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**REPORT OF THE JOINT-SITTING OF THE MINISTERIAL COMMITTEE
ON SCALE OF ASSESSMENT AND CONTRIBUTIONS AND THE
COMMITTEE OF FIFTEEN MINISTERS OF FINANCE (F15)**

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**VIRTUAL MEETING OF THE JOINT SITTING OF THE MINISTERIAL
COMMITTEE ON SCALE OF ASSESSMENT AND CONTRIBUTIONS AND
THE COMMITTEE OF FIFTEEN MINISTERS OF FINANCE (F15)**

DRAFT REPORT

11th July 2022

A. Introduction

1. The Ministerial Committee on Scale of Assessment and Contributions and the Committee of Fifteen Ministers of Finance (F15) held a joint virtual meeting on 11th June, 2022. The meeting was chaired by **Honourable Tahir Hamid Nguilin**, Minister of Finance and Budget of the Republic of Chad and Chairperson of the Committee of Fifteen Ministers of Finance (F15).

2. The objective of the meeting was to: review the report on status of Member States' contributions to the African Union (AU) budgets; recommend the application of sanctions on Member States that have fallen back on their payments; review progress on the implementation of payment plans for Member States that have declared force majeure circumstances; consider an update on the progress made by the Commission and F15 in analyzing the proposal of the six Member States from the Northern Region regarding the matter of assessing the Peace Fund; consider the roadmap for the development of the AU scale of assessment for the period 2024-2026; and consideration of the draft decision to be presented to the Policy Organs.

3. The full report on status of Member States contributions as at the 30th June 2022 including recommendations on application of sanctions, progress on consultations on the matter of assessing the Peace Fund and the roadmap for development of new scale of assessment is attached to this report as an annex.

4. The following Members were in attendance:

- i. Ministerial Committee on Scale of Assessment and Contributions: **Chad (Co-Chair), Algeria, Angola, Botswana, Egypt, Gambia, Mauritius, Nigeria and Uganda.**
- ii. Committee of Fifteen Ministers of Finance: **Chad (Co-Chair), Algeria, Botswana, Cameroon, Egypt, Ghana, Kenya, Morocco, Namibia, Nigeria, Rwanda and South Africa,**

B. Opening Remarks

5. In his opening remarks Honorable Tahir Hamid Nguilin, Chairperson of the Committee of Fifteen Ministers of Finance (F15) extended a warm welcome to all delegations. He commended Member States for their steadfastness in paying their assessed contributions to the Union budgets despite the economic difficulties caused by the pandemic and the Russian-Ukrainian conflict. He recalled discussions during the F15 retreat in Rabat, Kingdom of Morocco, that pointed to a significant funding gap for implementation of programmes, with government revenues remaining below expenditure due to declining tax revenues. All these, caused mainly by the pandemic and exacerbated by the Russia-Ukraine conflict.

6. In that regard, the Chairperson acknowledged the initiatives undertaken by Regional Financial Institutions, such as the African Development Bank's (AfDB) US\$1.5 billion Emergency African Food Production Facility to strengthen resilience against existing and emerging food security challenges, including the disruption of the supply of essential inputs for food production.

7. He recalled the 'Declaration on Self-Reliance' that was adopted in Johannesburg in 2015, by which the Assembly set itself on a path towards financial autonomy, and determined through its Decision 578 in June of the same year, that Member States shall take ownership of the budgetary needs of the Union by funding 100% of the Operating Budget, 75% of Programs and 25% of Peace Support Operations. He concluded by stressing the importance of seeking alternative sources of financing and urged Member States to domesticate the 0.2% levy which aims to relieve pressure off national treasuries on paying assessed contributions, while ensuring adequate and predictable funding to the Union. He nonetheless underscored the intrinsic flexibility of implementing the import levy, which takes due account of the national legislation of Member States, provided that the principles of sustainability and predictability of revenues to Union is respected.

8. In her opening remarks, the Deputy Chairperson H.E. Dr. Monique Nsanzabaganwa, welcomed and expressed gratitude to the Delegations for their participation in the important meeting called upon to reflect on the performance of Member States in financing the Union. She highlighted the socio-economic challenges caused by Covid-19 pandemic and Russia-Ukraine crisis that reversed the economic and development gains of the past decade. She commended the Union and its leadership for responding with solidarity and unity of purpose through initiatives such as the establishment of COVID-19 Response Fund and the Africa Medical Supplies Platform, including collaborations with Regional Financial Institutions such as the AU-AfDB Africa Emergency Food Production Plan, that is aimed at improving food production and many other initiatives to support national health responses and to assist the economies to recover.

9. The Deputy Chairperson also stressed the importance of ensuring that the Union is adequately, sustainably and predictably resourced, to implement its flagship projects such as Africa Continental Free Trade Area (AfCFTA) and other programmes critical to Africa's economic recovery and the building of resilience against future crises. She applauded Member States for remitting 70% of their assessed contribution in 2022, the highest collection rate registered by mid-year over the last five years. She particularly lauded a growing trend of Member States that pay their assessed contributions a year in advance to comply with Rule 23(1) of the financial rules of the Union that stipulates that contributions are due on the 1st of January. She also congratulated the Republic of Seychelles for fully implementing its payment plan agreed with the Commission after earlier declaring force majeure circumstances.

10. She concluded by updating the meeting about the progress made on the on-going Union-wide reforms including the strengthened internal and external oversight

mechanisms to ensure accountability, transparency and probity in the utilization of the resources availed to the Union. In this regard, she informed the meeting that from 2024, the Union will adopt program-based budgeting and planning framework that will enhance value for money while ensuring predictability of resources availed to the Union. The recruitment process is also underway to ensure that the Union effectively delivers on its programmes.

C. Adoption of the Agenda

11. Following the opening remarks, the agenda was adopted as below:

- a. Opening
 - i. Remarks by the Chair of the Committee of Fifteen Ministers of Finance (F15).
 - ii. Remarks by Deputy Chairperson of the African Union Commission.
- b. Organization of Work
- c. Adoption of the agenda
- d. Consideration of the report of the meeting of the Ministerial Committee on Scale of Assessment and Contributions (Ambassadorial level) and F15 Committee of Experts held on the 10th July 2022.
- e. Consideration of the draft Decision.
- f. Any Others Business
- g. Closing

D. Consideration of the report of the Joint Sitting of the Ministerial Committee on Scale of Assessment and Contributions (Ambassadorial level) and F15 Committee of Experts held on the 10th July 2022.

12. H.E. Ambassador Mahamat Ali Hassan, Permanent Representative of the Republic of Chad to the African Union, in his capacity as the Chair of the Ministerial Committee on Scale of Assessment and Contributions at the Ambassadorial level, presented highlights of the report of the Joint Sitting held on the 10th of July 2022 as follows:

13. The Commission provided an overview of the status of Member States' contributions to the 2022 regular budget and the Peace Fund for the period 1st January 2022 to 30th June 2022. It was recalled that the Executive Council in October 2021, approved **US\$204,784,571** to be assessed to Member States for the year 2022 based on the 2020-2023 Scale of Assessment. As of 30th June 2022, **US\$142,823,360.89** was collected, representing a collection rate of 70%. Arrears to the regular budget amounting to **US\$15,804,824** were also collected in 2022, equivalent to 16% of outstanding arrears. Twenty-nine (29) Member States had made full payments to their 2022 regular budget assessments while thirteen (13) had made partial payments. Thirteen (13) Member States had not made any contributions to their 2022 regular budget assessment.

14. Further, as at 30th June, 2022, against the **US\$51.25** million assessed to Member States, an amount of **US\$24,026,374** was collected representing a 47% collection rate. Twenty-two (22) paid their 2022 Peace Fund assessments in full while five (5) Member States had made partial payments. Twenty-eight (28) Member States had not made any payment to their 2022 Peace Fund assessments.

15. Against the US\$400,000,000 full endowment to the Peace Fund, the total collections as at 30th June 2022 stood at **US\$272,470,917**.

16. The Commission recalled Decision Ext/Assembly/AU/Dec.3(XI) of November 2018 through which the Assembly decided that it may consider requests in writing from Member States experiencing force majeure circumstances making them temporarily unable to pay their assessed contributions. In this regard, the Joint Sitting was informed that, Seychelles had fully implemented its payment plan and cleared all its arrears to the budget of the Union. Somalia and Burundi had not made payments in 2022 in line with their payment plan for clearing arrears. Also, Libya and Sudan have yet to conclude the consultations with the Commission to agree on their respective payment plans.

17. Regarding the update on the consultations between the F15 and the Commission on the proposals made by the countries of the Northern Region on the assessment of Member States to the Peace Fund, the Commission recalled that the Executive Council in October 2020 through decision EX.CL/Dec.1100(XXXVII) took note of the reservations by six (6) countries from the Northern region on the continued use the scale of assessment for the regular budget to assess Member State contributions to the AU Peace Fund in line with the general consensus.

18. The Executive Council, through Decision EX.CL/Dec.1119(XXXVIII) of February 2021 then requested the Commission to continue bilateral consultations with countries according to the reservations in Decision EX.CL/Dec.1100(XXXVII) with a view to arriving at the appropriate mechanism for assessing the Peace Fund as long as it does not affect the consensus already agreed on the matter and the reservations made thereof.

19. Following consultations between the Commission and the six concerned countries, and having found no solution on the matter, the Executive Council through its Decision (EX.CL/Dec.1162(XL) of February 2022 directed the Commission to work closely with the F15 and the Office of Legal Counsel to analyze proposals made by the Countries of the Northern Region regarding the assessment of Member States to the Peace Fund and the implications thereof and recommend solutions in accordance with the legal frameworks of the African Union.

20. The Decision further directed the Commission, guided by the solutions recommended thereof, to continue consultations with the concerned Countries from the Northern and other regions - to agree on a mechanism for contributions to the Peace Fund and report back to the Executive Council in July 2022.

21. Whilst consultations between the F15 and the Commission are still ongoing, with an aim to generate a consensus on the recommended solutions that would inform further consultations in the Regions, the following highlights were presented for the appreciation of the Joint Sitting:

- (i) A proposal by the six countries from the Northern Region with reservations emphasized that under the general scale, the Northern Region would carry a heavier burden compared to other regions. The proposal underscores that assessments to the Peace Fund in line with the consensus is contrary to Decision 605 of 2016 in Kigali which stipulated that the total endowment to the Peace Fund (\$400 million) shall be raised through equal contributions from each of the five (5) AU Regions.
- (ii) In their proposal, however, the six countries presented a compromise that aims to maintain the principle of equal contributions from the Northern, Western, Eastern and Southern Regions, while the Central Region would be granted a lesser assessment owing to its significantly lower capacity to pay.
- (iii) Therefore, in the continued spirit of solidarity and equitable burden sharing, the proposal recommends that the Central Region shall contribute 10% equivalent to \$40 million, while the Northern, Western, Eastern and Southern Regions shall each contribute 22.5%, equivalent to \$90 million each.
- (iv) However, the proposal takes further note that forty-nine (49) Member States wish to continue using the general scale as applied to assess Member States to the Regular Budget, to assess their contributions to the Peace Fund.
- (v) In that regard, contributions to the Peace Fund by each of the six concerned Member States with reservations shall be made in accordance with their equitable contribution to the 22.5% or \$90 million regional share as per their proposal, regardless of whether a seventh Member State from the Northern Region wishes to contribute according to this proposed formula or shall continue with its contributions to the Fund according to the general scale (consensus).
- (vi) As such, the proposed assessment method by the six concerned countries would lead to a shortfall of US\$28,136,379.12 on their collections compared to the total collection that could be obtained from the region under the current assessment method.

22. Pursuant to Decision 1162 mentioned above, the Commission and F15 Experts met on the 5th to 10th June 2022 to, among others matters, further analyze the proposal

made by the six Countries of the Northern Region including an exploration on how to make up for a shortfall to the Peace Fund's full endowment that would arise from adopting the proposal by the six concerned countries. To cover up for the US\$ US\$28,014,082.20 shortfall, the following options were presented by the six countries for deliberation by the F15:

- a. Reducing the total amount allocated to the Peace Fund by the amount of the shortfall, which is (US\$28,014,082.20) of the \$400 million endowment (approximately 7%).
- b. Fill the gap by assessing the US\$28,014,082.20 to the other four regions.
- c. Use the interest generated from investing the endowment to the Peace Fund to bridge the gap.
- d. Use the interest generated from investing the contributions already paid by the six countries to bridge the gap.
- e. Bridging the gap through arrears collected on assessed contributions to the AU regular budget. This was argued to be a solution as the mechanism is already provided for under Article 21, paragraph 2 of the Protocol establishing the Peace and Security Council.

23. The ensuing discussions by the Experts adopted option 'e' above which was subsequently presented to the F15 Ministers at their retreat held in Rabat, Kingdom of Morocco on the 13th -14th June 2022. Following extensive debate by the F15 Ministers and having reached no consensus to recommend a solution, the F15 Experts were requested to re-examine the proposals and generate more recommendations for consideration by the Ministers at a later date. The Commission noted that a progress report detailing the above discussions shall be presented by the F15 to the Executive Council at its Forty-First Ordinary Session in July 2022.

24. Subsequently, the Chair of the Ministerial Committee on Scale of Assessment and Contributions at the Ambassadorial level informed the meeting that in their observations and discussions, Member states:

- (i) Expressed dissatisfaction at the administration and organization of the meetings mainly the last-minute changes to the dates of the meetings including the scheduling of the meeting on a Sunday which interfered with personal commitments and religious activities.
- (ii) Congratulated the Republic of Seychelles for the successful implementation of its payment plan for clearing its arrears to the budgets of the Union.
- (iii) Took note of the progress made by the F15 and the Commission in analyzing the proposals made by the six countries from the Northern Region on the matter of assessing the Peace Fund, and expressed their

view that the full report should have been presented for consideration by the Joint Sitting prior to its presentation to the Executive Council as informed by the Commission. Emphasis was also made that the solutions to be proposed by the F15 should go through the respective regional consultations before recommendation to the Policy Organs for adoption.

- (iv) Some Members of the Northern region reiterated their commitment to support AU Peace Fund, and further welcomed the outcomes of F15 Experts' consultations, through its technical mandate, especially option "e" to bridge the gap of US\$ 28 million from arrears in line with article 21 (2) of the protocol establishing PSC which defined arrears as a source of funding. Other regions held a view that making any pronouncements on the preferred option was pre-emptive and requested that F15 be allowed to complete the analysis of options and propose solutions.
- (v) Concern was raised regarding the concentration of AU investments in one bank. The Commission was requested to consult with the banks across the continent, to ensure that investments are evenly distributed across the regions to reduce risk concentration.
- (vi) Requested for an update on the development of the AU Treasury and Investment Policy.

25. Responses from the Commission were as follows:

- (i) The process of developing the AU Treasury and Investment Policy is at an advanced stage. This policy shall provide guidelines with respect to how the African Union undertakes investments. For the time being, based on the guidance of the Investment Committee, investments are made at the banks where the funds were initially kept pending the finalization of the policy. In due time, Member States will be updated on the progress made in this regard.
- (ii) Further, the meeting was informed that Fund Managers for AU Peace Fund have been appointed and shall soon assume responsibility on investments made from the Fund.
- (iii) Being a Ministerial Committee, the F15 will present to the Executive Council, the progress report on the analysis made regarding the proposal of the six countries of the Northern region on assessing Member States to the Peace Fund.

26. The Chair of the Ministerial Committee on Scale of Assessment at Ambassadorial level informed the meeting that after its discussions and following the responses from the Commission, the Joint Sitting concluded as follows:

- (i) Commission should avoid late communication of date changes for meetings that involve participation of Member States and particularly Ministers. In addition, documents should be circulated in time for Member States to adequately prepare for the meetings.
- (ii) The meeting endorsed the recommendations concerning the application of sanctions on Member States that have fallen back on payment of their contributions to the AU Budgets as follows:
 - a. **Cautionary sanctions:** Nigeria, Ghana, Uganda, Chad, Senegal, Congo, Mali, Mauritania, Malawi, Lesotho, Liberia, Cape Verde, Central African Republic, Djibouti, Guinea Bissau.
 - b. **Intermediate sanctions:** Sao Tome, Guinea
- (iii) Congratulated Members States for remitting 70% of their assessed contribution to the AU budget by 30th June 2022, the highest in five years.
- (iv) Appealed to Member States that have not paid their contributions to do so in compliance with their financial obligations to the Union.
- (v) Requested the AUC to finalize the adoption of AU treasury policy after consideration by Member states and F15 and to present it to the next executive council in February 2023.

27. With regards to the Update on the roadmap for the development of new scale of assessment 2024-2026 he informed the meeting that in its presentation, the Commission recalled that in February 2022, the Assembly, at the recommendation of the Executive Council, decided to extend the application of the current scale of assessment by one year up to 2023 (Assembly/AU/Dec. 838(XXXV) and EX.CL/Dec.1162(XL)).

28. Also recalled that the Executive Council requested the Commission and F15 Experts to agree on a roadmap for the development of the new scale of assessment to be applied for the period 2024-2026 and further requested the Commission report back to the Executive Council in July 2022.

29. Pursuant to these decisions, the F15 Experts met on the 10th of May 2022 to adopt the roadmap with three key stages as highlighted below:

- a. Formulation (August to December 2022)
 - (i) The Commission will continue to collect, collate and analyze data. The last set of data, for the year 2021 will be available by the 31st December 2022.

Preliminary options for the new scale of assessment will be developed based on the principles of capacity to pay, solidarity and equitable burden sharing and will provide the basis for consultations with Member States.

- b. Consultations (January 2023). Two consultative meetings are envisaged as follows:
 - (i) With Experts from the Embassies in Addis Ababa
 - (ii) With the Permanent Representatives Committee (PRC)
- c. Approval (February 2023)
 - (i) The proposed new scale will be presented to the Joint Sitting of the Ministerial Committee on Scale of Assessment and F15, Executive Council and Assembly for adoption.

30. The Chair informed the meeting that upon considering the proposed roadmap, the Joint Sitting requested that the proposed timelines should be revised to give ample time to the F15 Experts to do the necessary technical work and Embassies to consult with their Capitals. In this regard, the Commission was requested to work towards completing all the technical work by December 2022 and ensure timely circulation of the technical documents.

31. He further informed the meeting that in responding to the request to complete the technical work by December 2022, the Commission recalled that the 2021 data requested for in the relevant Decision, would only be available at the end of 2022. As such, the options could only be prepared and presented in January 2023 leading to the eventual adoption of the new scale by the Policy Organs in February 2022.

32. Lastly, he informed the meeting that the Joint Sitting took note of the roadmap and requested the F15 and the Commission to continue refining it ensure to that the new scale of assessment will be ready for consideration and adoption in February 2023.

E. Discussions

33. Taking into consideration the report of the Joint Sitting at the level of Ambassadors and Experts of the F15, the Ministerial Joint Sitting made the following observations:

- a. The full report on status of contributions as at the 30th June 2022 presented to the Joint Sitting of the Ministerial Committee on Scale of Assessment and Contributions at Ambassadorial Level and F15 Experts should be attached to the report of the meeting of the Joint Sitting of the Ministerial Committee on Scale of Assessment and F15 to be submitted to the Executive Council.
- b. Member States requested for clarity regarding when the recommendations on application of sanctions for non-payment of contributions will come into effect.
- c. Reemphasized the importance of using the most recent and comprehensive data to develop the new scale of assessment for 2024-2026 as this would provide the

true reflection of the current economic performances of Member States, taking into consideration the evolving effects of COVID-19.

- d. However, the Joint Sitting expressed concern that 2021 data will only be available at the end of 2022 which may delay completion of the technical work and subsequent consultations, thus making it impossible for Policy Organs to adopt the new scale in February as planned. In that regard, a proposal was made to defer adoption to July 2023 as the new scale will only be applicable in 2024.
- e. Some Members States of the Northern region emphasized the need to reflect the discussions that ensued at the level of F15 Experts for better clarity and context including their pronouncement on the preferred option “e”, to bridge the gap of US\$28 million from arrears in line with article 21 (2) of the protocol establishing AU Peace and Security Council which defined arrears as a source of funding for Peace Fund.
- f. Other Members held an opposing view, stressing that the report on the status of contributions underlined that the F15 had not agreed on an option, and that consultations were still on-going, In that regard, an update would be presented by the F15 to the Executive Council as per Decision 1162 of February 2022. Therefore, making any pronouncements on the preferred option would be premature.

F. Responses from the Commission

34. The Commission responded as follows:

- a. The sanctions will only kick-in after the adoption of the relevant Decision by the Policy Organs, and subsequent publication by the Commission.
- b. The implementation of Decision 1162 on the matter of assessing the Peace Fund shall happen in two key stages. The first stage involves the analysis that needs to be undertaken by F15 in collaboration with the Commission and the Office of Legal Counsel and recommend solutions. Stage two involves consultations that will be undertaken by the Commission with the concerned Countries from the Northern Region and other regions using the solutions provided by F15. F15 Experts met in Nairobi to analyse the proposals and the outcome was presented to the F15 Ministers at their retreat in Rabat, Kingdom of Morocco and no consensus emerged from the ministerial discussions. Experts we expected to undertake further review of the options proposed.
- c. The initial endowment of \$400 million to be contributed by Member States is the seed capital and the fund is expected to grow through, among others, interest generated from investing its funds. Proposal to use the interest generated from investing funds from the Peace Fund to make up for the shortfall that will result

from adopting the proposal made by the six Member States from the Northern Regions is therefore not plausible.

- d. The proposal to defer the adoption of the new scale of assessment to July 2022 may not be possible as the approval the AU scales of assessments is currently the prerogative of the Assembly.

G. Conclusion and recommendations

35. Following exhaustive deliberations, the Joint Sitting adopted the following recommendations:

- a. Congratulated Member States that had paid their assessed contributions despite the economic difficulties faced by many countries in the advent of COVID-19 and Russia-Ukraine conflict and urged Member States that have not done so to equally honour their financial obligations to the Union.
- b. Pursuant to Assembly Decision Ext/Assembly/AU/Dec.3(XI) of November 2018 which stipulates that the short-term period for Member States to be in arrears shall be six (6) months, the following Member States are to be placed under the relevant sanctions:
 - i. **Cautionary sanctions:** Nigeria, Ghana, Uganda, Chad, Senegal, Congo, Mali, Mauritania, Malawi, Lesotho, Liberia, Cape Verde, Central African Republic, Djibouti, Guinea Bissau.
 - ii. **Intermediate sanctions:** Sao Tome, Guinea
- c. Commends the Republic of Seychelles for fulfilling its commitments to clear its arrears in accordance with the endorsed payment plan.
- d. Urges the State of Libya and the Republic of The Sudan to conclude engagements with the Commission to agree on their respective payment plans for settling their arrears and report back to the Executive Council in January 2023.
- e. Takes note of the roadmap agreed on by the Commission and F15 on the development of the new scale of assessment and in line with Decision Assembly/AU/Dec.838(XXXV), urges the Commission with the support of the F15 to develop the new scale of assessment to be applied for the period 2024-2026 and, following the due process, present it to the Assembly for adoption in February 2023.
- f. To avoid any delays in developing the new scale of assessment, the Commission and F15 should do the preparatory work between August and December 2022

including running the simulations based on the available data while waiting for the 2021 data that will be available at the end of 2022.

- g. While taking note of the concern already raised regarding the concentration of investments in one bank, reiterated the request that the Commission should finalize the African Union Treasury Policy that will ensure that investments are spread evenly across the continent to avoid risk concentration and for the Union to benefit from competitive rates offered by other financial institutions.

H. Consideration of the draft Decision

- 36. The meeting considered and adopted draft decision with amendments.

I. AOB

- 37. The meeting recalled that in line with Decision Assembly/AU/Dec.687(XXX) of January 2018, the Executive Council shall be constituted by Ministers of Foreign Affairs and Ministers of Finance for the budget session. Accordingly, the Commission was requested to issue the invitations to the Ministers of Finance.

J. Closing

- 38. In her concluding remarks, the Deputy Chairperson of the AUC thanked delegates for attending the meeting and appreciated the leadership of the Co-chairs and the technical work done by the Ambassadors and Experts of the F15, facilitated by the Commission.

EX.CL/1370(XLI)Annex

**REPORT ON STATUS OF MEMBER STATES CONTRIBUTIONS-
1ST JANUARY 2022 TO 30TH JUNE 2022.**

A. INTRODUCTION

1. This report provides to the Joint Sitting of the Ministerial Committee on the Scale of Assessment and Contributions and the Committee of Fifteen Ministers of Finance (F15), an overview of the status of Member States' contributions to the 2022 regular budget and the Peace Fund for the period 1st January 2022 to 30th June 2022, including the status of arrears and recommendations on the application of sanctions. The report further provides information on the status of implementation of the payment plans for Member States facing difficulties in paying their contributions, status of Partners' Contributions, and revenues generated from investment activities and other sources.
2. In this regard, assessed contributions to the regular budget and the Peace Fund that were received and duly recorded as at 30th June 2022 are reported. Nevertheless, subsequent assessed contributions received and recorded after 30th June 2022 will be reported in an addendum to this report, the cut-off date of which shall be 7th June 2022.
3. The purpose of the report is to facilitate discussions and assist the Joint Sitting to make recommendations to the Policy Organs for further consideration and decision.
4. Enclosed are the following annexes:
 - i) Annex I: Detailed Status of Member States' Contributions to the Regular Budget as at 30th June 2022.
 - ii) Annex II: Detailed Status of Member States Contributions to the AU Peace Fund for the financial years 2017, 2018, 2019, 2020, 2021 and 2022 as at 30th June 2022.
 - iii) Annex III: Roadmap for the development of new scale of assessment 2024-2026.

B. REGULAR BUDGET

5. The Executive Council through its Decision **EX.CL/Dec.1126(XXXIX)** of October 2021 approved an amount of **US\$204,784,571** to be assessed to Member States towards the Regular Budget of the African Union for the financial year 2022, on the basis of the 2020-2023 Scale of Assessment.
6. As at 30th June 2022 collections from Member States to the regular budget were as follows:
 - (i) A total amount of **US\$142,823,360.89** was collected, equivalent to 70% of the **US\$204,784,571** and is broken down as follows:

Item	Amount
Collections paid in advance in 2021	US\$10,996,566.30
Collections in 2022	US\$131,826,794.59
Total	US\$142,823,360.89

(ii) Arrears amounting to **US\$15,804,824** were also collected, equivalent to 16% of total arrears to the regular budget.

7. As at the 30th of June 2022, twenty-nine (29) Member States had paid their assessments to the 2022 regular budget in full. Three (3) Member States, notably Cote d'Ivoire, Gambia and Rwanda, paid their regular budget assessments in full by January 1st 2022 in compliance with Rule 23(1) of the Financial Rules and Regulations.
8. Table 1 below shows a list of Member States (29) that have paid their assessed contributions to the regular budget in full as of 30th June 2022:

Table 1: List of Member States that made contributions in full to the Regular Budget in the reporting period 1st January 2022 to 30th June 2022.

#	Tier	Member State	Amount collected (US\$)	Date
1	2	Côte d'Ivoire	6,142,390	01 January 2022(Advance payment in 2021)
2	3	Rwanda	1,287,815	01 January 2022(Advance payment in 2021)
3	3	Gambia	346,011	01 January 2022(Advance payment in 2021)
4	3	Zimbabwe	2,268,520	05 January 2022
5	3	Togo	1,054,411	14 January 2022
6	3	Namibia	1,910,225	21 January 2022
7	2	Zambia	3,254,780	27 January 2022
8	3	Sierra Leone	786,202	28 January 2022
9	2	Tanzania	4,578,128	02 February 2022
10	3	Benin	1,410,659	03 February 2022
11	3	Comoros	356,248	07 February 2022
12	1	Egypt	15,407,032	22 February 2022
13	3	Burkina Faso	1,854,945	23 February 2022
14	1	Morocco	15,407,032	04 March 2022
15	3	Eritrea	724,780	28 March 2022
16	2	Tunisia	5,657,141	10 March 2022

17	2	Ethiopia	8,187,806	28 March 2022
18	2	Kenya	7,667,750	28 March 2022
19	2	DRC	3,855,373	05 April 2022
20	3	Madagascar	1,750,528	16 May 2022
21	3	Botswana	2,358,606	17 May 2022
22	2	Equatorial Guinea	2,014,642	23 May 2022
23	3	Seychelles	417,670	23 May 2022
24	1	Angola	15,407,032	26 May 2022 (Initial partial payment was made on 22 April)
25	3	Sahrawi Arab D.R.	335,774	03 June 2022
26	1	South Africa	15,407,032	06. June 2022
27	3	Niger	1,232,535	14 June 2022
28	3	South Sudan	2,174,340	15 June 2022
29	3	Mozambique	2,317,658	29 June 2022
Total			125,573,065.00	

9. Thirteen (13) Member States had made partial payments towards their 2022 regular budget assessment:

Table 2: List of Countries (13) that had made partial payments to their Regular Budget assessments under the reporting period 1st January 2022 to 30th June 2022.

No	Tier	Member State	Regular Budget Assessment US\$	Amount Collected (US\$)	%	Date of payment
1	1	Nigeria	15,407,032	445,829	3%	Advance payment in 2021
2	2	Uganda	2,831,642	852,370	30%	Advance payment in 2021 plus payments made on 18 May and 29 June 2022
3	3	Senegal	2,303,326	431,021	19%	Advance payment in 2021
4	3	Mauritius	1,920,462	1,201,000	63%	Advance payment in 2021
5	3	Mauritania	782,107	16,411	2%	Advance payment in 2021
6	3	Malawi	833,292	55,963	7%	Advance payment in 2021
7	3	Cape Verde	479,092	115,283	24%	Advance in 2021 and payment made on 03 February 2022

8	3	Guinea Bissau	368,532	145,488	39%	Advance payment in 2021
9	3	Gabon	2,608,389	2,130,556	82%	09 February 2022
10	2	Cameroon	3,562,586	2,629,304	74%	30 March 2022
11	3	Congo	1,795,571	803,510	45%	21 April 2022
12	1	Algeria	15,407,032	7,703,516	50%	23 May 2022
13	3	Eswatini	966,373	700,929	73%	21 June 2022
Total			49,265,436.00	17,231,180.00		

10. Under the reporting period, thirteen (13) Member States had not made payments to the 2022 regular budget.

Table 3. List of Countries (13) that had not made any payment to their regular budget assessments in the period from 1st January 2022 to 30 June 2022.

NO	Tier	Member State	2022 Regular Assessment (US\$)
1	2	Sudan	7,802,883
2	2	Libya	7,735,316
3	2	Ghana	5,755,419
4	2	Chad	1,932,746
5	3	Mali	1,928,652
6	3	Guinea	1,195,682
7	3	Burundi	841,482
8	3	Lesotho	585,557
9	3	Liberia	526,182
10	3	CAR	462,713
11	3	Djibouti	466,807
13	3	Somalia	413,575
13	3	Sao Tome and Principe	279,941
Total			29,926,955.00

C. PEACE FUND.

11. In 2022, Member States were assessed **US\$51.25 million** to the Peace Fund. As at 30th June 2022, Peace Fund collections were as follows:

- i) An amount of **US\$24,026,374** was collected, representing **47%** of the 2022 Peace Fund assessments to Member States, broken down as follows:

Collection in advance in 2021	US\$1,946,099
Collection in 2022	US\$22,080,275
Total	US\$ 24,026,374

ii) Arrears amounting to **US\$2,646,993** were also collected representing **5%** of total outstanding arrears to the Peace Fund.

12. Twenty-one (22) Member States paid their 2022 Peace Fund assessments in full. Notably, Rwanda, Cote d'Ivoire and Gambia paid their contribution by the 1st of January 2022 in compliance with the Rule 23(1) of AU Financial Rules and Regulations.

Table 4: List of Member States (22) that paid in full the 2022 Assessment to the Peace Fund.

No	Tier	Member State	Collections (US\$)	Date of payment
1	2	Cote d'Ivoire	1,537,213	Advance payment in 2021
2	3	Rwanda	322,292	Advance Payment in 2021
3	3	Gambia	86,594	Advance payment in 2021
4	3	Zimbabwe	567,727	05 January 2022
5	3	Togo	263,880	14 January 2022
6	3	Namibia	478,059	21 January 2022
7	2	Zambia	819,334	27 January 2022
8	2	Tanzania	1,145,736	02 February 2022
9	3	Benin	353,036	03 February 2022
10	1	Morocco	3,855,810	04 March 2022
11	2	Ethiopia	2,049,105	28 March 2022
12	3	Eritrea	181,386	28 March 2022
13	2	Kenya	1,918,954	28 March 2022

14	2	Democratic Rep. Congo	964,857	05 April 2022
15	3	Botswana	590,272	17 May 2022
16	3	Equatorial Guinea	504,190	23 May 2022
17	3	Seychelles	104,527	23 May 2022
18	1	Angola	3,855,810	26 May 2022
19	2	Tunisia	1,415,773	07 June 2022
20	3	Niger	308,458	14 June 2022
21	3	South Sudan	544,157	15 June 2022
22	3	Mozambique	580,024	29 June 2022
Total			22,447,194.00	

13. Table 5 below shows five (5) Member States that made partial payments towards their 2022 Peace Fund assessment:

Table 5: List of Countries (5) that made partial payments to their Peace Fund assessment in the reporting period from 1st January 2022 to 30 June 2022.

No	Tier	Member State	Peace Fund Assessment (US\$)	Assessment paid (US\$)	Date of payment
1	1	South Africa	3,855,810	769,989	06 June 2022
2	3	Burkina Faso	464,224	185,414	23 February 2022
3	3	Madagascar	438,092	420,149	16 May 2022
4	3	Sierra Leone	196,757	192,038	28 January 2022
5	3	Comoros	89,156	11,662	07 February 2022
Total			5,044,039.00	1,579,252.00	

14. Twenty-eight (28) Member States that have not paid their 2022 Peace Fund assessments:

Table 6: List of 28 Countries that had not made any payment to their Peace Fund assessment in the reporting period 1st January 2022 to 30th June 2022.

No	Tier	MEMBER STATE	2022 Assessment to the PEACE FUND (US\$)
1	1	Algeria	3,855,810
2	1	Egypt	3,855,810
3	1	Nigeria	3,855,810
4	2	Sudan	1,952,773
5	2	Libya	1,935,863
6	2	Ghana	1,440,368
7	2	Cameroon	891,583
8	2	Uganda	708,655
9	3	Gabon	652,783
10	3	Chad	483,695
11	3	Senegal	576,437
12	3	Congo	449,365
13	3	Mauritius	480,621
14	3	Mali	482,670
15	3	Guinea	299,235
16	3	Mauritania	195,732
17	3	Malawi	208,542
18	3	Eswatini	241,847
19	3	Burundi	210,592
20	3	Lesotho	146,543
21	3	Liberia	131,684
22	3	Cape Verde	119,899
23	3	Central African Republic	115,800
24	3	Djibouti	116,825
25	3	Somalia	103,503
26	3	Guinea Bissau	92,230
27	3	Saharawi Republic	84,032
28	3	Sao Tome and Principe	70,059
Total			23,758,766.00

D. SUMMARY OF COLLECTIONS

15. Overall, the Commission collected **US\$186,287,615.84** in the period from 1st January 2022 to 30th June 2022 broken down as follows (including advance payments from 2021):

Table 7: Total collections from Member States from 1st January 2022 to 30th June 2022

No	Item	Amount (US\$)	Remarks
1	Amount collected on the 2022 regular budget assessment.	142,823,361	70% of the Member States assessed contributions to the 2022 regular budget
2	Amount collected on 2022 Peace Fund assessment.	24,026,374	47% of the Member States 2022 assessed contributions to the Peace Fund.
3	Amount collected on the arrears to the regular budget	15,804,824	16% of arrears to the regular budget reported at the beginning of 2022.
4	Amount collected on the arrears to the Peace Fund	2,646,993	5% of total Peace Fund arrears reported at the beginning of 2022.
5	Collection made in advance to the 2023 regular budget	986,064	

16. As at the 30th June 2022, the cumulative collections from Member States towards the Peace Fund endowment amounted to **US\$272,470,917**

E. OUTSTANDING PAYMENTS, ARREARS AND APPLICATION OF SANCTIONS

17. As at 30th June 2022, the amount recorded as outstanding contributions to the AU assessed budgets was **US\$218,072,681** composed of:

- i) Outstanding contributions to the 2022 regular budget - US\$61,961,210.
- ii) Outstanding contributions to the 2022 Peace Fund assessment - US\$27,223,626.
- iii) Outstanding arrears to the Regular Budget as at 30th June 2022 - US\$80,935,302.
- iv) Outstanding arrears to the Peace Fund as at 30th June 2022 – US\$48,938,607.

(I) ARREARS

18. According to para. 3b of Assembly Decision **Ext/Assembly/AU/Dec.3(XI)** of November 2018, on the new African Union sanctions regime for the non-payment of contributions, “The short-term period for Member States to be in arrears shall be six (6) months, intermediate period for Member States to be in arrears shall be one (1) year and the long-term period for Member States to be in arrears shall be two (2) years”.

19. In line with this Decision, as at the 30th June 2022, the status of arrears was as follows:

i) **Short-term Arrears**

20. Assembly Decision **Ext/Assembly/AU/Dec.3(XI)**, para. 3a states that “those Member States which fail to meet their obligations and have not settled at least 50% of their current assessed contributions after the second quarter (6 months) of each financial year in which the contribution is due shall be deemed to be in arrears”. Table 4 below provides a list of Member States that had paid less than 50% of their 2022 assessed contribution to the regular budget and Peace Fund and whose total arrears did not add up to one-year assessment.

Table 8: List of sixteen (16) Member States in short-term arrears.

NO.	Tier	Member State	Total assessed for 2022	Total collection against 2022 assessment	% paid	Arrears from previous financial years	Total outstanding
1	1	Nigeria	19,262,842	445,829	2%		18,817,013
2	2	Ghana	7,195,788		0%	239,722	7,435,510
3	2	Uganda	3,540,297	852,371	24%		2,687,926
4	2	Chad	2,416,441		0%		2,416,441
5	3	Senegal	2,879,763	431,021	15%		2,448,741
6	3	Congo	2,244,935	803,510	36%		1,441,425
7	3	Mali	2,411,322		0%	2,172	2,413,494
8	3	Mauritania	977,840	16,411	2%		961,428
9	3	Malawi	1,041,834	55,963	5%		985,872
10	3	Lesotho	732,100		0%		732,100

11	3	Liberia	657,866		0%		657,866
12	3	Cape Verde	598,991	115,283	19%		483,708
13	3	CAR	578,512		0%	50	578,562
14	3	Djibouti	583,632		0%		583,632
15	3	Somalia	517,077		0%	852,130	1,369,208
16	3	Guinea Bissau	460,762	145,488	32%		315,275
TOTAL			46,100,002.00	2,720,388.00		1,094,074	44,328,201

a. Intermediate arrears

21. According to para.3a of Assembly Decision **Ext/Assembly/AU/Dec.3(XI)**, “the intermediate period for Member States to be in arrears shall be one (1) year”. As at the time of reporting, there were three (3) Member States in intermediate arrears.

Table 9: List of three (3) Member States in intermediate arrears to the regular budget and Peace Fund.

NO.	Tier	Member State	Total Assessment for 2022	Arrears up to 2021	Total outstanding as at 30 th June 2022
1	3	Guinea	1,494,917	997,289	2,492,206
2	3	Burundi	1,052,073	1,668,699	2,720,772
3	3	Sao Tome	350,000	220,354	570,354
		TOTAL	2,896,990.00	2,886,342.00	5,783,332.00

b. Long-term arrears

22. In line with Assembly Decision **Ext/Assembly/AU/Dec.3(XI)**, “the long-term period for Member States to be in arrears shall be two (2) years”. Table 10 below lists Member States that were in long-term arrears to the regular budget and Peace Fund.

Table 10: List of two (2) Member States in long-term arrears to the regular budget and Peace Fund

NO.	Tier	Member State	Total Assessment for 2022	Arrears up to 2021	Total outstanding as at 30 th June 2022
1	2	Sudan	9,755,656	39,485,324	49,240,980
2	2	Libya	9,671,180	57,257,046	66,928,226
		TOTAL	19,426,836.00	96,742,370.00	116,169,206.00

(II) TEMPORARY LIFTING OF SANCTIONS AND PAYMENT PLANS FOR MEMBER STATES FACING DIFFICULTIES PAYING THEIR CONTRIBUTIONS TO THE UNION AND THOSE IN ARREARS FOR TWO (2) OR MORE YEARS

23. Considering the security and political situation of **Somalia** and **Libya**, the Executive Council Session in July 2019 in Niamey decided (**EX.CL/Dec.1071(XXXV)**) to withhold the imposition of sanctions on the two Member States. Through the same Decision, the AU Commission was requested to consult with the two countries to agree on a payment plan to clear the arrears as soon as possible, within four (4) years from the adoption of the Decision.
24. In addition, the Assembly, through its Decision **Assembly/AU/Dec.752(XXXIII)** of February 2020 in Addis Ababa, took note and acknowledged the challenges faced by the Republic of Burundi in meeting its annual contributions to the Union and requested the Commission to engage the country in order to agree on the payment plan for clearing the arrears. The Assembly later endorsed the payment plan of the Republic of Somali and Republic of Burundi through Decision **Assembly/AU/Dec.802(XXXIV)** of February 2021.
25. Furthermore, the Executive Council through Decision **EX.CL/Dec.1119(XXXVIII)** of February 2021 took note of the request from the Republic of Sudan on the need to review its assessed contribution and requested the Commission to consult with the Republic of Sudan based on the current Scale of Assessment to agree on a payment plan to clear the arrears as soon possible, within four (4) years from the adoption of that Decision.

26. Accordingly, the table below provides an update on the status of implementation the payment plans for Republic of Somalia, Republic of Seychelles and Republic of Burundi:

Table 11: Status of implementation of Payment Plans

No	Country	Initial Arrears (\$)	Payment plan	Status	Remarks
1	Seychelles	608,321.01	- Three equal instalments of \$202,773.67 from 2020 to 2022; - To be paid alongside annual assessed contributions.	-All installments for 2020, 2021 and 2022 paid. - 100% of the 2022 assessed contribution paid	Plan fully implemented.
2	Somalia	1,136,173.66	-Four equal instalments of \$284,043.41 from 2021 to 2024; - To be paid alongside annual assessed contributions.	The 2022 instalment of \$284,043.41 has not been paid and no payment has been made towards 2022 assessed contributions.	Plan not honoured.
3	Burundi	1,371,157	-Four equal instalments of \$342,789.25 from 2021 to 2024; - To be paid alongside annual assessed contributions	The 2022 instalment of \$342,789.25 has not been paid and no payment has been made towards the 2022 assessed contribution.	Plan not honoured.

27. At the time of compiling this report, the State of Libya and the Republic of Sudan had not agreed with the Commission on their payment plans. However, it is to be noted that the State of Libya remitted US\$7,688,433 in January 2022 towards payment of arrears.

(III) APPLICATION OF SANCTIONS

28. Assembly Decision Ext/Assembly/AU/Dec.3(XI) states that “Sanctions shall be applied in three parts, namely, the cautionary sanctions for the short-term arrears, intermediate sanctions for the intermediate arrears and comprehensive sanctions for the long-term arrears”.
29. In addition, the Assembly through its Decision Assembly/AU/Dec.752(XXXIII) decided “to impose sanctions on Member States, in line with paragraph 3(c) of the November 2018 Assembly Decision Ext/Assembly/AU/Dec.3(XI)”.
30. Pursuant to the Decision above, as at the 30th June 2022 the following seventeen (17) Member States would be considered for placement under sanctions as indicated in table 12 below.

Table 12: List of seventeen (17) Member States to be considered for placement under cautionary and intermediate sanctions as at the 30th June 2022

Countries to be placed under Cautionary Sanctions	Countries to be placed under Intermediate Sanctions
Nigeria, Ghana, Uganda, Chad, Senegal, Congo, Mali, Mauritania, Malawi, Lesotho, Liberia, Cape Verde, Central African Republic, Djibouti, Guinea Bissau.	Sao Tome, Guinea

31. In line with decision **Ext/Assembly/AU/Dec.3(XI)**
- i) Member States under Cautionary sanctions will be deprived of their rights to speak at the meetings of the African Union.
 - ii) Intermediate sanctions to be applied to Member States in intermediate arrears shall include all sanctions outlined in the Constitutive Act (Article 23(1)), the Rules of Procedure of the Assembly (Rules 5, 26, 35 (2.a)), AU Financial Rules and Regulations (Article 78(6)) and the Statutes of the Commission (Article 18 (8)) plus the suspension of Member’s right to:
 - a) Be a member of a Bureau of any Organ of the Union;
 - b) Host any Organ, Institution or Office of the Union;
 - c) Have its nationals participate in electoral observation missions, human rights observation missions; or be invited for any meeting organized by the Union;
 - d) Have its nationals appointed as elected and non-elected staff including consultants, volunteers, interns etc.

F. Funds from International Partners

32. The African Union approved programme budget for 2022 amounts to US\$474.7 Million out of which US\$428.9 Million is to be funded by International Partners. Out of these Partner funds, Peace Support Operations represents 65% equivalent to US\$279.2 million.
33. The total disbursements by Partners in the reporting period 1st January 2022 to 30th June 2022 amounts US\$104.3 million as shown in the breakdown below:

#	Partner	Contribution in USD	% Contribution
1	European Union	67,422,344	64.6%
2	United Kingdom	33,297,882	31.9%
3	Joint Financing Arrangement	1,841,675	1.8%
4	US Support to ACDC	550,001	0.5%
5	Bill & Melinda Gates Foundation	520,000	0.5%
6	Others	689,140	0.7%
	Total	104,321,043	100%

34. Below are highlights on Partner support:
- European Union's support to peace support operations in Somalia (AMISOM) constitutes the largest disbursement with a total amount of US\$67.4 million. The Government of the United Kingdom also disbursed an amount of US\$ 33.2 million towards peace support operations in AMISOM.
 - The Government of Germany has disbursed an equivalent amount of US\$ 1.8 million for the support of Peace and Security activities.
 - The United States of America disbursed a total amount of US\$500 thousand for Africa CDC.
 - The Bill & Melinda Gates Foundation disbursed a total amount of US\$500 thousand the Partnership for Aflatoxin Control in Africa (PACA) programme
 - Other International Partners have also made contributions to support programme implementation of the AU during the period totaling US\$600 thousand.

G. Investment Report 2022

35. Rule 69 of AU FR allows the Accounting Officer, upon recommendation by the Investment Committee to invest funds for the purpose of, as defined in preceding Rule 68, gaining profitable returns in form of interest, revenue, or appreciation of

the value of the instrument or asset ultimately for the benefit of the Union. Rule 70 also sets-out the criteria for selecting investments that include avoidance of risk of losing interest or capital, ease of converting the instrument to cash and the rate of return.

36. The FRR through Rule 73 places the responsibility for managing the Investments to the Investment Committee. Below is a performance report on investments as at 30 June 2022. The report details the portfolio allocation, growth and rate of return.

Accumulated Invested Capital

As at 30 June 2022, the total capital invested had reached **US\$404 million** noting a portfolio increase of **7%** since the beginning of current year and by **122%** since the date of first investment in **May 2019**. Funds from revitalized Peace Fund comprising **66%** of the portfolio. The. During the period under review, the Commission made investments from the various Funds of the Union as summarized in Table X. below:

	2019	2020	2021	2022	Proportion
General Fund (GF)			52,847,002.53	53,637,045.35	13%
Maintenance Fund (MF)			5,462,515.41		0%
Peace Fund	131,589,091.41	155,056,317.89	234,970,496.86	265,831,317.44	66%
Reserve Fund (RF)	50,524,000.00	92,366,483.57	51,428,330.30	52,666,147.87	13%
Partner Funds		30,450,948.67	31,365,680.62	31,834,585.75	8%
	182,113,091.41	277,873,750.13	376,074,025.71	403,969,096.40	100%
Growth		53%	35%	7%	122%

(a) Cumulative Interest Earned to Date

37. Accumulated Interest earned to date had reached **US\$25.6 million** from the **US\$1.2 million earned in 2019**. Interest earned in current investments and not yet received is **USD \$3,026,978.68**.

Fund	2019	2020	2021	2022	Accumulated Interest Earned
General Fund (GF)			646,405	942,134	1,588,539

Maintenance Fund (MF)			4,006	12,382	16,388
Peace Fund (PF)	1,119,449	4,477,317	6,341,257	4,966,161	16,904,184
Reserve Fund (RF)	78,130	1,972,818	1,974,226	951,373	4,976,547
Partner Funds (SF)		609,564	909,285	551,515	2,070,365
Interest Earned	1,197,578	7,059,699	9,875,179	7,423,565	25,556,022
Interest Received	1,197,578	7,059,699	9,875,179	\$4,396,586.32	22,529,042

(b) Other Key Information on the Portfolio

38. The following are the points to note regarding investments:

- i. During the year 2022, all Fixed Deposit Contracts were secured from ECOBANK, Kenya at an average interest rate of 2.93%.
- ii. The institutions for investments are selected on the basis of their interest offerings and security of the principal amount invested.
- iii. The Directorate of Finance continues to approach banks across the continent on regular basis for better offerings in terms of interest and security of AU's principal amounts. However, ECOBANK continues to offer better rates far above London Interbank Offered Rate (LIBOR).

H. Update on the development of new scale of assessment 2024-2026

39. In February 2022, the Assembly, at the recommendation of the Executive Council, decided to extend the application of the current scale of assessment by one year up to 2023 (Assembly/AU/Dec. 838(XXXV) and EX.CL/Dec.1162(XL)).
40. The Executive Council also requested the Commission and F15 Experts to agree on a roadmap for the development of the new scale of assessment to be applied for the period 2024-2026 and further requested the Commission report back to the Executive Council in July 2022.
41. Pursuant to these decisions, the F15 Experts met on the 10th May 2022 to adopt the roadmap with three key stages as highlighted below:
 - i. *Formulation (August to December 2022)*
 - a. The Commission will continue to collect, collate and analyze data. The last set of data, for the year 2021 will be available by the 31st December 2022. Preliminary options for the new scale of assessment will be developed based on the principles of capacity to pay, solidarity and equitable burden sharing and will provide the basis for consultations with Member States.

ii. *Consultations (January 2023)*

- a. Two consultative meetings will be organized as follows:
 - i. With Experts from the Embassies in Addis Ababa
 - ii. With the Permanent Representatives Committee (PRC)

iii. *Approval (February 2023)*

- a. The proposed new scale will be presented to the Joint Sitting of the Ministerial Committee on Scale of Assessment and F15, Executive Council and Assembly for adoption.

42. Detailed roadmap is attached to this report as Annex 3.

I. Update on the consultations between the F15 and the Commission on the proposals made by the countries of the Northern Region regarding the assessment of Member States to the Peace Fund.

- 43. The Executive Council in October 2020 through decision EX.CL/Dec.1100(XXXVII) took note of the reservations by six (6) countries from the Northern region on the continued use the scale of assessment for the regular budget to assess Member State contributions to the AU Peace Fund in line with the general consensus. These reservations were registered by the following Member States: the Arab Republic of Egypt, the People's Democratic Republic of Algeria, the Republic of Tunisia, the Islamic Republic of Mauritania, the Sahrawi Arab Democratic Republic, and the State of Libya.
- 44. The Executive Council, through Decision EX.CL/Dec.1119(XXXVIII) of February 2021 requested the Commission to continue bilateral consultations with countries according to the reservations in Decision EX.CL/Dec.1100(XXXVII) with a view to arriving at the appropriate mechanism for assessing the Peace Fund as long as it does not affect the consensus already agreed on the matter and the reservations made thereof.
- 45. Following extensive consultations between the Commission and the six concerned countries, and having found no solution on the matter, the Executive Council through its Decision (EX.CL/Dec.1162(XL) of February 2022 directed the Commission to work closely with the F15 and the Office of Legal Counsel to analyze proposals made by the Countries of the Northern Region regarding the assessment of Member States to the Peace Fund and the implications thereof and recommend solutions in accordance with the legal frameworks of the African Union.
- 46. The Decision further directed the Commission, guided by the solutions recommended thereof, to continue consultations with the concerned Countries

from the Northern and other regions - to agree on a mechanism for contributions to the Peace Fund and report back to the Executive Council in July 2022.

47. However, whilst consultations between the F15 and the Commission are still ongoing with an aim to generate a consensus on the recommended solutions which would inform further consultations in the Regions, the following highlights are presented for the appreciation of the Joint Sitting:
- a. A proposal by the six countries from the Northern Region with reservations emphasized that under the general scale, the Northern Region would carry a heavier burden compared to other regions. The proposal underscores that assessments to the Peace Fund in line with the consensus is contrary to Decision 605 of 2016 in Kigali which stipulated that the total endowment to the Peace Fund (\$400 million) shall be raised through equal contributions from each of the five (5) AU Regions.
 - b. In the proposal, the six countries acknowledged, however, that equal contributions from each of the five AU Regions may not be compatible with the principles of capacity to pay and equitable burden-sharing since not all AU regions have the same capacity to pay and the economies are different. The proposal takes note that under the current scale of assessment 2020-2023, the regional shares of the five AU regions in respect of the assessed budget is: Northern Region 29.66%; Western Region 19.92%; Eastern Region 19.82%; Central Region 8.45%; and Southern Region 22.14%.
 - c. Therefore, in the continued spirit of solidarity and equitable burden sharing, the proposal recommends that the Central Region shall contribute 10% equivalent to \$40 million, while the remaining four regions contribute 22.5% each, equivalent to \$90 million each.
 - d. However, the proposal takes further note that forty-nine (49) Member States wish to continue using the general scale as applied to assess Member States to the Regular Budget, to assess their contributions to the Peace Fund.
 - e. In that regard, contributions to the Peace Fund by each of the six concerned Member States with reservations shall be made in accordance with their equitable contribution to the 22.5% or \$90 million regional share as per their proposal, regardless of whether a seventh Member State from the Northern Region wishes to contribute according to this proposed formula or shall continue with its contributions to the Fund according to the general scale (consensus).
 - f. As such, the proposed assessment method by the six concerned countries would lead to a shortfall of \$28,136,379.12 on their collections compared to the total collection that could be obtained from the region under the current assessment method.

48. Pursuant to Decision 1162 mentioned above, the Commission and F15 Experts met on the 5th to 10th June 2022 to, among others matters, further analyze the proposal made by the six Countries of the Northern Region including an exploration on how to make up for a shortfall to the Peace Fund's full endowment that would arise from adopting the proposal by the six concerned countries. To cover up for the US\$28,136,379.12 shortfall, the following options were presented by the six countries for deliberation by the F15:
- (i) Reducing the total amount allocated to the Peace Fund by the amount of the shortfall, which is (\$28,014,082.20) of the \$400 million endowment (approximately 7%).
 - (ii) Fill the gap by assessing the \$28,014,082.20 to the other four regions.
 - (iii) Use the interest generated from investing the endowment to the Peace Fund to bridge the gap.
 - (iv) Use the interest generated from investing the contributions already paid by the six countries to bridge the gap.
 - (v) Bridging the gap through arrears collected on assessed contributions to the AU regular budget. This was argued to be a solution as the mechanism is already provided for under Article 21, paragraph 2 of the Protocol establishing the Peace and Security Council.
49. The ensuing discussions by the Experts adopted option 'e' above which was subsequently presented to the F15 Ministers at their retreat held in Rabat, Kingdom of Morocco on the 13th -14th June 2022. Following, extensive debate by the F15 Ministers and having reached no consensus to recommend a solution, the F15 Experts were requested to re-examine the proposals and generate more recommendations for consideration by the Ministers at a later date. A progress report detailing the above discussions shall be presented by the F15 to the Executive Council at its Forty-First Ordinary Session in July 2022.

J. CONCLUSIONS AND THE WAY FORWARD

50. In view of the information availed by the Commission to the Ministerial Committee on Scale of Assessment and Contributions and the F15, the Joint Sitting is invited to take note of the following and make recommendations for further consideration and Decision by the policy organs:
- i. In view of the strengthened sanctions regime, review the status of contributions and recommend for placement under sanctions countries that have fallen back on their assessed contributions.

- ii. Consider the status of implementation of the payment plans and congratulate the Republic of Seychelles for the successful implementation of its payment plan. The Joint Sitting is further invited to congratulate those Member States that are on course with honouring their obligations while also encouraging those that have not yet come up with payment plans to expedite.
- iii. Take note of the roadmap adopted by the Commission and F15 Experts towards the development of the new scale of assessment for 2024-2026 cycle.
- iv. Congratulate the Member States that have paid their assessed contribution despite the economic challenges brought about by COVID-19 and exacerbated by the Russia-Ukraine conflict.
- v. Congratulate Member States that continue to pay their assessed contributions by the 1st of January in line with Rule 23(1) of the AU Financial Rules and Regulations.

ANNEXES

Annex 1: Detailed Status of Member States' Contributions to the Regular Budget as at 30th June 2022.

Annex 2: Detailed Status of Member States Contributions to the AU Peace Fund for the financial years 2017, 2018, 2019, 2020, 2021 and 2022 as at 30th June 2022.

Annex 3 Roadmap for development of the new AU Scale of Assessment 2024 - 2026.

DRAFT
**DECISION ON THE REPORT OF THE JOINT SITTING OF THE MINISTERIAL
COMMITTEE ON SCALE OF ASSESSMENT AND CONTRIBUTIONS AND THE
COMMITTEE OF FIFTEEN MINISTERS OF FINANCE (F15)**

The Executive Council,

1. **TAKES NOTE** of the Report of the Joint Sitting of the Ministerial Committee on Scale of Assessment and Contributions and the Committee of Fifteen Ministers of Finance (F15);
2. **COMMENDS** Member States for contributing **US\$142,823,360.89**, equivalent to **70%** of the **US\$204,784,571** assessed contribution in 2022 towards the Union's regular budget.
3. **ALSO COMMENDS** Member States for contributing **US\$272,470,917** to the AU Peace Fund since 2017, a demonstration of the high level of commitment by the Union to fully operationalize the Fund.
4. **FURTHER COMMENDS** Member States that are up-to-date in the payment of their contributions and **URGES** Member States that have not yet done so to pay their assessed contributions in fulfilment of their financial obligations to the Union.
5. **RECALLS** Decision EX.CL/Dec.1071(XXXV) of July 2019 which considered the security and political situation of Somalia and Libya and withheld the imposition of sanctions for non-payment of contributions, and which requested the Commission to consult with the two countries to agree on a payment plan to clear the arrears within four (4) years from the adoption of the Decision.
6. **ALSO RECALLS** Decision Assembly/AU/Dec.752(XXXIII) of February 2020 which took note of the requests from Seychelles and Burundi and the challenges they faced in meeting their annual contributions to the Union, and the request to the Commission to engage with Member States facing difficulties paying their contributions to the Union and those in arrears for two (2) or more years in order to agree on the payment plan for clearing their arrears.
7. **FURTHER RECALLS** Decision EX.CL/Dec.1119(XXXVIII) of February 2021 which took note of the request from the Republic of Sudan on the need to review its assessed contribution and requested the Commission to consult with the Republic of Sudan based on the current Scale of Assessment to agree on a Payment plan to clear the arrears as soon possible, within four (4) years from the adoption of the Decision.
8. **RECALLS** Decision Assembly/AU/Dec.802(XXXIV) of February 2021 which endorsed the payment plans for the Republic of Somalia, the Republic of Seychelles and the Republic of Burundi to clear their arrears.

9. **COMMENDS** the Republic of Seychelles for fully implementing the payment plan which was agreed with the Commission and for clearing all outstanding arrears to AU budgets as well as paying in full the 2022 assessed contribution to the regular budget and Peace Fund and **ENCOURAGES** the Republic of Burundi and the Republic of Somalia to continue implementing the Payment Plans agreed with the Commission to clear the arrears as soon as possible in line with Decision Assembly/AU/Dec.802(XXXIV).
10. **ALSO RECALLS** Decision EX.CL/Dec.1138(XXXIX) which urged the State of Libya and the Republic of The Sudan to conclude the engagements with the Commission to agree on their respective payment plans for settling their arrears and report back to the Executive Council in February 2022.
11. **FURTHER RECALLS** Decision EX.CL/Dec.1162(XL) of February 2022 which took note of the report of the Commission on the on-going consultations with the State of Libya and the Republic of The Sudan, urged the two Member States to urgently finalize and submit their respective payment plans for settling their arrears to the Commission and requested the Commission report back to the Executive Council in July 2022.
12. **RECALLS** Decision Assembly/AU/Dec.838(XXXV) which decided exceptionally and given the well-known long-standing complex situation in Libya that upon full payment by the State of Libya of 50% of their arrears, the Commission shall write-off the 50% of the contributions to the regular budget due to the organization.
13. **COGNIZANT** of the lack of progress made in agreeing on a payment plan between the Commission and the Republic of The Sudan on the payment of the latter's arrears and **URGES** both parties to urgently conclude on the matter and report back to the Executive Council in February 2023.
14. **URGES** the State of Libya to pay in full 50% of its arrears for the Commission to effect the necessary write-off of the remaining 50% of its arrears.
15. **DECIDES** to impose sanctions on the following Member States that have fallen back on the payment of their assessed contributions:
 - a. **Cautionary sanctions:** Nigeria, Ghana, Uganda, Chad, Senegal, Congo, Mali, Mauritania, Malawi, Lesotho, Liberia, Cape Verde, Central African Republic, Djibouti, Guinea Bissau.
 - b. **Intermediate sanctions:** Sao Tome, Guinea
16. **RECALLS** Decision EX.CL/Dec.1138(XXXIX) which directed the Commission, supported by the Experts of the Committee of Fifteen Ministers of Finance (F15), to expedite the process of developing the new scale of assessment to be applied

for the period 2023-2025 and present proposals for consideration and adoption by the Policy Organs in February 2022.

17. **ALSO RECALLS** Decision EX.CL/Dec.1162(XL) which took note of the report of the Joint Sitting of the Ministerial Committee on Scale of Assessment and Contributions and Committee of Fifteen Ministers of Finance (F15) on the development of the new scale of assessments and the recommendation to give more time to the Commission and F15 Experts to gather additional data that will, in the context of COVID-19 pandemic, better reflect Member States' capacity to pay and for the necessary regional consultations to be undertaken, recommended the extension of the application of the current scale of assessment 2020-2022 by one year up to 2023, requested the Commission and F15 Experts to agree on a roadmap for the development of the new scale of assessment to be applied for the period 2024-2026 and further requested the Commission report back to the Executive Council in July 2022.
18. **FURTHER RECALLS** Decision Assembly/AU/Dec.838(XXXV) in which the Assembly decided to extend the application of the current scale of assessment 2020- 2022 by one year up to 2023.
19. **TAKES NOTE** of the roadmap agreed on by the Commission and F15 on the development of the new scale of assessment and in line with Decision Assembly/AU/Dec.838(XXXV), **REQUESTS** the Commission with the support of the F15 to develop the new scale of assessment to be applied for the period 2024-2026 and, following the due process, present it to the Assembly for adoption in February 2023 including the relevant consultations as highlighted below:
 - a. Presentation of options to the F15 Experts for analysis: 11th - 12th of January 2023.
 - b. Preliminary Consultative Meeting with Embassies in Addis Ababa to evaluate the options 20th –23rd January 2023.
 - c. Consultative Meeting with the Permanent Representatives Committee (PRC) to review and endorse the options: 27th January 2023.
20. **RECALLS** Executive Council Decision EX.CL/Dec.1119(XXXVIII) of February 2021 which mandated the Commission to continue bilateral consultations with countries according to the reservations on Decision EX.CL/Dec.1100(XXXVII) on the use of scale of assessment for the regular budget to assess Member States to the AU Peace Fund with a view to arriving at the appropriate mechanism for assessing the Peace Fund as long as it does not affect the consensus already agreed on the matter and the reservations made thereof.
21. **ALSO RECALLS** Decision EX.CL/Dec.1138(XXXIX) of October 2021 which directed the Commission and urged six Member States that have entered the

reservation to finalize the consultations before the next ordinary session of the Executive Council in February 2022.

22. **FURTHER RECALLS** Decision EX.CL/Dec.1162(XL) of February 2022 which took note of the proposal made by the six Member States of the Northern Region that expressed reservations on Decision EX.CL/Dec.1100(XXXVII) on the use of scale of assessment for the regular budget to assess Member States to the AU Peace Fund and its implications on the total endowment of the Peace Fund and directed the Commission to work closely with the F15 and the Office of the Legal Counsel to analyze the proposals made and the implications thereof, and recommend solutions in accordance with legal frameworks of the African Union and further directed the Commission, guided by the solutions recommended thereof, to continue consultations with the concerned countries from the North and other regions to agree on a mechanism for contributions to the Peace Fund and report back to the Executive Council in July 2022.
23. **TAKES NOTE** of the progress and the proposals made and **URGES** the Commission and the F15 to finalize the analysis of the proposals made by the six Member States of the Northern Region including the consultations as prescribed in Decision EX.CL/Dec.1162(XL) and report back to the Executive Council in February 2023.
24. **RECALLS** Decision EX.CL/Dec.1162(XL) that took note of the concern raised regarding the concentration of investments in two banks from one region and expresses its concern on the delay on implementation of the decision. **REITERATES** its request to expedite finalization of the African Union Treasury Policy and present it for consideration by PRC through its relevant subcommittees and F15 Experts and report back to its Ordinary Session in February 2023 for adoption by Executive Council during its Ordinary Session in February 2023.

2022-06-20

Report of the Joint-Sitting of the Ministerial Committee on Scale of Assessment and Contributions and the Committee of Fifteen Ministers of Finance (F15)

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