EAC Discusses Harmonization of Fiscal, Budgetary Frameworks

The East African Community needs to build its capacity to produce robust statistics as well as create a credible surveillance and enforcement mechanism to underpin its transition to a monetary union, a workshop on harmonizing fiscal and budgetary frameworks today heard in Arusha.

The workshop convened by the EAC in partnership with the Fiscal Affairs Department of the International Monetary Fund (IMF) will over a three-day period discuss a variety of subjects focusing on the fiscal policy implications for the planned East African Monetary Union (EAMU).

Speaking during the opening session of the workshop, the EAC Director for Planning Mr. Tharcisse Kadede outlined the production of robust statistics as key, as these aid the measurement of the extent to which macroeconomic convergence is being attained.

He added the creation of a credible surveillance and enforcement mechanism as well as the creation of a mechanism of resilience against external shocks including a stabilisation facility, as critical for the smooth functioning of the Monetary Union.

Also included among the proposals is the harmonization of tax policies and customs procedures; development of a common fiscal reporting framework for the EAMU and development of an EAC budget framework directive and a model Public Finance Management (PFM) Act, among others.

The workshop is part of a three-year collaborative initiative through which the IMF will support activities to establish the fiscal foundations for the East African Monetary Union.

The initiative is divided into four work streams namely:

- Technical specification EAMU fiscal convergence criteria and rules
- Development of a common fiscal reporting framework for EAMU, model and supporting EAC-wide accounting and reporting harmonization program
- Development of an EAC national budget frameworks directive, model PFM Act, and supporting EAC-wide PFM improvement program
- Development of a fiscal coordination, surveillance, and enforcement mechanism, including mechanisms for coordination of regional fiscal and monetary policy.

Notes to Editors

- The process for the establishment of the East African Monetary Union is underpinned by Articles 5 and 82 of the EAC Treaty where, among others, the Partner States undertake to establish a monetary union and to co-operate in monetary and fiscal matters
• The negotiations for the EAMU commenced in January 2011 and all articles in the draft EAMU Protocol have since been negotiated, albeit it with some outstanding matters on the macroeconomic framework (including fiscal convergence, surveillance and enforcement mechanisms) and the legal and institutional framework required for the Monetary Union

• The primary rationale for a monetary union is to reduce the costs and risks of transacting business across the national boundaries of those countries which comprise the union.

• By embracing a single currency, EAC Partner States would remove the costs of having to transact in different currencies and the risk of adverse exchange rate movements for traders and travelers alike within the region

• At their 14th Summit held on 30 November 2012, the EAC Heads of State directed the Council of Ministers to expedite negotiations towards the conclusion of the Monetary Union Protocol and report progress at the 12th Extra-ordinary Summit, with a view to signing the Protocol at the 15th Ordinary Summit expected to take place in November 2013