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**REPORT OF THE MEETING OF THE AD-HOC MINISTERIAL
COMMITTEE ON THE REVIEW OF SCALE OF ASSESSMENT**

REPORT OF THE MEETING OF THE AD-HOC MINISTERIAL COMMITTEE ON THE REVIEW OF SCALE OF ASSESSMENT

1. The meeting of the Ad-Hoc ministerial committee was held on 10th June 2015 to consider the report of Experts on the implementation of the Alternative Sources of Financing (ASF) the African Union.
2. The meeting was chaired by H.E. Maite Nokoana Mashabane, the Minister of International Cooperation of South Africa, who is the Chairperson of the Ad-Hoc Ministerial Committee on the Review of the Scale of Assessment.
3. Attendance (members of the Ad-Hoc Ministerial Committee):
 1. Algeria
 2. Chad
 3. Equatorial Guinea
 4. Kenya
 5. Libya
 6. Namibia
 7. Malawi
 8. Nigeria
 9. South Africa
 10. Mauritius
 11. Ghana

Other Member State

1. **Sudan**

Opening Remarks

4. The Chairperson welcomed members present and pointed out that they were meeting at a crucial moment where the continent is making commendable efforts to address the numerous challenges it is facing and needed to be self-reliant in order to own and direct those efforts. The Chair indicated that guided by these principles that Member States fund 100 percent of the operating budget, 75 percent of program budget and 25 percent of the Peace & Security operations, imperative that the meeting agreed on the modalities of achieving those principles. To that end she reminded the Members that adoption of Alternative Sources of Funding the Union formed the backbone of the Agenda 2063 which is in the interest of all Member States; and it was only logical that Africa took ownership by being self-reliant. She concluded by informing Members that the current Scale of Assessment will end in December 2015, so there was urgent need for the Committee to recommend a new Scale for consideration and adoption by the Executive Council. She then invited the Chair of the Committee of Experts, H.E. Ntshinga, Ambassador of South Africa.

5. In his brief remarks, Ambassador Ntshinga indicated that this was the first time the Union was proposing concrete modalities of addressing the delicate issue of the Scale of Assessment. He reported that the Committee of Experts in their deliberations were guided and remained within the spirit of the Assembly decision. He concluded that the Experts Committee did its best to come up with the recommendations for the consideration of the Ministers. The Chair thanked the Experts for the work well done and invited the Commission to make its presentation.

6. The representative of the Commission made a power point presentation highlighting the chronology of events and activities starting with the rationale for introducing Alternative Sources of Funding the Union. He then gave a timeline starting with Obasanjo Report of June/July 2014 followed by setting up of Ministerial Committee of Finance, meeting of Task Force in Washington that resulted in the Assembly adopting their report in decision 561, setting up of Ad-Hoc Ministerial Committee to consider implement of that decision and culmination of meeting of Experts in April/May 2015 whose report was before the Ministers. He then recap the highlights of the report of Experts with the recommendation of two options made to the Ad-Hoc Ministerial Committee.

7. The first option – three tier system with a combination of capacity to pay and an equitable payment in the top most tier. This is attached to this report as table 3. The second option is three tier system with equal shares within each of the tiers across board. Following the presentation, the Chair then invited H.E. the Deputy Chairperson (DCP) for his input.

8. In his brief remarks, H.E the DCP Erastus Muencha, emphasized the rationale for a move to Alternative Sources of Financing such as airline fees, levies on telephone SMS to relieve the current sole reliance on treasury as a means of raising budget contribution. He cited the current example where the private sector has raised substantial amount of money for fighting EBOLA using SMS. He pointed out the perennial budget gaps which is a serious handicap to implementation and achievement of budget goals and targets. He allayed fears that the substantial amount of resources arising from Alternative Sources of Funding may bring along implementation challenges. He indicated the Union has put in place structures to address these anticipated challenges.

9. Following those presentations the Chair then opened the floor for debate.

10. In the general debate that ensued Members were very supportive of the need for the Continent to be self-reliant so that it can own and direct any development agenda for its people. However, some Members raised concerns about the use of 2013 statistics as the basis of the revised scale. They felt in some cases this did not reflect current economic realities.

11. Some Members also called for clear and transparent structure for program development and implementation, monitoring and evaluation.

12. Libya reiterated its position that it was not able to remain in the top tier and called for the committee to take note accordingly.

13. In response, the Deputy Chairperson acknowledged the legitimate concerns raised. On the issue of the use of 2013 data, he pointed out that while he shares the concerns of the countries involved this has been the standing practice for the review of scale of assessment based on the UN methodology which the AU adopted. This is because verifiable data for countries are issued two years late. This also indicates the urgency for the African Union to proceed with its program to develop its own institutional capacity. He further explained that when the next review is made it will take into consideration the current situation so that adjustment can be made accordingly. In the case on Libya he expressed regret that Libya is going through challenging times and advised that the special circumstances of Libya could be competently addressed by Sub-Committee on Contributions since it was not within the mandate of this Committee. Finally he also pointed out that there is an internal budget Committee which is made up of Heads of all AU Organs which he chairs. This Committee vets all budget proposals of the Union before it is presented to policy organs to ensure that the programs are in line with strategic objectives and decision from the Assembly.

14. While appreciating the observations and concerns made by various members on the two options presented to the committee, the Chair indicated that there was need to come up with concrete recommendation for the Executive Council to show solidarity for the sake of our continent in order to make progress she then invited members to help define way forward.

15. In the discussion that ensued members generally endorsed the principles underlying the ASF; namely fairness, predictability, flexibility and compliance. Members also agreed on the urgency to resolve the funding of the Union and agreed the new scale should commence from 2016.

16. On the options members after a critical review of the two proposals suggested the implementation of a hybrid system between pure capacity to pay and a hybrid of equity and capacity to pay in a way no sole country bears a disproportionate burden of the budget.

17. Following very fruitful and constructive discussions, the Ad-Hoc Ministerial Committee then made the following recommendations for consideration of the Executive Council:

RECOMMENDATIONS

- i) Recommends an option that combines the principles of solidarity, equitable payment and capacity to pay and ensures no single country bears a disproportionate share of the budget;

- ii) In the implementation of the above the committee recommends the institution and annual review mechanism over the first five years to assess impact and to make adjustments where and when necessary;
- iii) Further proposes to continue working on and incorporating modalities for building synergy between review of scale of assessment and the budget formulation, implementation and evaluation.
- iv) Further recommends the attainment of the target stated in the assembly namely AU member state 100% of the Union's Operational budget , 75% of Union's Program budget and 25% of Union's Peace support operations budget be phased over 5 years starting from January 2016;
- v) Member States will be free to choose any of the proposed alternative sources of funding of the Union budget depending on the national imperatives, laws, regulations and constitutional provisions;
- vi) To pursue its work in instituting a proper accountability and oversight mechanism that would ensure and effective scrutiny of the budgetary process including its presentation and implementation;
- vii) The Commission to provide all necessary support to facilitate conclusion of the exercise including providing a comprehensive list of existing and proposed accountability mechanisms;
- viii) The Ad-Hoc Ministerial Committee will present on the over site mechanism at the next Summit in January 2016.

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