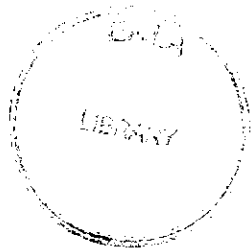




EAST AFRICAN COMMUNITY SECRETARIAT

**BACKGROUND PAPER FOR THE SUPPLEMENTARY BUDGET  
FINANCIAL YEAR 2013/2014**



EAC SECRETARIAT

EAC-HQ, ARUSHA

January, 2014

## 1.0 THE ASSISTANCE AGREEMENT FOR COMPREHENSIVE REGIONAL DEVELOPMENT –USAID FUNDED PROJECTS

The U.S. Government (USG) has a long history of partnership with the East African Community (EAC). The Assistance agreement between USG and EAC was signed on September 23, 2009. The agreement has been amended six times. Currently USG supports the EAC in the implementation of medium term Development Strategy (2011-2016) as well as realization of the mission and vision statements of deepening political and economic integration while improving the well being of citizens. USG support cuts across six EAC sectors, namely; Customs and Trade, Energy, Agriculture, Environment, Health and EAC Institutions.

- 1.1 One of the economic integration goals is to have a fully-fledged Customs Union enabling free circulation of goods across the region. USG support helped EAC Secretariat Directorate of Customs to undertake activities of initiating policies on customs and related trade matters in the Community and the coordination of such policies in the Partner States. These include administration of the common external tariff; enforcement of the customs law; trade facilitation; administration of the rules of origin; compilation and dissemination of trade statistics; application and interfacing of information technology in customs administration; training in customs related matters; quality control of customs operations and enforcement of compliance and activities of the commissioners in the implementation of the customs law.
- 1.2 Under the support to EAC Agriculture, the key achievements were realized in the implementation of EAC Food Security Action Plan during the period July 1, 2012- June 30, 2013. The Action Plan was developed to address food insecurity in the region. It was adopted by the 9<sup>th</sup> Extra-Ordinary Summit of EAC Heads of State held in Dar es Salaam, Tanzania on 19<sup>th</sup> April 2011. The plan covers five main priority areas which aim at: a) creating an enabling policy, legal and institutional framework; increasing food availability in sufficient quantity and quality; improving access to food; improving stability of food supply and access in the EAC region; enhancing efficiency of food utilization, nutrition and food safety.
- 1.3 Support to EAC's Environment and Natural Resources Management Sector is aimed at contributing to realization of the strategic objective of *Sub Sector 4- Environment and Natural Resources* under *Sector 7- Productive Sector*, of the

4<sup>th</sup> EAC Development Strategy (2011/12-2015/16) whose objective is *sustainable utilization of the region's environment and natural resources use, management, and conservation and adaptation to climate change*. In general, the support seeks at contributing to several EAC objectives including: "attainment of sustainable growth and development of the Partner States; strengthening and consolidation of cooperation in agreed fields; promotion of sustainable utilization of the natural resource base in the region; promotion of people-centered mutual development; and enhancement and strengthening of partnerships with the private sector and civil society". The aim is to reduce threats to human health and ecosystems, promote sustainable development, and manage natural resources on a sustainable basis. Support is made available through Planning for Resilience in East Africa through Adaptation, Research and Economic Development (PREPARED) program whose aim is to *strengthen the resiliency and sustainability of East African economies, trans-boundary freshwater ecosystems and communities*.

1.4 USAID is supporting an EAC multi-year project on Aflatoxin that cuts across three sectors namely Health, Agriculture and Trade. The project is working towards achievement of a Policy on aflatoxin control in the region.

1.5 USAID directly supported the Lake Victoria Basin Commission (LVBC). Since 2005, direct support was provided on the Trans-boundary Water for Biodiversity in the Mara River Basin (TWBHH-MRB) Initiative. The Commission strives to establish a trans-boundary agreement to ensure water flows to sustain the biodiversity of the Mara-Serengeti ecosystem, and encourages implementation of harmonized river basin management practices and policies. The TWBHH-MRB ended in September 2012 and its initiatives will continue with PREPARED Project.

1.6 USAID supports the Population Health and Environment (PHE) Project. The PHE project aims at strengthening regional coordination, knowledge management and advocacy with an ultimate goal of developing a common PHE framework for cooperation around which state and non-state actors will coalesce in designing and implementing PHE projects in the region.

The current amendment of the agreement between USG and EAC is the Sixth Amendment of the Comprehensive Agreement between EAC and United States of America that was signed on 12th November 2013 providing EAC a total amount of USD 2,206,000 as follows: EAC Secretariat US\$ 1,470,000 and LVBC US\$ 772,387. The agreement provided funds to support activities and staff that will support the implementation of activities. The agreement is attached hereto as Annex and the provision of the budget is as follows:

### 1.8 Support of USAID Staff

**Table I: Supplementary Budget requested**

	<b>Activity Description</b>	<b>Amount (USD)</b>
1	Salary and allowance of the RADDEX Advisor (P3)	54,666
2	Salary and allowance of IT expert for Trade (P2)	52,224
3	Salary and allowance of Climate Change Specialist (P2)	21,457
4	Salary and allowance of Agriculture Program support Specialist (P2)	21,457
5	Salary and allowance of Principal Health and Nutrition Officer (P3)	4,177
6	Salaries and allowances for Senior Project Accountant (P2) and Accounts Assistant (G5)	59,215
7	Salary and allowance of EAC-USG Program Liaison (P3)	27,884
8	Administrative cost for EAC-USG Liaison office	20,508
	<b>Total</b>	<b>261,588</b>

The MTEF for the supplementary budget the above is attached hereto as **Annex**.

**1.9 Support to the Sectors include Agriculture, Trade and Customs  
(USD 881,175)**

The US Government financial year runs from October to September while EAC financial year runs from July to June every year. The unsynchronized financial years between EAC and US Government (USG) poses difficulties for the EAC to comply with the requirements of the EAC Medium Term expenditures Framework (MTEF). The most significant consideration for the supplementary request from USG side is when the USG funds became available for obligation (November 2013) and when EAC teams are able to access the funds (July 2014). We are therefore requesting the supplementary Budget to be able to spend from January 20 14.

**Table II: Supplementary Budget requested**

<b>EAC Sector</b>	<b>Activity description</b>	<b>Budget (USD)</b>	<b>Timelines</b>
<b>Agriculture</b>	To develop strategy of for implementation of EAC Food Security and Nutrition policy document	74,800	Feb 2014
	To develop Regional Animal Resources Data Base at EAC	58,900	June 2014
	<b>Sub Total</b>	<b>133,700</b>	
<b>Trade</b>	To conduct national consultations on the draft study on the EAC Common Trade Policy and Strategy	75,250	February 2014
	To organize 1 meeting for 3 days by Commissioners to develop the EAC Competition Authority internal rules of procedure and user guidelines	34,750	March 2014
	To conduct a regional assessment study in all the Partner States and organize 2 meetings for 3 days by 2 Experts from each Partner State and 5 from the Secretariat to validate the study	100,500	June 2014
	Hold two meetings to coordinate the implementation of commitments on Trade in Services	62,300	April and May 2014
	To hire consultancy service to develop EAC	7,400	February

	AGOA Policy and Strategy		2014
	To conduct 2 validation workshops (1 on the draft report and 1 on the final report) of two day each and 13 delegates and staff on the EAC AGOA Policy and Strategy	21,950	March 2014
	To convene 2 meetings of 2 delegates from each Partner State and 4 EAC staff to prepare strategies for promoting exports to European and emerging markets	22,000	April 2014
	To attend the AGOA Forum by 4 EAC staff	17,000	June 2014
	<b>Sub total</b>	<b>341,150</b>	
<b>Customs</b>	Development of a mechanism for the operationalisation of a Single Customs Territory for the EAC Customs Union	56,400	Jan-June 2014
	Development of a regional policy and implementation strategy on Coordinated Border Management	63,900	June 2014
	Development of a regional framework on Single Window Systems	64,200	May 2014
	Institutionalizing the use of the Revenue Authorities Digital Data Exchange (RADDEX)	77,550	June 2014
	Roll out of the Time Release Studies to all the major corridors of the EAC following the completion of the pilot on the Northern Corridor	96,675	June 2014
	Enactment and operationalization of the Customs Information Technology (IT) regulations	47,600	June 2014
	<b>Sub Total</b>	<b>406,325</b>	
	<b>TOTAL</b>	<b>881,175</b>	

The MTEF for the above supplementary budget is attached hereto as Annex.

## 2.0 EAC/WORLD BANK PUBLIC FINANCIAL MANAGEMENT HARMONIZATION PROJECT

The East African Community is heading towards the achievement of the Third Pillar of Integration as per the Treaty for the Establishment of the East African Community. In support of this critical Pillar of Integration, the EAC Partners States had noted the need to have a robust Fiscal Policy. To achieve this, East African Community Partner States had noted the need for the Harmonization of Procurement, Accounting and Oversight Functions and Practices across the EAC Region all while observing the international standards and best practices.

At its 2nd Meeting held on 7th – 9th September 2013 of the Sectoral Council on Finance and Economic Affairs directed to the Secretariat to explore modalities for supporting Partner States in the following areas -

- (a) implementation of International Public Sector Accounting Standards (IPSAS);
- (b) compliance with best practices of Institute of Internal Auditors;
- (c) budgeting systems to harmonize budget classification, budget reporting and the measurement of budget deficits;
- (d) approximation of Legal and Institutional requirement, procurement process and the capacity development requirements;
- (e) application of International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards by the Auditors General Offices;
- (f) Parliamentary Public Accounts Committees in collaboration with East African Association of Public Accounts Committees; and
- (g) Capacity Building for Public Accountants in Public Administration and Management.

The EAC Secretariat had been directed to report progress on the above directive during the next meeting of the Committee of Fiscal Affairs. In this respect, the EAC Secretariat has mobilized and received funds amounting to US\$ 1,000,000 as per Signed Grant Agreement attached, from the World Bank through an IDF Grant for the PFM Coordination and Harmonization in East African Community Partner States, to support the Coordination and Harmonization Project in the above areas. The Secretariat has proposed the following use of the funds secured;

- (a) for the period of January - June 2014 for FY 2013/14: US\$ 494,700; and

(b) for the period of July 2014 - June 2015 for the FY 104/15: US\$ 505,300.

In this regard, EAC was seeking approval for a Supplementary Budget as per attached detailed MTEF attached to be able to utilize the first tranche of funds amounting to US\$ 494,700 for the period January to June 2014 towards implementation of the EAC PFM Coordination and Harmonization activities.

The EAC Council of Ministers has adopted the supplementary budget of funds amounting to US \$ 494,700 for the EAC PFM Coordination and Harmonization in East African Community Partner States. The work plans are attached under Annex I

### **3.0 THE EU FUNDED EAST AND SOUTHERN AFRICA-INDIAN OCEAN (ESA-IO) MARITIME SECURITY PROJECT.**

Following the adoption of the East and Southern Africa (ESA)-IO (Indian Ocean) Maritime Security Strategy and Action Plan by Regional Ministers at a Ministerial Meeting held in Mauritius in October 2010, the EU offered to facilitate seed funding to support the implementation of then Strategy and Action plan in light of the then serious problem related to Somali Piracy in the Indian Ocean.

A technical team drawn from all ESA-IO RECS thereafter commenced on a project development exercise which culminated into the signing of a financing agreement for an ESA-IO Maritime Security Project with an overall EU commitment of Euros 37.5 million.

The overall objective of the project is to enhance maritime security in the ESA-IO region hence contribute to global security and create a favorable environment for the development of the ESA-IO Region and beyond.

The specific objective of the project is to strengthen the capacity of the ESA-IO region in the implementation of the Regional Strategy and Action Plan Against Piracy and for Maritime Security.

The funding was distributed out to the various result areas as follows:

- a) **Result Area 1**-IGAD-implementation of the Somali Inland Action Plan
- b) **Result Area 2**-EAC-develop/Strengthen National/Regional legal, legislative and infrastructural capability for Arrest, Transfer, Detention and Prosecution of Pirates;
- c) **Result Area 3**-COMESA-strengthen Regional capacity to disrupt the financial networks of pirate leaders and their financiers while also addressing structural vulnerability factors and minimize the economic impact of piracy;
- d) **Result Area 4**-IOC-enhance national and regional capacity for maritime tasks and support functions and



e) **Result Area 5-IOC-improve regional coordination and information exchange.**

Commitments with respect to these interventions must be concluded not later than 12th June 2016. The project life covers five years.

The EAC Component will focus on the following interventions

- i. Continuation of existing support to trials of suspected pirates in countries of the region (UNODC);
- ii. Agreement on a harmonized legal framework for maritime law enforcement with the possibility to allow for national adjustment of laws and regulations;
- iii. Develop training and mentoring program as well as provision for equipment for police, prosecutors, and courts staff on a variety of maritime law enforcement angles, including human resource development (includes support to the Kampala -based the Regional Forensic Referral Centre) (EAC/INTERPOL);
- iv. Develop training and mentoring for prison staff (including attention for human rights) and develop staff living conditions and human resources;
- v. Support for the implementation Prisons Reform Programs.
- vi. Project Management
- vii. Support to training of prosecutors and judiciary

Intervention (a) will be undertaken by the UN Office for Drugs and Crime (UNODC) while the remainder will be implemented through program estimates concluded by the EAC and the EU Delegation in Dar-es Salaam.

In view of the fact that the EAC, IGAD and IOC have not satisfied the EDF Four Pillar Assessment, these regional organizations will be subject to Direct Decentralized Management which implies implementing the Project guided by the to EDF 10 procedures and Regulations.

The implementation of the EAC Component is set to commence on 1st January 2014 upon approval of supplementary estimates covering February -June 2014. Activities foreseen during this phase include:

- a) Development of a Strategic Plan for the Regional Forensic Referral Centre USD 146,231;
- b) Foundation interventions for Prisons Reforms USD 150,950 (Euros 115,875)
- c) Validation of training curriculum for Prosecutors and Judicial Officers USD 77,460
- d) Recruitment and remuneration of Project Staff USD 33,606
- e) Procurement of Project equipment and vehicle USD 73,000
- f) Training and project running costs USD 46,325
- g) Consultancies USD 14,000