1.0 OPENING OF THE MEETING

1.1 Introduction

The East African Community (EAC) convened the 18th Partnership Fund Steering Committee Meeting (PFSCM) in Arusha, Tanzania on the 10th June 2013. Mr. Jean Claude Nsengiyumva, EAC Deputy Secretary General for Finance and Administration, officially opened the meeting.

The meeting was attended by Development Partner representatives (namely: Sweden, Germany, Japan, Norway, Denmark and Finland), senior officials from EAC Partner States and officers from the EAC Secretariat. A list of participants is attached as Annex 1.

1.2 Opening Remarks.

In his opening remarks, the Deputy Secretary General thanked the Development Partners for the continued support accorded to EAC in this Financial Year 2012/13 and urged them to continue working hand in hand with EAC as it strives to achieve its vision, which is to attain a prosperous, competitive, secure and politically united East Africa. He mentioned that the Partner States and Parliament (EALA) have recognized the EAC Partnership Fund as one of the most effective ways of channeling Aid to EAC.

The DSG (F&A) highlighted some notable achievements in 2013. These included elimination of a number of Non-Tariff Barriers (NTBs), rolling out of a framework for monitoring and evaluating the implementation of the EAC Common Market Protocol based on which two (2) reports had been produced. He went further to mention that the negotiations for all the seventy-seven articles of the draft East African Monetary Union (EAMU) Protocol had been finalized at the technical level and that EAC is also working on its systems to make them compliant with national acceptable standards and a lot of progress has been made especially in the Financial Systems, Procurement, Internal Control and Internal Audit.

The DSG (F&A) was pleased to inform the meeting that the EAC budget for Financial Year 2013/14 for a total of USD 131,806,032 had been approved on the 6th of June 2013, and its implementation will start as from July 2013. A budget of USD 7.9 Million for Partnership Fund as per the approved work-plan in January 2013 had been factored in the approved EAC budget. He mentioned that EAC was counting on the Development Partners for their continued co-operation and appealed to them to release funds on time.

In his remarks, the Chair, Tim Lamont thanked the DSG (F&A) for his informative speech. He said that he was pleased with the cooperation received from all the Development Partners in support and especially in preparing for the meeting.
He also thanked the Resource Mobilisation Office for the good
documentation and preparations for the meeting. He thanked the World
Bank group in a special way for availing time to come and make a
presentation on the Common Market scoreboard.

1.3 Adoption of the Agenda and Programme

The Agenda was adopted as follows:-

1) Confirmation of Minutes of 17th PFSCM
2) Consideration of the Progress Report July 2012- April 2013
3) Confirmation of Development Partners disbursements for Financial Year
   2013/14
4) Consideration of the revised Results Based Framework for Financial
   Year 2013/14
5) Key updates;
   ✓ EAC Capacity Development Action Plan (CDAP)
   ✓ EAC Development Fund (EACDF)
6) Next Partnership Fund Financial Audit.
7) AOB

2.0 AGENDA 1: CONFIRMATION OF MINUTES FOR 17TH PARTNERSHIP FUND
STEERING COMMITTEE MEETING (PFSCM) AND MATTERS ARISING

EAC presented the Minutes of the 17th PFSCM, which were confirmed as a
true reflection. EAC also presented a matrix on matters arising and an
update on the implementation status.

The Steering Committee noted that the minutes presented had not been
signed. Copies were prepared and signed during the Meeting. The amount
contributed by Sweden had been wrongly indicated as SEK 6,000,000 and
this was corrected to read SEK 7,000,000.

On the matters arising:

EAC was congratulated for finalization of the Annual Report for Financial
Year 2011/2012. This was as a result of the support by a small team
appointed by the Steering Committee. The support by GIZ in type setting
was also acknowledged.

The Development Partners were concerned about the MoU’s signed
between EAC and the Partner States on the use of Funds. They were assured
that the MoU’s were standard documents for all Partner States with the only
thing that changed being the name for each and that they were all
available.
Issues Raised

The Development Partners noted that the Audit Report for FY 2011/12 did not include a management letter. The Steering Committee also recommended that the Audit Report should be approved by the Steering Committee before inclusion in the final annual report.

Action Points

1) Secretariat to ensure that the Terms of Reference for the audit must be very clear to indicate provision of the management letter together with the report.

2) Secretariat to ensure that the audit is done as provided for in the MoU i.e. before or by 30th September of each year and should be presented to the Steering Committee for formal adoption.

3) The Action Plan on the management letter should be attached to the audit report to allow for comparison and also to justify its implementation.

2.1 AGENDA 2: CONSIDERATION OF THE PROGRESS REPORT FOR JULY 2012-APRIL 2013

2.1.1 Progress Report for July 2012- April 2013

EAC presented a progress report for implementation as at 30th April 2013. The progress report included a matrix elaborating on key activities implemented and the results achieved. As part of the progress report a financial report was presented which articulated on the expenditure and also disbursements received as at April 30th (matrix attached).

2.1.2 Budget Performance

The Secretariat presented the Budget Performance and the Total Contribution for the period July 2012- April 2013 (see Table 1 and 2 above). From these tables it was explained that the total amount received for the period was USD 5,385,228.16 against the total expenditure of USD 4,836,513. The percentage utilized against the total contributions was 89.81%.

This information is summarized in the table below.
Table 1: Budget Performance

<table>
<thead>
<tr>
<th>PRIORITY AREA</th>
<th>Budget FY 2012/2013 in USD</th>
<th>Income Received as at 30th April 2013 in USD</th>
<th>Deficit in USD</th>
<th>% Income received against the Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>7,970,250</td>
<td>5,335,719</td>
<td>2,634,531</td>
<td>67%</td>
</tr>
<tr>
<td><strong>PRIORITY AREA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation of the EAC Common Market Protocol</td>
<td>3,481,847</td>
<td>1,792,462</td>
<td>1,689,385</td>
<td>51%</td>
</tr>
<tr>
<td>Finalization and Implementation of the East African Monetary Union Protocol</td>
<td>1,484,800</td>
<td>1,072,255</td>
<td>412,544.74</td>
<td>72%</td>
</tr>
<tr>
<td>Promoting Citizen Involvement in the EAC</td>
<td>1,313,600</td>
<td>869,440</td>
<td>444,159.71</td>
<td>66%</td>
</tr>
<tr>
<td>EAC Institutional Strengthening</td>
<td>1,034,753</td>
<td>712,155</td>
<td>322,598</td>
<td>69%</td>
</tr>
<tr>
<td>Election Observer mission</td>
<td>655,250</td>
<td>390,201</td>
<td>265,049</td>
<td>60%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>7,970,250</td>
<td>4,836,513</td>
<td>3,133,737</td>
<td>61%</td>
</tr>
</tbody>
</table>

| Performance as per income received                                           |                             |                                             |                |                                      |
| Income Received                                                              | 5,335,719                   | 4,836,513                                   | 499,206        | 91%                                  |
2.1.3 **Contributions into the Partnership Fund - Financial Year 2012/2013**

During the financial year, the total disbursements amounted to **USD 5,335,719** out of the total **USD 7,970,250** budgeted for. This translates to **66.9%** of the income received. The Secretariat explained that because of implementation of agreement that only 2 delegates should be supported for all meetings, savings were made that enabled the Secretariat to implement almost all the planned activities.

**Table 2: Total Contributions into the Partnership Fund - Financial Year 2012/2013**

<table>
<thead>
<tr>
<th>DEVELOPMENT PARTNER</th>
<th>AMOUNT REQUESTED</th>
<th>AMOUNT IN USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORWAY</td>
<td>NOK 10,000,000</td>
<td>1,779,422.75</td>
</tr>
<tr>
<td>JAPAN</td>
<td>USD 21,000</td>
<td>17,853.00</td>
</tr>
<tr>
<td>SWEDEN</td>
<td>SEK 6,000,000</td>
<td>1,050,560.00</td>
</tr>
<tr>
<td>GERMANY</td>
<td>EURO 650,000</td>
<td>842,420.00</td>
</tr>
<tr>
<td>FRANCE</td>
<td>EURO 18,000</td>
<td>23,333.33</td>
</tr>
<tr>
<td>DENMARK</td>
<td>DKK 6,000,000</td>
<td>1,017,639.08</td>
</tr>
<tr>
<td>DENMARK</td>
<td>DKK 3,500,000</td>
<td>654,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5,335,719</strong></td>
<td></td>
</tr>
</tbody>
</table>
2.1.4 **Budget Performance for the Period July 2011 to April 2013**

As at 30th April 2013, the Secretariat reported an expenditure of USD 4,836,513 (91%) against the disbursements. It was reported that there are activities planned for May and June, when implemented, an expenditure of 100% would be realized.

**Issues raised:**

1) The Development Partners noted that the progress report was very summarized. More narrative information should be given especially on activities implemented. The progress report should be of the same format as the annual report.

2) Development Partners were also concerned about the difference in disbursements and measures taken by the Secretariat to ensure all activities were implemented.

3) The progress report should clearly indicate the magnitude of Partnership Fund contribution in key areas such as EAMU.

**Action Points:**

1) In future the Secretariat should provide more details on the progress report as it is a draft annual report. Although the matrix provides key information it should be an attachment to a narrative.

2) On the financial report more break down to track expenditure by activity should be provided as per detailed work plan.

2.2 **AGENDA 3: CONFIRMATION OF DEVELOPMENT PARTNERS DISBURSEMENTS FOR FY 2013/14**

2.2.1 **Projected Disbursements for Financial Year 2013/14**

The Secretariat presented the projected disbursements for FY 2013/14, which amounted to USD 7,931,186. The figures below were confirmed by the Development Partners present at the meeting as a reflection of the true and fair projections for FY 2013/14. The Secretariat confirmed that this is the figure reflected in the EAC budget as per earlier approved Partnership Fund budget by the 17th PFSCM.
Table 3: Projected Disbursements FY 2013/14

<table>
<thead>
<tr>
<th>DEVELOPMENT PARTNER</th>
<th>AMOUNT IN LOCAL DP CURRENCY</th>
<th>EQUIVALENT AMOUNT IN USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>SEK 7,000,000</td>
<td>1,050,000</td>
</tr>
<tr>
<td>Denmark</td>
<td>DKK 6,000,000</td>
<td>1,010,000</td>
</tr>
<tr>
<td>Japan</td>
<td>USD 17,853</td>
<td>17,853</td>
</tr>
<tr>
<td>Belgium</td>
<td>Euro 450,000</td>
<td>540,000</td>
</tr>
<tr>
<td>France</td>
<td>Euro 18,200</td>
<td>23,333</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Sterling Pound 500,000</td>
<td>790,000</td>
</tr>
<tr>
<td>Germany</td>
<td>Euro 650,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Finland</td>
<td>Euro 1 million</td>
<td>1,280,000</td>
</tr>
<tr>
<td>Canada</td>
<td>CAD</td>
<td>700,000</td>
</tr>
<tr>
<td>Norway</td>
<td>NOK 10 million</td>
<td>1,720,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>7,931,186.</strong></td>
</tr>
</tbody>
</table>

Issues on the Projected Income:

The Development Partners emphasized that the disbursements will be tied to finalization of the audit process in time as this is a requirement by a number of Development Partners and also finalization of the Results Based Framework.

Action Points:

1) The Secretariat was requested to ensure that the Audit was conducted and the final Report presented in a timely manner as prescribed in the MoU.

2) Secretariat was asked to follow up with respective development partners to ensure that the disbursements are made on time.

2.2.2 Overview of the EAC Budget

The Secretariat presented an overview of the EAC Budget for FY 2012/13 amounting to **USD 117,533,567** as approved by Parliament. Of this amount, the Partner States will contribute **USD 37,503,291**, Development Partners contribute **USD 80,030,275** and the Partnership Fund will contribute **USD 7,919,805** (equivalent to 9% of the contributions by Development Partners).
## Table 4: Overview of the EAC Budget

### SUMMARY OF BUDGET BY GLOBAL PRIORITIES FY 2013/2014

<table>
<thead>
<tr>
<th>S/ N</th>
<th>Priority Description</th>
<th>Total EAC Budget</th>
<th>Partner States</th>
<th>Development Partners</th>
<th>Partnerships Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Establishment of a single customs territory</td>
<td>2,257,650</td>
<td>348,300</td>
<td>1,909,350</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Progressive implementation of the Common Market Protocol</td>
<td>33,074,156</td>
<td>9,190,505</td>
<td>23,883,651</td>
<td>4,424,480</td>
</tr>
<tr>
<td>3</td>
<td>Implementation of the EAC Monetary Union Protocol</td>
<td>1,639,200</td>
<td>62,800</td>
<td>1,576,400</td>
<td>999,304</td>
</tr>
<tr>
<td>4</td>
<td>Establishment of the Free Trade Area comprising 28 African countries under the Tripartite EAC-COMESA-SADC Initiative</td>
<td>1,849,700</td>
<td>419,750</td>
<td>1,429,950</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Development of cross border infrastructure through implementation of on-going programmes and projects in the respective sub-sectors</td>
<td>18,507,594</td>
<td>557,340</td>
<td>17,950,254</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Implementation of the EAC Food Security and Climate Change Master Plan, and the EAC Industrialization Strategy</td>
<td>2,267,798</td>
<td>147,500</td>
<td>2,120,298</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Implementation of the critical activities of Lake Victoria Basin Commission</td>
<td>30,376,272</td>
<td>2,570,320</td>
<td>27,805,952</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Personnel Emoluments and other Support Services (Enhancing public awareness and support participation in the EAC, support to EAC institutional strengthening.)</td>
<td>27,561,196</td>
<td>24,206,776</td>
<td>3,354,420</td>
<td>2,496,021</td>
</tr>
<tr>
<td></td>
<td><strong>Total Budget</strong></td>
<td><strong>117,533,567</strong></td>
<td><strong>37,503,291</strong></td>
<td><strong>80,030,275</strong></td>
<td><strong>7,919,805</strong></td>
</tr>
</tbody>
</table>
**Action Points:**

The Secretariat was asked to prepare a breakdown showing contributions by each development partner in the EAC and the key sectors supported.

### 2.3 AGENDA 4: RESULT BASED FRAMEWORK

The Result Based Framework (see annex 4) was presented and it was explained that the comments by the Development Partners had not been factored as yet and the Secretariat promised to update the Result Based Framework capturing these comments and circulate it.

The Steering Committee noted and appreciated the work done by the Secretariat and the improvement on the framework. The Secretariat was asked to revise further factoring comments from the GiZ consultant.

The Development Partners also emphasized that a budget framework be provided alongside the Resource Based Framework to ensure predictability. The Steering Committee emphasized that when fully adopted the result based framework will be the guideline for priorities and identification of funding gaps for three (3) years.

**Action points:**

The Result Based Framework should be finalized before FY 2013/14 commences and should be adjusted accordingly in case changes arising from mid-year reviews. The Result Based Framework should also be modified to include costs.

### 2.4 AGENDA 5: KEY UPDATES

#### 2.4.1 Capacity Development Action Plan (CDAP)

The EAC Secretariat presented an update about capacity development and informed the meeting that a mock assessment had been conducted on the 4 key pillars i.e. accounting, procurement, internal control and auditing. The mock assessment indicated remarkable progress but also identified some critical areas that need attention. The meeting was informed that an action plan has been put to address the gaps identified.

The meeting was also informed that a comprehensive fiduciary assessment would be carried out to cover all CDAP areas. The Development Partners asked the Secretariat to ensure that there is
sustained support of the CDAP to continue with the progress made by TMEA technical advisors.

The Development Partners urged the EAC to ensure that adequate preparations were made in-order to pass this assessment so as maintain the support from EU.

### 2.4.2 EAC Development Fund (EACDF)

The Secretariat made a presentation about the progress of establishing the EACDF. The meeting was informed that this is still work in progress and the Fund will be established through an act of Parliament. EAC is in the final stages of finalizing the Bill for approval by Parliament. The proposed Fund will be fully owned by the partner states and managed by the East African Development Bank. The Fund will support projects with a regional outlook and also will be used as a legal framework for pulling resources together by partner states. The Fund is expected to be operational by FY 2013/14.

The meeting was informed that there were no foreseen duplications between EACDF and the Partnership Fund. The mandate, scope and management structure of the two funds are clearly distinct.

### 2.5 AGENDA 6: NEXT PARTNERSHIP FUND FINANCIAL AUDIT.

#### 2.5.1 Terms Of Reference (TOR's) For Financial Audit Of EAC Partnership Fund

The TOR’s for engaging an external auditor to audit partnership fund for the year FY 2012/13 was presented. The members were in agreement on the tasks as per the presented terms of reference and emphasized that the audit report should be completed by 30th September and it should include the management letter.

**Issues raised**

1) **The Development Partners emphasized strict adherence to the deadlines as prescribed in the MoU.**

2) **The Secretariat should ensure that a management letter is included in the final Audit Report.**

3) **The Development partners reiterated that the Fully Audit Report will be a prerequisite for disbursement in FY 2013/14.**
Action Points:

1) EAC to engage an external auditor in a competitive procurement process as per the EAC rules and regulations.

2) EAC to circulate the draft report and management letter for the Development Partners to comment before the report is signed.

2.6 AGENDA 7: ANY OTHER BUSINESS

2.6.1 Donor Conference

The meeting was informed that the Secretariat was planning to hold a donors conference. The conference is aimed at bringing together all donors supporting EAC sectors with a view of appraising them on the developments made by EAC and formation of thematic groups.

The meeting was supportive of the idea, however the Secretariat was asked to develop a concept paper, which should highlight the specific objectives and expected outcomes of the conference.

Secretariat was asked to propose specific dates for the conference preferably next calendar year because of the amount of preparations required. The Development Partners emphasized to EAC on the need for active engagement in the preparatory processes of the conference.

3.0 CLOSING REMARKS

In his closing remarks, the Chair, Tim Lamont thanked all the participants for the candid discussion that they have had and the agreed action points. He also requested that all Developmental Partners honor their pledges and release the funds on time. It was agreed that the next Steering Committee Meeting would be held in October 2013.

The Chair in his closing remarks thanked everyone for their support.

Signed on ........................................
For Development Partners

Signed on ........................................
For EAC Secretariat

........................................
Tim Lamont
CHAIR – PFSC

........................................
..........................
Dr. James Njagu
EAC SECRETARIAT