

Council of Ministers says no to increase in 2017/18 EAC Budget

By James Karuhanga

THE 2017/18 East African Community budget will be relatively smaller compared to the current closing financial year owing to the current economic situation, regional ministers have decided.

During the recent meeting of the Council of Ministers in Arusha, Tanzania, the bloc's Secretary General, Amb. Libérat Mfumukeko, submitted a budget proposal for financial year 2017/18 amounting to \$113.8 million compared to the current budget of \$101.4 million.

"Owing to the current economic situation, all partner states are experiencing rationalisation of their national budgets and, therefore, it would be difficult to increase contributions to the EAC Budget," reads a report of the central decision-making organ of the Community.

"The meeting, therefore, agreed to a zero per cent increase in partner states contributions to the 2017/18 Budget."

The Council observed that although there is no increase in the individual partner states' contribution, countries' total contribution will increase after including contribution from the Community's new member, South Sudan.

From May 22 to June 3, the final sitting of the third East African Legislative Assembly (EALA), in Arusha, Tanzania, will mainly debate the budget estimates as adopted by the Council.

MP Patricia Hajabakiga, chairperson of EALA Rwanda Chapter, told *The New Times* that nothing much is likely to change.

"Of course the budget voted by EALA cannot go beyond the ceiling provided by the partner states. It is only rationalising within what is already available," Hajabakiga said.

"In case some institution needs something and maybe some other institution has excess then they will rationalise within the available envelope. What the council has approved will be the next EAC budget," she said last week.

Budget sources

The Council's report shows that 52 per cent (\$57.3 million) of the bloc's next budget will come from internal resources, mainly partner states' contributions, which were set at 54 per cent previously. Development partners provide the rest.

To fund activities of key organs of the bloc including the Secretariat, the Assembly, and the East African Court of Justice for the next financial year, each partner state is expected to contribute \$8.3 million, a slight decrease from past years when each country was required to contribute \$8.3 million.

Support from development partners for financial year 2017/18 is set at \$52.8 million against the current year's \$46.7 million, an increase of 13 per cent.

Internal resources, however, remain constrained especially as countries have been failing to make their obligatory remittances to a Secretariat on time.

The Council's report indicates that the bloc's 2016/17 budget included drawings from the EAC General Reserve Fund to the tune of \$6.3 million.

The Secretariat is experiencing challenges facilitating activities as some funds for the previous financial year are yet to be paid. Therefore, "the Reserve Account has a nil balance, hence no funding for the Financial Year 2017/18 budget could be included in the Medium-term Expenditure Framework

(MTEF), according to the report.

While in Kigali in March, regional MPs passed a resolution urging the Council of Ministers to find a common stance on countries' funding deficit. They heaped blame on the Council for not doing enough to ensure member states meet their financial obligations.

Status of contributions

As at March 31, the Council reported that the status of partner states' budgetary contributions for Financial Year 2016/17 had changed, with Kenya having fully paid and Uganda paying 91.5 per cent, while Rwanda reached 64.2

per cent and Tanzania 30.5 per cent. Among other arrears, Burundi had not cleared \$771,037 from the financial year 2015/16.

Kenya paid \$20,476.42 in excess to the contribution for financial year 2016/17.

Countries are supposed to pay up by December 30 of every financial year.

Regional ministers of finance in February 2016 recommended to the Council to: maintain equal contributions from each Partner State; and to invoke Article 143 of the EAC Treaty, on sanctions to a country which may default in meeting its financial obligations, among others.

Presently, the ministers of finance are meeting in Arusha to iron out various matters regarding the bloc's finances, and especially the issue regarding the sustainable financing mechanism for the bloc.

In April, 2016, the Secretariat submitted a proposal to the Committee of Fiscal Affairs (CFA), with sanctions including one which states that for the second year of default, in addition to earlier sanctions, the country concerned shall be subject to; the non-receipt of documents; not participating in decision making on Community affairs; and ineligibility for Chairmanship at the level of the Summit, among others.

Delay in disbursement of Partner States contributions has caused liquidity challenges to the EAC Organs and Institutions, and the Secretariat is requesting that funds be expeditiously disbursed.



A trader pulls a receipt out of an electronic billing machine. RRA is keen on having every trader use the machine to increase efficiency in collecting taxes. But EAC has been struggling with funding constraints for its activities as it mainly relies on partner states' contributions, which take time coming through. *File.*

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