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**REPORT OF THE JOINT SITTING OF THE SUB-COMMITTEE ON
GENERAL SUPERVISION AND COORDINATION ON BUDGETARY,
FINANCIAL AND ADMINISTRATIVE MATTERS AND
THE EXPERTS OF F15**



**MEETING OF THE JOINT SITTING OF THE PRC SUB-COMMITTEE
ON GENERAL SUPERVISION AND COORDINATION ON BUDGETARY
FINANCIAL AND ADMINISTRATIVE MATTERS AND THE EXPERTS OF
FIFTEEN MINISTERS OF FINANCE (F15)
PLENARY HALL, OLD CONFERENCE CENTER
NOVEMBER 29-30, 2018
ADDIS ABABA, ETHIOPIA**

Original: English

REPORT

Introduction

1. The meeting of the Joint Sitting of the PRC Sub-Committee on General Supervision and Coordination on Budgetary, Financial and Administrative Matters and the Experts of Fifteen Ministers of Finance (F15) (GSCBFAM) was held from November 29-30, 2018 in the Plenary Hall of the Old Conference Center, African Union Commission. The meeting was chaired by Ambassador Ndumiso Ndima Ntshinga, Permanent Representative of the Republic of South Africa to the African Union and Chairperson of the PRC Sub-Committee on GSCBFAM. The Rapporteur of the meeting was Amb. Idule-Amoko James of the Republic of Uganda.

Opening Remark

2. In his opening remarks, the Chairperson expressed profound appreciation to the members of the PRC Sub-Committee and the Experts of the F15 for the good work, which was adopted by the Extraordinary Summit in November 2018. He also thanked the Director of Programming, Budgeting, Financing and Accounting and the Ag. Director of Administration, Human Resource Management for the level best done for the adoption of the report. He also appreciated and acknowledged the vital role of the Office of the Legal Counsel during the deliberation.

3. He informed that more oversight roles need to be done in the implementation of the recent decisions adopted by the Policy Organs and noted that the number of items on the agenda has reduced, the sign of improvement.

4. Following his opening remark, the Joint Sitting congratulated the Chair for good leadership, adoption of the reports and applauded him many times during the meeting.

Participants

5. Thirty-six (3) Member States and twelve (12) Experts of F15 participated in the meeting. The attendance list is attached as Annex I.

Adoption of the Agenda

6. Prior to adoption of the agenda, the meeting requested for budget performance report in order to discuss virement request from the AU Commission, as a motivating factor for approval.

7. The Chair informed the Joint Sitting that the report is available only in English and has not yet been translated into the other languages because it was not prepared for this meeting. He appealed that the meeting should continue because it's impossible to obtain the narrative of the budget performance and it was agreed.

8. The agenda was adopted with the following amendments.

- (i) On page 1, paragraph 2, change 28 to 20 and number the pages in all languages for ease of reference;
- (ii) Move recommendation in paragraph 27 (II) to paragraph 28 and Morocco and Senegal in the attendance.
- (iii) Discuss the issue raised by regarding some participants already attending a meeting in Addis Ababa who are expected to return to their home countries before traveling to Cairo for another meeting in few days. It is advisable to continue their trip from Addis Ababa rather than returning home because it's costing the AU so much money.
- (iv) Circulate the final report of the meeting held from September 18-20, 2018

African Union Budget Framework Paper

9. The Director of Strategic Policy Planning, Monitoring, Evaluation and Resource Mobilization (SPPMERM) presented the 2020 Budget Framework Paper (BFP) to the Joint Sitting for consideration. He mentioned that the BFP contains the thematic priority areas and the principles of subsidiarity and complementarity between AUC, RECs and NPCA, and it analyzes the social, economic, and political environment of the continent.

10. The meeting made comments follows:

- I. Commended the Director for the presentation
- II. Informed that the 0.2% levy is facing implementation challenges at the national level;
- III. Took note that the BFP does not state the economic prospect of Member States to guide the process and the issue of efficiency and effectiveness was addressed in terms of budget execution.
- IV. Requested the Commission to include the principle of sustainability in the paper.
- V. Noted that the key achievements contained the paper are vague and qualitative with no timelines and requested to quantify them.
- VI. Reminded that a budget is a vision and not just figures to consider.
- VII. Also requested the Commission to include HRM issue in the framework paper and state the sources of resources mobilized;

- VIII. Noticed that agriculture and information system are missing in the framework paper and requested inclusion in the document as the possibility of funding for flagship projects.
- IX. Inquired about the assessed contribution in first half of the year and report on the general status without naming countries.
- X. Questioned the rationale for selecting 4 RECs and their names.
- XI. Also noticed that the presentation did not show the absorptive capacity of the Commission and asked for mid-term review of the First Ten Year Implementation Plan of Agenda 2063 for stocktaking.
- XII. Noted that deficit is not mentioned in the document and proposed to include the timeline Member States remit to the Union.
- XIII. Inquired about the key target allocated to key thematic areas and the enforcement mechanism of budget ceiling.
- XIV. Acknowledged that framework paper is a strategic document, which needs improvements

11. The Director responded by indicating that:

- I. The final execution rate for 2018 will be available at December 31, 2018.
- II. The economic outlook concisely highlights the socio-economic of the continent.
- III. Budget sustainability is a process ongoing at the Commission and detailed budget analysis is available but, it cannot be included the framework paper
- IV. The paper is a concise document that only highlights key issues and interventions to be addressed by the Union in 2020, while awaiting for the actual implementation of the adopted reform program.
- V. The budget is a vision and detailed explanation was avoided; however, the MTP2018-2023 contains programs and flagship projects.
- VI. The scale of assessment will not change or affect the budget process because it addresses how much each Member State will pay to the Union.
- VII. Other risks like information system and HR will be included in the paper
- VIII. In addition to domestic resources, there is resource mobilization strategy in put place subsidiary to domestic resources.
- IX. AU still depends on funding from Member States and Partners including China and urged the Member States to pay their assessed contributions to the Union in the first and second quarters to enable implementation of activities scheduled in these quarters because Agenda was prepared on the principle of Member States owning and financing it, though support will be sought from partners.
- X. Four RECs are considered for 2020 while the remaining will be considered in subsequent year.
- XI. Agenda 2063 is the basis for the preparation of the Budget Framework Paper and the MTP 2018-2023 and budget ceiling will be determined at the end of 2018 based on execution trend for the last 3 years.
- XII. The Commission uses the accrual basis of accounting and the risk of over budgeting will be rephrased to address by putting a mechanism in place.

- XIII. There is a plan to conduct mid-term assessment of the First Ten Year Implementation Plan of Agenda 2063.
- XIV. Compliance will be enforced on the decisions adopted but the detail of compliance will be in main document.

12. Following lengthy deliberation, the Budget Framework Paper was adopted with amendments to include HR issues, agriculture, and information system.

Draft Report of the Joint Sitting Meeting held from October 11-12, 2018

13. Following review of the document, the Joint Sitting adopted the draft report with the below amendments.

- I. Number pages of the document in all the languages.
- II. Move paragraph 27 (II) to paragraph 28.
- III. Include AU accounts and fund's investment in African banks and financial institution.

Travel to Cairo for AU Meeting

14. Regarding the issue of some participants traveling to Cairo who are attending meeting in Addis Ababa, the Director of Trade and Industry explained the circumstances surrounding the meeting to be held in Cairo. She explained that some Member States designated focal points attending a meeting in Addis Ababa to also participate in the Cairo meeting to take place in few days. This is the result of last minutes unforeseeable situation that would lead to high tickets cost.

15. The representative of the AU Travel Unit said the Unit was unaware of those who will attend both the meetings in Addis Ababa and Cairo. She acknowledged that two cases were reported and they have been handled. She informed the meeting that few delegates were also invited by other departments at AU headquarters

16. During the deliberation, the Joint Sitting was informed that participants attending the Addis Ababa meeting were given break because documents were not available and this considered waste of the Union's resources when DSA was given to the participants.

17. The meeting requested the AU Travel Unit to address the issue raised by prioritizing and issuing cost effective tickets and recommended that the participants in Addis Ababa should continue their trips to Cairo to avoid sending tickets to capitals.

Contributions of Member States and Partners

18. The Director of Programming, Budgeting, Financing and Accounting (PBFA) presented the current contributions of Member States and Partners to the august body.

19. The meeting questioned the reason for allocating Peace Fund to Member States and concluded that the document circulated would be used for virement discussion.

Virement Request

20. The Director of PBFA presented the virement request of US\$16,963,319 and informed the meeting that the request does not entail additional funds but it is a re-allocation of savings from one budget line to other budget lines with deficits. She requested that there should flexibility in the budget process as is the practice with most national governments. This will be reflected in the revised Financial Rules and Regulations for consideration by the policy organs. In addition, the director explained the challenges that will be encountered in the implementation of the 2018 budget.

21. The Joint Sitting requested the Commission to review the submission for virement request and ensure it meets the provisions of Article 17 of the financial rules and regulations on the urgency, necessity and unforeseen criteria. The revised request should also include the expenditure to date, reasons for the savings and justification for the virement request.

22. Following the review as requested by the Joint Sitting the Head of Budget Division presented a revised request of \$2,115,041 and informed the meeting that all the request for program budget and capital expenditure included in the initial submissions had been dropped.

23. The Joint Sitting recommend a total of \$ 2,008,393 as virement request. In addition, the joint sitting adopted in principle the virement request from Peace and Security Department of \$3,735,241 with the Bureau of the PRC sub-committee to further scrutinize the request.

Salary Arrears

24. The representative of AHRM presented the report and reminded that the report was requested by the Joint Sitting to determine the method used by the Commission to calculate salary arrears. He explained that 6.1% calculation of salary arrears for regular staff is based on basic salary, spouse allowance, and pension while non-regular is based on basic salary and gratuity. He informed the meeting regarding the legal opinion on entitlements of salary arrears for both regular and non-regular staff and Decision 727 of January 2013 and Decision 967 of July 2017 approving salary arrears payment.

25. Following the presentation, the Joint Sitting raised the following comments;

- I. There is confusion between the two decisions that affect the basis of the calculation of salary arrears whether to use 5% as in Decision 727 of January 2013 or 6.1% as in Decision 967 of July 2017.
- II. A proposal was made to provide for the salary arrears from AU investments, savings from budget lines and rental of premises without additional funds from the Member States.

- III. It was proposed that the payment modality should be on unutilized funds of Member States and requested the Commission to identify the basket of funds, considering liquidity of the Union.
- IV. The AUC had proposed the arrears to be paid in 36 months but the joint sitting requested the commission to review this timeline as it was not feasible in order to reduce the risk of accumulating debts in future. PBFA and F15 experts were tasked to present a proposal on how the arrears will be paid.

26. The Chair reminded the meeting that 6.1% decision was approved and payment mechanism should be agreed now and payment should not be tied to rental revenue generated by the AU Commission because the amount is insufficient as alluded by the Commission. He requested PBFA and the F15 to determine the sources of funding for payment and not the reserve fund.

27. Following the statement made by the Chair, the meeting concluded that PBFA and the F15 should meet to determine the sources of funding for payment of salary arrears.

Preferential Rate

28. The Director of AHRM presented the preferential rate report to the meeting and informed that the issue has been presented multiple times to the Policy Organs without any approval yet due for various reasons.

29. The Joint Sitting:

- I. Noted calculation errors which should be corrected in the report and the study was not conducted by independent consultant as requested by the Executive Council in 2017.
- II. Mentioned that though the calculation is based on UN, the UN pays more than the AU.
- III. Acknowledged that AU staff in Representation Offices should have decent salaries but preferential rates are not required.
- IV. Also acknowledged to seek the interest of the Union rather the interest of individual staff member;
- V. Informed that preferential rate will be handled once the independent consultants' report is available and there is option for staff to ask for transfer if he/she does not agree with the payment.

30. The Commission:

- I. Clarified that there were no errors in the calculation and informed that one of the offices calculated post adjustment on Housing Allowance, which increased the total amount.
- II. Explained the difference between preferential rate and post adjustment allowance.

31. The meeting concluded that preferential rate shall no lo longer be applicable and that an independent study should be undertaken to determine the cost of living of the two duty stations. However, the meeting recommended that pending the conclusions of the consultancy or study the staff member affected should be given the option to either remain in the duty station or request for a transfer as the preferential rates will not apply.

HR Master Plan/Roadmap

32. The Ag. Director of AHRM presented the roadmap and the meeting recommended the roadmap as amended during the meeting.

Annex I

LIST OF PARTICIPANTS

MEMBER STATES	
1. Algeria	19. Malawi
2. Botswana	20. Mali
3. Burkina Faso	22. Mauritius
4. Burundi	23. Mozambique
5. Chad	24. Namibia
6. Comoros	25. Nigeria
7. Congo Republic	26. Rwanda
8. Cote d'Ivoire	27. Sahrawi Arab Democratic Republic
9. Egypt	28. Senegal
10. Eswatini	29. Sierra Leone
11. Ethiopia	30. South Africa
12. Gabon	31. Tanzania
13. Ghana	32. Togo
14. Guinea	33. Tunisia
15. Kenya	34. Uganda
16. Lesotho	35. Zimbabwe
17. Liberia	36. Morocco
18. Madagascar	
F15 MEMBERS	
1. Ghana	9. Morocco
2. Cameroon	10. Algeria
3. Chad	11. Nigeria
4. South Africa	12. Namibia
5. Cote d'Ivoire	
6. Egypt	
7. Ethiopia	
8. Kenya	

2019-02-07

Report of the joint sitting of the sub-committee on general supervision and coordination on budgetary, financial and administrative matters and the experts of F15

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