

AFRICAN UNION

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Terms of reference

For the

**Committee of Ten Ministers of Finance to
participate in the preparation of the annual
budget**



**Economic Affairs Department
August 2016**

BACKGROUND

Since the transformation of the Organization of African Unity into the African Union in 2000, the African Union's financing requirements are increasing daily due to the evolution of projects and development programmes of the continent. Currently most of the African Union's projects and programmes are funded by external partners. This situation compels Africa to be dependent on external partners. Moreover, the reason why some of the priority programmes of the continent are not funded, is simply because they are not priorities of the funding partners. In 2016, over 90% of the budget of the African Union programmes is funded by partners. Additionally in 2016, the European Union is funding the AU programme budget amounting to over 50%. This state of affairs becomes more and more of a serious handicap on the performance of the African Union. The need for self-financing of the AU operations and programs cannot therefore be more emphasised

Since the 2001 Lusaka Summit, the Heads of State and Government of the African Union have continually expressed their commitment to provide the African Union Commission with resources through alternative sources of funding for the African Union. Thus, several decisions have been taken during various summits of Heads of State and Government as well as during the Conferences of African Ministers of Economy and Finance. The African Union Commission proposed several options as alternative sources of funding the African Union, such as (i) **Levy on imports;** (ii) **Levy on insurance policies;** (iii) **Levy on main export commodities revenues,** (iv) **Levy on revenue from hydrocarbon exports;** (v) **Levy on air tickets,** (vi) **Levy on tourist revenue,** (vii) **Private sector financing and (viii) 1% contribution from national budgets.**

The High-Level Panel on Alternative Sources of Funding the African Union led by the former President of the Federal Republic of Nigeria, His Excellency Olusegun Obasanjo and composed of His Excellency Edem Kodjo, former Secretary General of the Organization of African Unity, and Her Excellency Luisa Diogo, former Prime Minister and Minister of Finance of Mozambique, presented its report at the 21st Ordinary Session of the Assembly of the African Union, a session which also marked the fiftieth anniversary of the establishment of the Organization of African Unity/African Union. After consideration of the various proposals, the Assembly adopted the Report in principle as well as the two options proposed as alternative sources of financing the African Union. The options were: (a) US\$2.00 hospitality levy per stay in a hotel; and (b) US\$10.00 levy on flight tickets for flights originating from Africa or with destinations in Africa.

However, during the Twenty-Seventh Assembly of Heads of State and Government, the Assembly took the following decision on financing the Union: **“To institute and implement a 0.2 percent Levy on all eligible imported goods into the Continent to finance the African Union Operational, Program and Peace Support Operations Budgets starting from the year 2017”** and requested the Commission to **‘put in place strong oversight and accountability mechanisms for ensuring the effective and prudent use of the resources’**.

In addition to this decision, the Assembly decided; **‘To establish a Committee of Ministers of Finance comprising [ten] Member States, representing the five (5) regions [two per region] to participate in the preparation of the annual budget’**.

COMPOSITION OF THE COMMITTEE

The Committee shall comprise 10 Ministers in charge of Finance representing the five African regions (2 per region): East, Southern, West, North and Central. The appointment of the members of this committee should be done by the Assembly of Heads of State and Government for a tenure of four years. The deans of the regions should propose the two members of their respective regions for the consideration of the Assembly.

TERMS OF REFERENCE

The Committee shall perform the following duties:

1. Review and evaluate the annual budget of African Union before submission to the Assembly of Heads of State and Government of the African Union;
2. Propose various resources mobilisation strategies for Africa;
3. Propose implementation mechanisms of the current decision on alternative sources of financing of the African Union (Import Levy);
 - a. Collection mechanism of the funds
 - b. Transfer mechanism of the funds collected ;
 - c. Peace Fund Management Arrangements;
 - d. Analyse the prerequisites for triggering the tax;
 - e. Review collection costs;
 - f. Develop the compensation methods;
 - g. Review the management of the surplus against the approved budget ;
 - h. Propose how each country will implement the same approach ;
 - i. Define a roadmap for the implementation of the instrument;
 - j. Management of the surplus or deficit of the import Levy;
 - k. Review the Status of the current statutory assessed contribution viz a viz the import levy;
 - l. Budget cycle of AU (Annual, for three years or 10 years)

- m. Define a transition period.
- 4. Review and update the sources of financing the African Union.

MODUS OPERANDI

- (i) The Committee shall meet twice yearly. One Session should be back to back with the AU Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration;
- (ii) The Committee will be serviced by the African Union Commission through the Economic Affairs Department;
- (iii) All expenses related to the organization of meetings of the Committee shall be borne by the AUC and should be included under the Economic Affairs Budget;
- (iv) Based on current practice, expenses incidental to the participation of the Chairperson and members of the Committee (air travel, DSA etc.) shall be met by the Member States to which they belong;
- (v) The Secretariat of this Committee will be the African Union Commission through Department of Economic Affairs, in cooperation with the Directorates of Programming, Budgeting, Finance and Accounting, and Strategic Policy Planning, Monitoring and Evaluation and Resource Mobilisation,;
- (vi) The travel expenses and daily subsistence allowance of the Secretariat shall be borne by the AUC.