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**EAST AFRICAN COMMUNITY
EAST AFRICAN LEGISLATIVE ASSEMBLY**

**REPORT OF THE GENERAL PURPOSE COMMITTEE ON THE EAC
SUPPLEMENTARY BUDGET FOR THE FY 2010/2011**

Clerks Chambers
AICC Complex
Ngorongoro Wing, 5th Floor
Arusha
UNITED REPUBLIC OF TANZANIA

16TH DECEMBER 2010

1.0 INTRODUCTION

In accordance with provisions of Article 49 and 132 of the Treaty establishing the East African Community and with Rules 72 and 79 as well as Annex 5 (f) of the Assembly Rules of Procedure, I beg to present to the House for the report of the General Purpose Committee on the supplementary budget of the EAC for the Financial Year 2010/2011 for consideration and adoption.

Mr. Speaker Sir,

The EAC Secretariat on the 3rd of December 2010 presented a Supplementary Budget amounting to **USD18, 605,793** following consideration by the 21st Ordinary Meeting of the Council of Ministers held on the 30th of November 2010 to the Assembly for debate and approval. The supplementary budget amounts are summarized as shown below.

S/N		Source of Funds	Amount in US\$	Date of Funding
1.	Preparatory studies for Oil products Pipeline from Kigali to Bujumbura	AfDB-NEPAD Infrastructure Project Preparatory Facility (IPPF)	133,147	Sep 10
	Dar es Salaam – Tanga-Mombasa		485,207	Sep 10
	Natural Gas Pipeline Study		329,500	Sep 10
2.	EAC Financial Sector Development and Regionalisation Project	World Bank	1,000,000	Jul 10
3.	Strengthening Trade in Agricultural Inputs in African (STAR)	International Fertiliser Development	55,000	Jul 10

4.	CPMR – SALW Component	EU – EDF 9	1, 182, 144	Jul 10
5.	Participation of African Nations in Sanitary and phytosanitary standards – setting organization (PAN – SPSO) Project	AU – African Union Inter African Phytosanitary Council (AU – IAPSC)	209,800	Sep 10
6.	EAC Headquarter Construction	Government of Germany through KfW	9,200,000	2003
7.	EAC Capacity Building Project	Trade Mark East Africa	1,114,832	Sep 10
8.	Veterinary Governance in EAC	EU – EDF 9	108,043	Nov 10
9.	Climate Change	The Norwegian Government	134,000	Oct 10
10.	Regional Political Integration and Human Security Programme	EU EDF 10	950,030	Oct 10
11.	Supports Common Market, Environment and Natural Resources and Customs Union	USAID	2,620,500	Nov 10
12.	EPA Negotiations	SIDA	1,083,590	Nov 10
13.	The EALA	WFD Phase 2 Grant	108,350	Oct 10
14.	EALA	AUC Grant	70,350	Jul 10
	Total		18,784,993	



Mr. Speaker Sir

After consultation with the Council of Ministers and the Deputy Secretaries General of the EAC, the Committee considered an addendum to the Supplementary Budget from the East African Legislative Assembly to the Supplementary Budget amounting to **US\$178,700**.

As indicated above, the Community requests for the approval of **USD 18,784,993**.

2.0 Methodology

The Committee adopted the following methodology:

Analysis of the following documents:

1. The Supplementary Budget Estimates of the Financial Year 2010/2011
2. Report of the 21st Meeting of the Council of Ministers
3. All MOUs, Agreements and Contracts on funding, which included
4. The 2010/2011 Committee Budget report of June 2010
 - a) The East Africa Community Advance Agreement for preparation of proposed financial sector, development and regionalization project;
 - b) The (NEPAD – IPPF): Grant for a feasibility study for a Natural Gas Pipeline from Dar-es-Salaam to Tanga and Mombasa Letter of Agreement;
 - c) German Financial Cooperation with EAC Construction of the New EAC Headquarters at Arusha, Tanzania;
 - d) A supplement to the memorandum of understanding (MOU) dated August 13th, 2007 by and between. The East African Community (EAC) and the International Fertilizer Development Center (IFDC)
 - e) The Memorandum of Understanding between the African Union Commission Inter – African Bureau for Animal Resources and the East African Community on the implementation of the participation of African Nations in sanitary and Phytosanitary Standard Organizations (PAN – SPSO) programme, November 2009;
 - f) The EAC Annual procurement plan (2010 – 2011);
 - g) A brief on the Veterinary Governance of EAC;
 - h) The addendum to the Supplementary Budget from EALA that was considered upon a request by the House Business Committee of the East African Legislative Assembly.

5. Letter of Agreement NEPAD – Infrastructure, Project Preparation Facility (NEPAD – IPPF). Supplementary Grant for EAC – EAPP Regional Power Master plan and Grid Code Study.
6. German Financial Cooperation with EAC construction of the new EAC Headquarter in Arusha, Tanzania. Separate agreement to the Financing Agreement dated 17th March 2005.
7. Funding confirmation from Trade Market East Africa for the Capacity Development Action Plan (CDAP)
8. First Amendment to Assistance Agreement between the United States of America and the EAC.
9. Conflict Prevention, Management and Resolution in East and Southern Africa, component II on Small Arms and Light Weapons (SALW)
10. Financing Agreement No. RSA/002/05.
11. African Union Commission/EAC MOU on the Trans-boundary Ecosystems Bill, 2008
12. The EALA Westminster Foundation for Democracy Capacity Support Agreement (Phase Two)

The Committee also held consultations with the Council of Ministers and officials of the EAC Secretariat.

3.0 Consideration of the EAC Supplementary Budget for FY 2010/2011

The Committee on General Purposes considered the EAC Supplementary Budget for the FY 2010/2011 from Monday 13th December 2010 to Thursday 16th, 2010 and met with the Honourable Chairperson, and Members of the Council of Ministers and the Deputy Secretary General of the EAC in charge of Productive and Social Sectors and his team of EAC Officials.

The Committee also considered the Addendum to the Supplementary Budget for the FY 2010/2011 from the East African Legislative Assembly which in consultation with the Council of Ministers has been included into the main Supplementary Budget.

The Committee would like to register its appreciation to the Council of Ministers and the EAC Officials for the usual cordial and cooperative spirit in which the consideration of the Supplementary Budget of the FY 2010/2011 was held. All the documents requested by the Committee were readily availed which significantly facilitated the work of the Committee.

The questions and issues raised by the Committee and the corresponding explanations and responses are herewith attached in **Annex I**.



The Committee was satisfied with all the explanations and responses furnished by the Council of Ministers and the EAC Secretariat.

4.0 Findings/Observations

The Committee reminded the Secretariat that during its consideration of the Financial Estimates for the FY 2010/2011 at the last budget session held in Mombasa, the Republic of Kenya in June 2010, the Committee had requested the Secretariat to always bring to the Assembly for approval Supplementary funds received before any disbursement. The Committee had further requested that all Memoranda of Understanding (MOUs) agreements and contracts be annexed to the budget documents. However, the necessary documents were not immediately available to the Committee at the beginning of the consideration of the Supplementary Budget.

Recommendation

The Committee recommends that the necessary documents be, as a principle, attached to the budget documents for ease of reference by the Committee.

The EAC Secretariat and the office of the Clerk, EALA urged to critically examine the documents and ensure the mentioned annexes are duly attached before being transmitted to the Committee and House for consideration and adoption.

The Committee requests that prior to the consideration of the Supplementary Budget, the Committee should be given ample time to consider it and the necessary documents before the scheduled regular plenary session.

EPA Negotiations

The Committee noted that there were funds allocated to training of Partner States EPA negotiation teams and expressed concern at the nature and levels of training in negotiation skills. The Deputy Secretary General (PSS), Mr. Jean Claude Nsengiyumva explained that due to the changing trends of training and advancement in technology in areas as such Civil Aviation, into EPA, there is need for training to acquire knowledge and capacity building is essential.

Recommendation

The Committee recommends that while training is essential ensuring quality back up teams in the EPA negotiations is even more still vital and the composition of such teams should be diversified to create a strong backing up team, well equipped to represent the interests of East Africa.

The Committee further recommends that EAC-EPA negotiations should aim at sustainable, coordinated and consistent engagement. To this end, the Partner States should put aside a budget for EPA negotiations so as to match available resources in the Community and empower our negotiators to be able to take positions that would be in the interest of the people of East Africa.

Mr. Speaker Sir,

In conclusion, the Committee would like to express its appreciation to the following individuals who facilitated the work to the end of the consideration of the EAC Supplementary Budget for 2010/2011.

- a) The Chairperson, EAC Council of Ministers, Hon. Hafsa Mossi
- b) Hon. Dr. Abdulla Juma Abdulla Saadalla, Assistant Minister for EAC Affairs, Tanzania
- c) Mr. Jean Claude Nsengiyumva, Deputy Secretary General Directorate of Productive and Social Sectors, EAC
- d) Mr. Alex Obatre, Deputy Clerk, EALA
- e) Mr. Philip Wambugu, Director Planning and Infrastructure, EAC
- f) Mr. Charles Mukiri, Principal Internal Auditor, EAC
- g) Mr. Tareto Salay, Senior Budget Officer, EAC
- h) Mr. Steven Mwilolezi, Budget Officer, EAC
- i) Mr. Joseph Malesi, Accountant, EALA

The Committee would like to extend its gratitude to the Hon. Speaker for giving it the opportunity to undertake the consideration of the EAC Supplementary Budget for the Financial Year 2010/2011 and the Office of the Clerk, EALA for facilitating the work of the Committee.

The Committee hereby presents to the House for consideration and adoption the EAC Supplementary Budget for the FY 2010/2011.

Mr. Speaker Sir, I beg to move.



Annex I

The General Purpose Committee of EALA interacted with the Council of Ministers and the EAC Secretariat officials and the questions and issues raised and corresponding responses are as follows:

Question 1

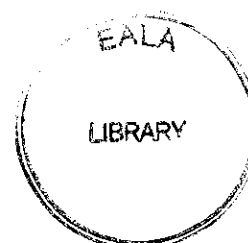
(a) The Committee noted that informative and necessary documents were missing and were necessary for the Committee to properly analyse the supplementary budget. These documents include: The various MOUS and Contracts, Grants and Agreements of the various Projects and Programmes, Procurement Plans and Schedules

Response:

The various MOUS and Contracts, Grants and Agreements for the various Projects and Programmes are available for the Committee to consider. The Procurement Plan for the FY 2010-2011 was prepared as directed by the Assembly while the one for the supplementary activities will be prepared after approval of the supplementary Budget.

The budget is in an MTEF format rather than a narrative form showing the areas that are necessary in the framework that was used during the budget session in May in Mombasa. This would include reference to the already approved funds that are now either just being disbursed or were late for some reason or even the completely new funds and components like those regarding EPA negotiations. This should also reflect the activities and reasons for the funds comprising 'supplementary' funds and why the funds approved were insufficient. If there are any extra budgetary activities, these should be clearly pointed out. The Committee noted that the request comprises three components:

- (i) Supplementary activities/resources



- (ii) Extra budgetary activities
- (iii) The entire supplementary budget

Response:

The MTEF format for this supplementary and Extra budgetary resources was prepared and approved by the Council and a copy is availed to the Committee for consideration. Further, the split of supplementary vis-a-vis extra budgetary resources is as follows:

Supplementary Budget:

<u>Source of Funds</u>	<u>Project title</u>	<u>Amounts in USD</u>
<u>AfDB- NEPAD Infrastructure Project Preparatory Facility (IPPF)</u>	<u>Power Master Plan and Grid Code Study</u>	<u>485,207</u>
	<u>Dar-es-Slaam- Tanga-Mombasa Natural Gas</u>	<u>329,500</u>
<u>Fertilizer Development</u>	<u>Strengthening Trade in Agricultural Inputs in Africa (STAR)</u>	<u>55,000</u>
<u>EU- EDF 9</u>	<u>CPMR-SALW Component</u>	<u>1,182,144</u>
<u>Germany through KfW</u>	<u>EAC-Headquarters Construction</u>	<u>9,200,000</u>
<u>SIDA</u>	<u>EPA Negotiations</u>	<u>1,083,590</u>
	<u>Total</u>	<u>12,335,441</u>

Extra-Budgetary Resources:

<u>Source of Funds</u>	<u>Project title</u>	<u>Amounts</u>
<u>AfDB- NEPAD Infrastructure Project Preparatory Facility (IPPF)</u>	<u>Preparatory Studies on Oil Products Pipeline from Kigali to Bujumbura</u>	<u>133,147</u>
<u>World Bank</u>	<u>EAC Financial Sector Development and Regionalisation Project</u>	<u>1,000,000</u>
<u>Inter African Phytosanitary</u>	<u>Sanitary and Phytosanitary Standards Setting Organisation (PAN-SPSO)</u>	<u>209,800</u>
<u>Trade Mark Eastern Africa (TMEA) Funded by DFID</u>	<u>EAC Capacity Building Project</u>	<u>1,114,832</u>
<u>The Norwegian Government</u>	<u>Climate Change</u>	<u>134,000</u>
<u>EU-EDF 10</u>	<u>Veterinary Governance in EAC</u>	<u>108,043</u>
<u>EU-EDF10</u>	<u>Regional Political Integration and Human Security Programme</u>	<u>950,030</u>
<u>USAID</u>	<u>Environmental and Natural Resources; Infrastructure and Customs Union</u>	<u>2,620,500</u>
	<u>Total</u>	<u>6,270,352</u>

For the above projects, where consideration and approval by the Committee of extra-budgetary resources is requested, the resource mobilisation for these projects was in the pipeline at the approval of the Budget 2010-2011 and the agreements and MoUs for funding were signed after the budgeting process was completed.



Question 2

The Committee was surprised by the huge amount of the supplementary budget (at about 30% of the entire budget for the financial year) in the middle of the budget year. This was an anomaly in itself and contrary to basic supplementary budgeting principles.

Response:

Given the above split between the supplementary and the extra budgetary resources requirements, the supplementary budget is approximately 21% of the approved Budget for FY 2010/11 out of which 15% is attributable to the construction of the Headquarters building while the extra-budgetary resources is 10%. These percentages are within the normal range in the financial year resource requirements.

Question 3

The Committee commented that it was desirable that the anomaly of there being no Council meetings for a long time which was cited as the reason for the delay in presenting the supplementary budget to the House should ideally not be common as it seems to stall activities and delay request for additional funds.

Response:

The concern of the Members is noted. However, this was a unique year when four of the EAC's Partner States were involved in Electoral and Constitutional activities. Given that the decision making process in the EAC is based on the principle of consensus and full quorum, it was not possible to hold Council meetings under the circumstances.

Question 4

The Committee requested for a copy of the last Council Meeting to be used to understand the background and status of the current supplementary budget.

Response:

A copy of the signed report of the 21st Council Meeting has been availed to the Committee.

1.2 Specific questions on projects

1.0. AFDB – NEPAD Infrastructure Project Preparatory Facility (IPPF)

With regard to the Grid Code study. The Committee noted that the amounts shown in the narrative document and the amounts disbursed already do not tally with the tabled, summary in the schedule.

Response:

The concern of the Members is correct. The disbursed amount is US\$178,400. The current support from the African Development Bank is US\$ 663,607. The difference that now is required to be considered by the Committee is US\$ 485,207. The figure of US\$627,754 should be ignored. It was an error. 663, 607 page 1, Power Masterplan.

Question 5

With regard to the the Power Master Plan: the Committee requested for the justification on the status of project and project changes and adjustments, if any.

Response:

The changes in the scope of this project are its extension to Rwanda and Burundi, development of PPP framework for the private sector participation and developing the linkages between the EAC Power Pool and the Eastern African Power Pool.

Question 6

If the power master plan study would commence in March 2010, does the amount of USD 232, 200 requested for reflect only the additional costs just due to starting the project in March rather than July, if not, what are the extra costs for?

Response:

This question seems to refer to the Dar es Salaam – Tanga – Mombasa – Natural Gas Pipeline rather than the Power master Plan. If that is the case, the supplementary amount requested for approval for this Project is US\$329,500 in addition to US\$ 232,200 provided for in the current budget. This is because the Project will now be wholly implemented in the current financial year as it commenced in July 2010.

Question 7

The Committee sought to know whether the amount reflected on the Dar es Salaam- Tanga – Mombasa Natural Gas Pipeline study was an additional cost or a late disbursement? A brief explanation on the project was required.

Response:

As explained above.



Question 8

On page 3, paragraph 1, the Committee noted that the order of service provision was disturbing, whereby procurement of consultancy, the feasibility study as outlined should be in chronological order.

Response:

The order is adjusted to indicate that the procurement of consultancy services is basically for the consultants to undertake the feasibility studies.

Question 9

2.0. The EAC Financial Development and Regionalisation Project (World Bank)

The Committee commented on the fact that this seems to be an extra budgetary activity and the Committee would need to first of all approve the activity then approve the funds. Is this an accurate assumption? The Committee needs to look at the MOU and find out how the project came to have no funds for personnel salaries in the first place?

Response:

The observation by the Hon. Members is accurate. This project budget request is new. This project is coordinated by the department of Fiscal and Monetary Affairs. The project's main objective is to support the implementation of the Common Market through harmonisation of financial markets operations and thereby reduction of transaction costs. Currently, the project has not incurred any personnel costs as it is at the preparatory stage. The amount requested for approval will however be utilised in part to recruit basic project staff including, the project

manager, financial advisor, accountant, procurement officer among others.

3.0 Strengthening Trade in Agricultural Inputs in Africa (STAR PROJECT)

The Committee requires an explanation on how a company that was not involved in the project at this pointing time in the project comes up with 55,000 USD to fund exit costs when not initially involved?

Response:

The new donor, the International Fertilizer Development Centre (IFDC) is only funding the gap that could not be financed by the William and Hewlett Foundation for personnel costs between July 2010 and December 2010.

Question 11

On page 20, with regard to the key personnel mentioned at EAC, are they also paid by the project, what are the terms of reference for these staff?

Question 12

An attachment referred to on page 22 paragraph 3 is missing.

Response

The Attachment referred to on page 22 paragraph 3 is now attached on the new document circulated on page 44 and 45.

4.0 EU-EDF 9 SALW Component

Question 13

This component is not clear and the Committee seeks clarification on the disparity on the figures that do not tally on page 17 and those in the Summary on page 3.

Response

What was provided on page 17 was the entire project budget for the 4 years. The summary reflects the amount required for the FY 2010/11.

Question 14

Are the costs mentioned separate from those incurred by the EAC and employees different. Who is managing the project with regard to communication, publication which the Committee has for some time now recommended should be centralised in the Corporate Communications department.

Response

The expenditure mentioned relate to the costs incurred for the short term consultants, advisors, studies, logistics, and administrative costs. The Steering Committee of the Project is responsible for the overall management of the Project. Publications related to the EAC component are now centralized at the Communications Department as recommended by the Committee.

Question 15

On page 20, with regard to the key personnel mentioned at EAC, are they also paid by the project, what are the terms of reference for these staff?

Response

The key EAC personnel mentioned on pp20 coordinate the Project on a day to day basis as desk officers. These officers are either paid by the EAC as regular staffers or as Project Staff but not both. They do not draw two salaries.

Question 16

An attachment referred to on page 22 paragraph 3 is missing.



Response

The Attachment referred to on page 22 paragraph 3 is now attached on the new document circulated on page 44 and 45.

6.0 The Government of Germany through KfW – EAC Headquarters construction:

Question 17

The Committee noted that there was no explanation whatsoever for this component and required a breakdown of the amount of US\$9,200,000.

Response

The budget proposal for consideration and approval covers the estimated expenditure for the FY 2010 – 2011. This amount will be paid directly by KFW to the contractors and, therefore, the budget approval is basically to enable the disbursement of the expenditures for the FY for the Headquarters building.

7.0 EAC – Capacity Building Project - Trade Mark East Africa

Question 18

On page 23, the Committee has always recommended that the Rule of Thumb be applied strictly to funds not exceeding 30%, but over 80% is to be used on 8 technical staff emoluments and salaries, by this principle who are the technical experts?

Response

The project will involve support for technical advisors to the functions of planning, procurement, internal audit, HR and Training. These are: HR Education, Training and Development Officer, HR Organisational Development Officer, Planning Expert, Senior Project Accountant, Internal Auditor, Procurement Officer, and two Accounts Assistant. The staff will be recruited from EAC Partner States in accordance with EAC Staff Rules and Regulations.

8.0 Veterinary Governance in EAC

Question 19

The Committee requests an explanation on this project, if the agreement is not yet signed, then how is expenditure on activities related to the project is to start?

Response

The concerns of the members are noted. However, in view of recommendations from the retreat of the Heads of State on Food Security and Climate Change related to the development of agriculture and livestock, it is proposed that the Committee to approve the requested budget. This will enable the Secretariat to fastrack the preparatory phase and the signing of the Financing Agreement of this project.

9.0 Climate Change

Question 20

The Committee seeks clarification on the department in EAC responsible for the project and the details of implementation.

Response:

The Department responsible for the Climate Change project is Environment and Natural Resources. However, the Department collaborates closely with the Department of Meteorology. At the moment, the EAC has developed the Climate Change Policy which was considered and adopted by the 11th Summit of the Heads of State. The development of the Master Plan for the

implementation of the Policy is ongoing and will be funded under the requested resources.

11.0 The USAID – Support to the Common Market, Environment and Customs Union.

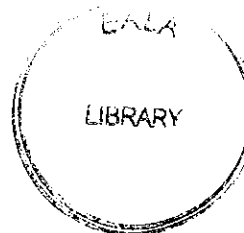
Question 21

The component on Environment and Natural Resources is completely missing and so are 3 pages at the end of the document.

Response:

The reports on the above sectors are included in the background paper . However, the missing pages are now available and will be circulated to Members.

12.0 EPA Negotiations



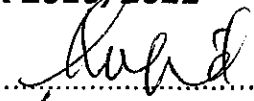
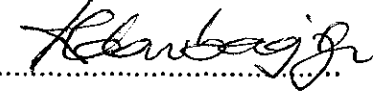
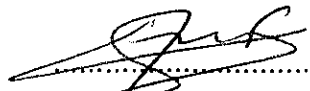
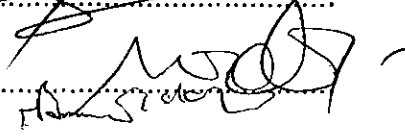

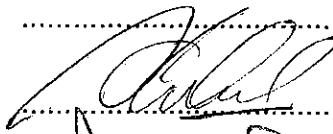
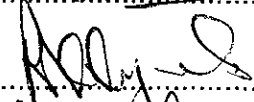
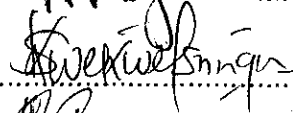


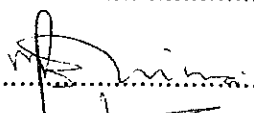
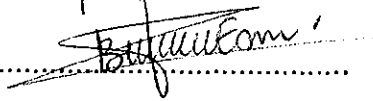
Question 22

The Committee regards this as a new unapproved activity. If this is so, then what is the justification for the activity.

Response:

The Project is ongoing. However, the resources mobilised from SIDA are new and hence their utilisation is subject to the consideration by the Committee and approval by the Assembly.

**REPORT OF THE COMMITTEE ON GENERAL PURPOSES ON THE EAC
SUPPLEMENTARY BUDGET FOR THE FINANCIAL YEAR 2010/2011**

- | | | |
|----------------------------------|-------------|---|
| 1. Hon. Sebtuu Nassor | Chairperson |  |
| 2. Hon Leonce Ndarubagiye | Member |  |
| 3. Hon. Frederic Ngenzebuhoro | Member |  |
| 4. Hon. Dr. Odette Nyiramilimo | Member |  |
| 5. Hon. Dr. James Ndahiro | Member | |
| 6. Hon. Straton Ndikuryayo | Member |  |
| 7. Hon. Dr. Didas Massaburi | Member | |
| 8. Hon. Dr. Said Bilal | Member |  |
| 9. Hon. Reuben Oyondi | Member |  |
| 10. Hon. Safina Kwekwe | Member |  |
| 11. Hon. Sarah Bonaya | Member |  |
| 12. Hon. Nusura Tiperu | Member | |
| 13. Hon. Lydia Wanyoto - Mutende | Member |  |
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| 15. Hon. Emerence Bucumi | Member |  |

