adequately and appropriately briefed to facilitate satisfactory representation at the meetings;
- Requiring Partner States to likewise reduce the number of delegates to EAC meetings given that 42% of travel budget of the Community is spent on facilitation of Partner States delegates as elaborated in this report;
- Clear communication to the Partner States that the contribution can neither cover activities nor sustain operations of the Community. This, as explained by the Secretary General, to the Committee, Partner States contributions at the end of the year have not been fully paid and disbursements are less in the last financial year, the contributions were paid up to 87%, although slight arrears of 3.6 million USD is reflected on the estimates for 2016/17. This is drawn from the General Reserve and not a result of increase in contributions. This notwithstanding, the EAC still has faith in the commitment of the Partner States to the integration agenda and

acknowledge the full commitment of the Partner States.

- The Committee notes that the Assembly has made various recommendations in the past to improve both the budgeting process and the optimum utilization of the Community's resources. The Committee reiterates its appreciation and commendation to the Partner States continued efforts towards sustaining the Community's operations but reiterates the need for the following urgent measures:
  - a) In view of the financial status of the Community, to further review travel and conference/meetings of the Community and further reduce the number of meeting delegates and days of meetings;
  - b) To institute review of non-performing projects in the EAC which the Committee notices are several with large wage bills and no tangible activities as will be further elaborated under Office of the Secretary General and DSG F & A in staffing, with regard to activity plans and salaries;
  - c) To review the operations of the Community in view of the withdrawal of donor funding and the finalization of the sustainable financing mechanisms as well as all other pending reforms/reviews that were approved by the Summit of Heads of State in March 2016;
  - d) A need to reflect the emergency nature of the financial status of the Community through necessary reviews of expansion through increase of institutions of the Community that are critically underfunded and cannot achieve any

significant objectives with just salaries paid to highly qualified individuals who are not facilitated to fulfil objectives. A clear example is the budget estimates in three institutions with few staff and very little budget, namely the Kiswahili Commission, EASTECO and the East African Health Research Commission and the EAC Competition Authority. The Committee finds it untenable to create new institutions that are unfunded. In addition, core sectors remain underfunded particularly with the decrease in donor funding.

The Committee therefore recommends to the Assembly to urge the Council of Ministers and the Secretariat to pursue the above-mentioned measures to both redeem the EAC but more importantly start a path toward efficient and optimum use of resources irrespective of the financial status to create a culture of efficiency, effectiveness and optimal output in the EAC.

The Committee in view of the dire financial status recommends to the Assembly to urge the Council of Ministers to persuade as far as is possible and encourage the Partner States to honour their commitments with regard to contributions and all arrears owed to the Organs and Institutions of the Community to date.

The Committee further recommends to the Assembly to urge the Council of Ministers to set up a strategic inter-organ session with Ministers to discuss and harmonise positions on remittances, financial and administrative reforms and best practices to adopt as well as review commitments in all the above including for Partner States to pay remittances at least by 31<sup>st</sup> December of each year. The latter would also eliminate the ineffective implementation of activities in a

rushed manner due to late remittances (60%) in the last quarter of the financial year.

The Committee recommends to the Assembly to urge the Council of Ministers and the Secretariat to, in a further bid to alleviate the financial pressures to adopt an inward looking approach by re-examining the functioning, operations and outputs of the EAC, examining recommendations of the Audit Commission, the Assembly, Council directives in the context of over-expenditure, wastage, corruption, poor financial and administrative management and working towards implementation of the same. This is in view of the fact that disbursements as well as Partner States contributions and the resultant challenges may be because of performance of the EAC. Corrective measures would include resort of video conferencing for specific meetings but this should also provide efficient facility, which the Committee was informed, was inadequate.

#### **4.1.1 Adjustments in the presentations and layout of the MTEF that renders it user friendly**

The Committee appreciates the improvements that are apparent in the budgeting process and presentation of the EAC Budget particularly the MTEF. However, the presentation of the budget estimates of Expenditure and Revenue for FY 2016/17 made the consideration of the budget challenging for the Committee with the re-emergence of lump sums, of cumulative unit measures of different items that made it difficult to internalize and make proper references/inferences.

The Committee recommends to the Assembly to urge the Council of Ministers and the Secretariat to revert to the presentation in the MTEF that has been used in the last three financial years or improve the

same to avoid confusion during the budget analysis.

#### **4.1.2 Use of BMS System that is inflexible and needs a decentralized format**

The Committee appreciates that technological developments are necessary particularly to keep up with global knowledge advancement, exchange and security but notes that the BMS (Budget Management System) in use by the Budget Office has instead of creating clarity and transparency, created challenges. These include among others; inflexible activity descriptions and objectives that are not aligned to the departments; failure to harmonise the templates after rationalization, lumping of units and sums. This creates confusion and is evident in the budgets in the Social and Productive sectors. Under Kiswahili Commission where the adoption of French language appears in the outputs of the Commission. The Committee noted that this could also be a problem by the individuals, that key into the framework which framework however do not allow reformulation of parameters after changes are made.

Subject to use without informing the user departments and this centralization renders it vulnerable to misuse/erroneous input and use. There is therefore need for a centralized format whereby a few individuals have access to and to make changes giving limited/optimum usage with possibility of tracking and ability to identify the few authorized users. Furthermore, the system should allow for reformulation of descriptions of activities as new figures are keyed in with changes.

The Committee recommends to the Assembly to urge the Council of Ministers to carry out IT systems Audit and determine the strength and full proof status of the BMS

system. Follow up actions need to be instituted as described above to limit access and ensure tracking of users using a more flexible format.

#### **4.1.3 Use of General Reserve**

The Committee was informed that the EAC Financial Rules and Regulations in Rule 134 governs the use and management of the EAC General Reserve, which is a bridging mechanism for funding in cases of financial difficulties. The Committee however notes that while that may be the case, it has taken note of the following four instances of irregular use of the General Reserve:

- a) The fact that interest on gratuity of staff members of parliament and judges of the EACJ maintained as a revenue to the Community in the General Reserve;
- b) The fact that rather than being used as an occasional source of funds as a bridging measure, the General Reserve is now used as a source of funds to substitute Partner States remittances to the extent of being used to funding the entire budgets of new Institutions of the Community;
- c) The fact that Partner States through the Council of Ministers are now drawing funds from the Reserve Fund to the extent that it is depleted and in deficit to the tune of (32,000 USD);
- d) The fact that during the interaction with the Secretary General was informed that several staff are retiring or have contracts ending beginning early 2017 as well as Members of Parliament who leave at the end of their tenure, the Committee is seriously concerned that there may be no gratuity since the General Reserve is depleted. Furthermore, while funds are drawn from the General Reserve, refund of funds or replenishment appears not to be done. There is therefore no assurance

that the individuals will receive their gratuity on time.

- e) The fact that miscellaneous revenue and interest on gratuity and gratuity are all synonymous with the General Reserve. The Committee is of the view that miscellaneous revenue and gratuity accounts should be separate.

Given the above, the Committee recommends to the Assembly to urge the Council of Ministers as follows:

- (i) That interest on gratuity should be earned for the benefit of the contributing individual/and not a benefit to the employer and the financials and regulations should be reviewed in that direction.
- (ii) That Partner States desist from using the General Reserve as a source of funds to substitute remittances as this creates a high risk in terms of liquidity. The General Reserve should only be used as a bridging mechanism and for emergencies with a constant book and cash value balance at hand.
- (iii) That assurance of the security of gratuity of all existing staff and Members of EALA given to the Assembly.
- (iv) Replenish the General Reserve as should be in a timely manner if used to fund activities of the Community.
- (v) That the Council of Ministers consider reviewing the financial rules and regulations to separate miscellaneous revenue for gratuity and interest on gratuity

become a benefit of the contributor.

#### **4.1.4 Significant budget performance on the Organs and Institutions of the EAC during the Course of FY 2015/2016**

While the Committee was informed that the reasons for low budget performance was linked to the slow remittances and low and delayed disbursements by donors, the Committee continues to insist that activities that do not reflect value for money are not based on identified priorities, have made poor or no returns on resources allocated to in among other others should govern the subsequent budgeting process.

The Committee observed with concern that there were many departments and projects performing at 14% and less workers at the viability of such endeavours. This is aggravated by the fact that Partner States remittances are made in the last quarter leading to hurried and ineffectual implementation.

The Committee therefore recommends to the Assembly to urge the Council of Ministers to review operations of projects and programs based on performance and realign these, as the need may be particularly non-performing projects that only have funds or borrow and run on funds that comprise staff salaries. Specific examples will be provided under the office of the DSG F & A.

#### **4.1.5 Need to review the EAC Budget Act, 2008**

The Committee has continued to call for the review of the Act to provide for among others the use of MTEF budgeting, to provide for timeframes for the budgeting cycle and timelines for tabling of the budget estimates before the Assembly. During interaction with the Secretary General, the Committee was

informed that the issue would be tabled and discussed in the Permanent Secretaries retreat due in June 2016. The Committee was also informed that there was an intention voiced by Ministers of Finance of increasing their executive oversight over the EAC Budget and the Committee notes that this too can only be possible with the said review of the Act.

The Committee therefore recommends to the Assembly to urge the Council of Ministers to fast track and fund the activity so that the budget process is made more effective, transparent and based on the legal framework - *(Applause)*.

**The Speaker:** Thank you so much, Hon. Dr Odette Nyiramilimo, Chairperson of the Committee on General Purpose, for that very good report you have presented to this House.

Hon. Colleagues, I consulted with the Chairperson and as she has indicated to this House, there is a very important annex of this report, which they are yet to conclude consultations on with the Council of Ministers tomorrow-early morning. However, the bulk of the work is with us. Therefore, I would not wish us to start debate now but rather wait for the annex to be distributed because that will form the concrete base of a comprehensive debate of the Budget.

I thank you so much for working so hard today, working the whole morning and this afternoon, up to 5.00 p.m. I apologise for stretching you too far but this is what the East Africans are expecting of us.

I would now like to adjourn the House to tomorrow at 2.30 p.m. to continue with the Budget process. The House stands adjourned. Thank you.

*(The House rose at 4:51 p.m. and adjourned until Thursday, 2<sup>nd</sup> June 2016 at 2.30p.m.)*