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**REPORT OF THE 2nd MEETING OF MINISTERS OF FINANCE COMMITTEE OF TEN ON
IMPLEMENTATION OF THE KIGALI ASSEMBLY DECISION ON FINANCING THE
AFRICAN UNION**

5 October 2016, AU Permanent Mission, Washington, DC, USA

Background.

1. The Committee of ten Ministers of Finance (F10) established to participate in the preparation of the annual budget of the Union met on the margins of the annual meeting of the IMF/World Bank on 5th October 2016 in the premises of the AU Permanent Mission, Washington, District of Columbia, USA. The mandate of the F10 is drawn from the Decision of the Africa's Heads of State and Governments (HOGS) to institute a 0.2% levy on eligible imports for financing the African Union.
2. The purpose of the meeting, which is a follow up of the inaugural meeting that took place in Addis Ababa on the 15 September is for the Ministers to:
 - a. Consider and adopt the report of the inaugural meeting held on the 15th of September in Addis Ababa;
 - b. Finalize terms of reference of the F10 and consider other matters pertinent to working methods and the successful execution of their mandate and
 - c. Approve the guidelines for implementation of the Decision on the Financing of the Union before distribution to member states.
3. Member States present at the meeting were: Algeria, Chad, Congo, Egypt, and South Africa.
4. The AU was represented by the Commissioner of Economic Affairs, the Commissioner of Trade and Industry, the Director of Finance, Senior Officials from the DCPs Office and the Department of Finance, and a senior resource person from the ECA.
5. The meeting was chaired by H.E Mr. Mbogo Ngabo Seli, Chair of the Committee of Ten and the Minister of Finance for Chad.

Opening and Welcome Remarks

6. On behalf of H.E Dr. Dlamini Zuma, Chairperson of the African Union Commission, H.E. Dr. Mothae Anthony Maruping, AU Commissioner for Economic Affairs welcomed the ministers, and thanked them for taking the time off their schedule

at the IMF/World Bank meeting to attend the meeting. He noted that the attendance of the ministers indicated their commitment to the successful implementation of the Decision on the Financing of the Union. He reminded the Ministers of the outcome of their inaugural meeting of the F10 and reiterated the purpose of the meeting and wished the ministers fruitful deliberations.

7. H.E Mr. Mbogo Ngabo Seli, Chair of the Committee of Ten and the Minister of Finance of Chad, also thanked the Ministers for their participation. He reminded the Ministers of the importance of the Decision on the Financing of the Union and the commitment of member States to address the financial challenges of the Union. He called for the swift implementation of the Decision so that AU can implement its development programs. He noted the purpose of the meeting was for the Ministers to finish the work they started in Addis Ababa on 15 September 2016. Namely to consider and adopt the TOR for the F10 and to look at the draft guidelines and approve them for circulation to member states.

Agenda of the Meeting

8. The Agenda of the Meeting is:
 - i. Welcome and Introduction
 - ii. Adoption of the Agenda
 - iii. Consideration and Adoption of the Summary of the Report of Inaugural meeting of the F10
 - iv. Consideration and Adoption of the ToR of the F10
 - v. Consideration of the Guidelines for the Implementation of the Decision on the Financing of the Union
 - vi. Any other Business
 - vii. Closing Remarks by the Chairperson of the F10
9. The Committee adopted its draft Agenda without any amendments.

Consideration and Adoption of the Summary of the Report of Inaugural meeting of the F10

10. The Chairperson introduced the agenda item and called on the AU Commission, as the Secretariat of the F10, to remind the Committee on the summary conclusions of the inaugural meeting of the F10, which was held in Addis Ababa, Ethiopia on the 15 October 2016. Mrs. Assietou Sylla Diouf, Director of Programming, Budgeting, Finance and Accounting (PBFA) of the AU Commission, presented the summary conclusions as follows:
 - a. The meeting welcomed the information provided by the AU Commission, including on financial reforms, adoption of best practices on financial management and accounting, and efforts to improve the effectiveness and capacity of the Union and its organs, so that they can respond to the implementation of Agenda 2063.

- b. Participants noted the importance of implementing the Decision on Financing the Union, calling upon the Ministers of Finance to swiftly deal the pertinent issue of sustainable funding of the African Union.
- c. The meeting also welcomed the lessons from the experiences of ECCAS and ECOWAS and the other country experiences shared and further indicated that the Guidelines on Implementation of the Decision be refined to address the challenges and concerns raised during the discussions.
- d. The meeting noted with appreciation the initiatives already taken by some Member States following the Kigali Decision to start national implementation and encouraged all Member states to do the same.
- e. The meeting also noted the need for transitional arrangements to enable Member States to allow for legal requirements of countries to be put in place to give effect to the AU levy and also the need for transitional mechanisms to include provisions to ensure the member states continue to meet all obligations towards the Union during the transition period.

Highlights of the Discussions

11. In the ensuing deliberations, the F10 stressed the need for the immediate implementation of the Decision on the Financing of the Union. However, the Ministers cautioned that it must be implemented in a manner that it does not impede the development objectives of member States. Highlights of the discussions are:

- i. Member States should move quickly in putting in place mechanisms for the implementation of the decision so that AU and its organs are adequately resourced.
- ii. Given that the Central Banks of the AU members States are expected to play an important in the implementation of the decision by establishing accounts on for the AU in each member state, where the revenues of the AU Levy are to deposited and later transferred to the AU Commission, it was recommended that a meeting of governors of central banks be convened immediately to discuss their role in the implementation of the Decision on the Financing of the Union.
- iii. With regards to the "eligible imports" that will be levied, the ministers called for clarity on the definition "rules of origin" of imports so as to ensure that they are compatible with international standards.
- iv. The levy must be imposed in a manner that it preserves international trade agreements of member states.
- v. Imports exempted from the AU import levy shall take into account goods already exempted by national laws and development.
- vi. On the issue of responsibility for the collection and transfer of the funds from the AU levy it was clarified that this cannot be part of the F10's mandate.

- vii. Need for full consultations within member States with all key stakeholders so as to ensure full understanding and compliance with the implementation of the Decision.
- viii. Need for the establishment of a committee of experts from member states to support their ministers with work on the F10. In this regard it was suggested that each minister provide to the AU Commission the contact details of their experts would liaise between the Minister and the AU Commission.

12. With these comments the report of the inaugural meeting of the F10 was adopted with revisions.

Consideration and Adoption of the Terms of Reference of the F10

13. Mrs. Assietou Sylla Diouf, Director of Programming, Budgeting, Finance and Accounting (PBFA) of the AU Commission presented the revised terms of reference (ToR) of the F10 for consideration.

Discussions

14. The highlights of the comments of the ministers on the revised ToR are as follows:

Suggested that the leadership of the F10 be rotated among the regions. A region shall lead the F10 for 2 years and the two member States from the region leading shall take turns in chairing the F10 for one year.

Agreed that a technical committee of the technical experts from member State's Ministry Finance be established to assist the work of the Ministers.

Agreed that, in addition to assisting the preparation of the budget of the AU, the F10 may propose various resource mobilization strategies for the Union.

Suggested that the clauses on the "collection of the funds" and "transfer of the funds collected" under the section on the Duties of the F10 should be expunged.

A clause must be included on the quorum for the meeting of the F10. It was agreed that a quorum would be reached if each region is represented and at least 6 member States present to make decisions binding.

The F10 urged to define a clear roadmap for the implementation of the Decision on the Financing of the Union.

15. With the above comments and proposed revisions the ToR was adopted by the ministers.

Consideration of the Guidelines for the Implementation of the Decision on the Financing of the Union

16. Mrs. Assietou Sylla Diouf, Director of Programming, Budgeting, Finance and Accounting (PBFA) of the AU Commission introduced the Guidelines for consideration.

Discussions

17. The Meeting in general agreed with the guidelines and endorsed it for circulation to member states but requested that the following should be included "Imports exempted from the AU import levy shall take into account goods already exempted by national laws and development" as a clause in the guidelines.

Another Business

18. Mrs. Assietou Sylla Diouf, Director of Programming, Budgeting, Finance and Accounting (PBFA) briefly explained to the meeting the budgetary processes of the AU. She explained that the process starts with PBFA preparing a "Strategic framework document" which outlines how the budget supports the development agenda of the Union. Once the strategy is agreed the commission, which is then presented a sub-committee of the PRC, prepares the budget. She suggested that the F10 should review the strategic framework before the budget is prepared. The F10 should then review the budget after the PRC has examined and adopted it before it is presented to Executive Council.

Recommendations.

19. At the end of the meeting the meeting agreed on the following:
- i. Member States move quickly in putting place mechanisms for the implementation of the Decision on the Union.
 - ii. The AU Commission is requested to convene immediately a meeting of Central Banks of the AU members States to discuss their role in the implementation of the Decision on the Financing of the Union.
 - iii. The AU Commission should provide clarity of the "rules of origin" of eligible imports, which the levy will be applied so as to ensure that they are compatible with international standards.
 - iv. Imports exempted from the AU import levy shall take into account goods already exempted by national laws and development.
 - v. The leadership of the F10 shall be rotated among the regions. A region shall lead the F10 for 2 years and the two member States from the region leading the F10 shall take turns in chairing the F10 for one year during the two-year tenure.
 - vi. AU Commission is urged to assist in the establishment of a technical committee of experts from Member State's Ministry Finance to assist the work of the Ministers.
 - vii. In addition to assisting in the preparation of the budget of the AU, the F10 would also work on resource mobilization strategies for the Union.
 - viii. The F10 shall meet at least twice a year. One on the margins of the annual meetings of IMF and the World Bank and second on the margins of the annual meeting of the AU-ECA AU Ministers responsible for finance, economy and development.

- ix. A quorum for the meeting of the F10 will be reached if each region is represented and at least 6 member States present to make decisions binding.

Closure.

- 20. In his closing remarks, H.E. Dr. Mothae Anthony Maruping, AU Commissioner for Economic Affairs noted that the deliberation of the F10 has been very fruitful due to the commitment of the Ministers to swiftly implement the Decision on the Financing of the Union. He pledged AU Commission's support in ensuring that the F10 carry out its assignment. He thanked the Ministers for their good work. He also thanked the Chairperson of the F10, H.E Mr. Mbogo Ngabo Seli, the Minister of Finance of Chad, for the exemplary manner in which he steered the meeting. He ended by thanking the AU Secretariat and the AU Mission in Washington for the organization of the meeting.
- 21. H.E Mr. Mbogo Ngabo Seli, Chair of the F10 and the Minister of Finance of Chad, closed the meeting by thanking the Ministers for their attendance. He noted that the ministers worked extremely hard in ensuring that the meeting achieved its desired objectives. He observed that the Ministers provided constructive comments on the documents presented by the AU Commission. He remains hopeful and optimistic that with the support of the F10, the Member States will implement the Decision on the financing of the Union. He ended by thanking Commissioner Maruping and the AU Secretariat, which supported the F10. He wished all a safe trip back to their respective destinations.