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REPORT OF THE SUB-COMMITTEE ON CONTRIBUTIONS

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1. The Meeting of the Sub-Committee on Contributions was held on 16 January 2014 to consider the Report on Contributions by Member States and Partners under the 2014 Budget of the African Union

Attendance

2. The Meeting was chaired by H.E. Nolaki Ekpao Ambassador of the Togolese Republic to the Federal Democratic Republic of Ethiopia and Permanent Representative to the African Union, Chairperson of the Sub-Committee on Contributions. In attendance were the representatives of the following Member States:

- i) Algeria
- ii) Angola
- iii) Burkina Faso
- iv) Chad
- v) Democratic Republic of Congo
- vi) Libya
- vii) Nigeria
- viii) Rwanda
- ix) Seychelles
- x) Sierra Leone
- xi) Sudan
- xii) Swaziland
- xiii) Togo
- xiv) South Africa

Adoption of the Agenda

3. The Sub-Committee adopted the following Agenda proposed by the Commission after amendment:

- i) Opening of meeting;
- ii) Organization of work;
- iii) Adoption of the Agenda;
- iv) Consideration of the Report on Contributions by Member States and Partners as at 31 December 2014;
- v) Any other Business.

Opening of the Meeting

4. In his keynote address, the Chairperson of the Sub-Committee expressed gratitude to Member States for their participation and stressed the importance of the Meeting. He then invited the representative of the Commission to present the report.

Presentation of the Report

5. The representative of the Directorate of Programming, Budgeting, Finance and Accounting of the Commission informed the Meeting that the Report on Contributions being presented to Member States covered the period 1 January – 31 December 2014.

6. In the presentation, he indicated that out of US\$**395,223,186** representing the budget approved for the African Union for the 2014 financial year, Member States' assessed contributions amounted to US\$**137,884,958**, while US\$**257,338,228** was allocated to partners.

7. According to the Report prepared as of 31 December 2014 and hereto attached, total contributions received from Member States amounted to US\$**109,795,441.54**, of which US\$**473,316,371.04** represented Member States' assessed contributions for the 2014 financial year; US\$**25,663,059.78** being the balance of arrears as at 31 December 2013 and US\$**10,816,010.71** advance payments for the 2015 financial year budget.

8. Contributions received during the year accounted for **58%** of the total amount of contributions payable by Member States as at the beginning of the year. The representative of the Commission further indicated that 22 of the 54 Member States had paid their contributions in full, of which 5 had partly paid up in advance, and one Member State, in full. Twenty Member States are currently indebted to the Commission, of which 15 have arrears dating back to 2013 in addition to their assessed contributions for the current year.

9. During the reporting period ended on 31 December 2014, only US\$ **63.1 million**, that is **24%** of the total pledged amount of US\$**257.33 million** had been received from Partners for financing various programmes of the AU Commission. Of this amount, **22.3 million dollars** represent the budget balance under 2013 carried over to the 2014 financial year. Furthermore, only US\$**40,772,045.45** was mobilized from international partners for financing the various programmes of the Union, accounting for just **16%** of the total of US\$**257,338,228** receivable from the partners.

10. Regarding sanctions, the representative of the Directorate of Programming, Budgeting, Finance and Accounting informed the participants that, according to the status of contributions as at 31 December 2014, only two Member States, namely, Central African Republic and Guinea Bissau were under sanction for default in payment. Madagascar and Somalia had a moratorium, thus enabling them to clear part of their arrears before the start of the Executive Council session.

11. Concerning Madagascar, it may be recalled that, by Decision EX.CL/Dec.788 (XXIV), the Executive Council accorded a moratorium that guaranteed the non-imposition of sanctions on that country, and requested the latter to clear 50% of its arrears before the commencement of the Executive Council session. It must therefore be urgently reported that the Republic of Madagascar has honoured its commitment by paying 74%, representing US\$1,350,828.14 of its total arrears of US\$1,821,521.94. Madagascar deserves to be commended for this laudable gesture to the African Union of which it continues to be a committed member.

12. As regards Somalia, the same Decision called on that country to start paying normally its arrears of contribution effective from January 2014. Somalia has not made a gesture of good will and its situation remains the same, with total accumulated arrears of US\$930,716.96 dating back before 2013 and beyond.

13. Mention was also made of the countries that have accumulated arrears and which also were yet to pay their contributions for the current year. The countries concerned – Cape Verde, Democratic Republic of Congo and Somalia - are likely to fall under sanctions as of the start of the Executive Council session.

Case of the Republic of The Sudan

- a) Raising the case of The Sudan, the representative of the Finance Directorate of African Union Commission however underscored the difficulty that country is facing in the payment of its arrears of contributions due to the international sanctions imposed on the country. That notwithstanding, Sudan was prepared to pay off part of its arrears. It has deposited into the accounts of the African Union Liaison Office in Khartoum an amount equivalent to six (6) million US dollars. Unfortunately, the money deposited by the Sudanese Government cannot be converted into US dollars, and no bank in the country can affect the transaction in dollars.
- b) The money thus remains in local currency. It is recalled that the currency of the African Union is the Dollar and all Member States are required to make their contributions in that currency.

14. The Sudan requested the Commission to facilitate for it, possible options to enable it to honour its commitments as soon as possible. In any case, a solution has to be found to this perilous situation to avoid The Sudan falling under sanctions in view of the fact that that Member State has demonstrated its will to honour its commitments.

- a) Raising the situation of African Union's five big contributors, the Commission highlighted the difficulties faced by two of the five in honouring their commitments. In the 2014 fiscal year, only three (3) of the five fully honoured their commitments to the Organization. The two other countries – Egypt and Libya – respectively made advance payments of US\$4 million in 2014.

- b) It is recalled that Libya has accumulated arrears of US\$**24,571,297.27**, and Egypt, US\$**12,199,206.13**.

15. This situation has placed the African Union in dire financial straits. The cash situation has not been positive in all expenditure categories in the past two quarters; and the situation is likely to persist if Member States do not fulfil their financial commitments within the prescribed time frame.

- a) The Commission also outlined the possibility of new prospects on offer regarding a fresh sanctions regime. This is because the sanctions regime in place seems rather supple and is not strict enough to encourage Member States to respect their financial commitments to the African Union. It has therefore become necessary to strengthen the regime a bit. In this regard, the Commission is of the view that the Sub-Committee on Contributions could discuss this issue with the PRC, and request it to propose to the Ministerial Committee on Scale of Assessment that any Member State with one year arrears of contribution, instead of two years as is the current practice, should be placed under sanctions;
- b) As regards the big contributors and given the difficulties faced by some of these countries, it is needful to review this classical method; and in view of the trend generated by the present contribution collection model, it has become evident that the existing contribution mechanisms whereby five (5) countries cover 67% of African Union's budget are no longer viable. The Commission would like to suggest that the Sub-Committee on Contributions bring the matter to the attention of the PRC with a request for it to propose to the Ministerial Committee on Scale of Assessment to re-think the existing system and, for example, increase the number of major contributors from **five (5) to ten (10)** Member States.

16. After taking note of the Report presented by the Commission, the Chairperson of the Sub-Committee gave the floor to Members for their comments and observations.

During the ensuing discussions, the Members:

- i) Commended the Commission for its lucid and well written Report while requesting that it be corrected, taking due account of the observations and comments made by Sub-Committee Members; and that the status of contributions be updated to include the Member States which paid their contributions after 31 December 2014;
- ii) Commended Member States that have paid their contributions in full and those that have made advance payments;

- iii) Expressed its concern over the delay on the part of some Member States in fully paying their assessed contributions and stressed that Member States in arrears should be encouraged to settle all their debts to the African Union, because the Union should be assisted to exit from this situation of lethargy and to explore the issue of alternative sources of financing;
- iv) Reminded the Commission to regularly send Note Verbale to inform Member States of their arrears of contribution and requested the Sub-Committee to meet from time to time to take stock of the finances of the Organization and not just during Assembly sessions;
- v) Requested to know the criteria used to select the countries belonging to the category of big contributors;
- vi) Requested the African Union Commission to touch base with Somalia to find a suitable solution that would enable that country to pay its contribution before the start of the Executive Council session;
- vii) Expressed concern at the sanctions regime proposed, the principle of which certain Members do not agree with, because it is better to encourage the States to pay their contributions by other means of sensitization. It is better to explore other means of incentive such as paying not less than 80% of the contributions at least so as not to fall under sanctions;
- viii) In view of the deterioration of the political situation in Libya and the slide in the price of petroleum, that country currently finds itself in a delicate situation; and so, it has expressed the desire to no longer belong to the category of the five big contributors. It has requested that the scale of assessment be reviewed on the basis of Member States' capacity to pay, given the difficult economic situation;
- ix) Expressed their views on the situation of The Sudan which has unfairly been subjected to international sanctions, preventing that Member State from honouring its commitments, and requested the Commission to explore other possible means to enable that country to pay its contributions and avoid sanctions such as, for example, transporting dollar cash and depositing same into the accounts of the African Union;
- x) Requested information on the Partners to identify those that honour their commitments and those that do not do so regularly to enable the Sub-Committee to come up with a recommendation in that regard;
- xi) Expressed concern over the real motives of the Partners for not honouring their commitments and requested the Commission to be pragmatic in the preparation of the Budget;

- xii) Called on Member States in arrears prior to 2014 to make an effort to pay up such arrears to avoid sanctions.

Commission's response

- i) Reacting to the afore-listed observations and comments, the representative of the Directorate of Finance informed the meeting that due note has been taken thereof and that reminders would be sent before long to Member States in arrears prior to 2014.
- ii) With respect to Somalia, the Commission would take the necessary measures to contact that country so as to explore the ways and means that would enable it to pay up its arrears. On the other hand, the Commission highly appreciates the good will gesture by Madagascar and remains open to dialogue with this country over the modalities that would enable it to pay its contributions.
- iii) As regards The Sudan, it is true that that country's good intentions did not start today. However, given its multi-faceted challenges, it would be better to channel the money to the Commission in cash and in foreign currency to enable the Commission put its finances together.
- iv) It was also observed that the status of Partner contributions reflects the low level of implementation of programmes in 2014 due to insufficient resources.

Recommendations

17. The Sub-Committee made the following recommendations:

- i) Commends the Member States that are up-to-date with their contributions, and encourages the other Member States to pay their assessed contributions in full and on time;
- ii) Commends the development partners for their contributions and Invites them to release their contributions on time to enable the African Union to implement its projects and programmes;
- iii) Urges Member States to pay their contributions on time and encourages those in arrears to fully settle their debts;
- iv) Commends the Republic of Madagascar for the initiatives undertaken to honour its commitments by paying up its arrears to the tune of 74%, Encourages it to maintain this momentum, Requests it to approach the African Union Commission to decide on the modalities of payment of its outstanding arrears, and Decides to lift the temporary exemption measures instituted on Madagascar;

- v) Requests Member States with over two years accumulated arrears to expeditiously settle their financial commitments to avoid falling under sanctions in accordance with the extant rules;
- vi) Recommends that sanctions be imposed on the following Member States for default of payment:
 - 1) Central African Republic;
 - 2) Republic of Guinea Bissau
- vii) Calls on the Republic of Somalia to approach the African Union to find the ways and means enabling it to clear its arrears before the commencement of the Executive Council session and to comply with Executive Council Decision EX.CL/Dec.788 (XXIV).
- viii) Requests the Republic of The Sudan to make US dollar cash deposit or dollar cash payment to the African Union Liaison Office in Khartoum or transport same to African Union Commission, and deploy effort to ensure that Sudan's contribution of the African Union are exempt from the unilateral sanctions imposed on the country.

18. No issue was raised under Any Other Business; and so, the meeting which started at 14.10 hours rose at 15.40 hours.

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