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**EX.CL/1063(XXXII)**  
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**REPORT OF THE COMMITTEE OF TEN OF FINANCE MINISTERS**

**REPORT OF THE MEETING OF THE COMMITTEE OF TEN MINISTERS OF FINANCE (F10+) ON THE IMPLEMENTATION OF THE KIGALI ASSEMBLY DECISION ON FINANCING THE AFRICAN UNION**

13 January 2018, Kigali Convention Centre, Kigali, Rwanda

**I. BACKGROUND**

1. The Meeting of the Committee of Ten Ministers of Finance (F10+) took place at the Kigali Convention Centre in Kigali, Rwanda, on the 13<sup>th</sup> January 2018. The meeting was a follow-up to the meeting that was held in Addis Ababa on the 9<sup>th</sup> August 2017. The meeting was presided over by H. E. Dr Abdoulaye Sabre Fadoul, Chairperson of the F10+, and Minister of Finance and Budget of the Republic of Chad.

2. The following F10+ Member States were represented at the meeting:

Central Africa: Chad and Congo

East Africa: Ethiopia and Kenya

North Africa: Algeria and Egypt

Southern Africa: Botswana and South Africa

West Africa: Cote d'Ivoire and Ghana

3. Cameroon, Morocco and Nigeria participated based on the approval made by Ministers of Finance that they be part of the F10+.

4. Rwanda participated in their capacity as host of the F10+ meeting.

**II. OPENING OF THE MEETING**

**Welcome by Minister of Finance and Economic Planning of Rwanda**

5. The Minister of Finance and Economic Planning of Rwanda, Hon. Claver Gatete, wished participants a happy and prosperous New Year and expressed his pleasure and privilege to welcome all delegates to Rwanda. He was honoured that Rwanda had been given the opportunity to host the meeting of the Ten Ministers of Finance and thanked all participants for making time to attend as their presence was a reflection of commitment to the task at hand.

6. He reminded the meeting of the Decision that was taken by the AU Heads of State and Government to adopt a levy of 0.2% on eligible imports to finance the African Union. At this meeting the Heads of State and Government instructed the Finance Ministers to implement the decision, including the opening of a special account in their respective central banks for predictability of disbursements to the AU Commission. The Summit further decided that Finance Ministers must ensure proper financial management, including establishment of adequate financial accountability systems of the Commission.

7. He noted the significant progress already made in terms of implementing the Decision, with some countries already implementing the levy, while others are at different levels of implementation.

8. He reminded Ministers that the purpose of the meeting was to consider progress made on the recommendations made by the expanded meeting of Ministers of Finance that took place in August 2017 in Addis Ababa, Ethiopia, and expressed his hope that the meeting would allow for further progress towards implementation of Decisions of the Assembly of Heads of State and Government.

9. He concluded by thanking the technical team and the AU Secretariat for working tirelessly to come up with a proposals that formed the basis for discussions.

### **Welcome remarks by AUC Chairperson**

10. H.E. Mr Moussa Faki Mahamat, Chairperson of the African Union Commission, in his opening remarks, said that it was fitting that the meeting of the F10+ was convened in Rwanda, where the Decision to make the AU financially autonomous was taken. He stressed that the Kigali Decision on Financing the Union was a sign of the determination and resolve of African leaders to finance Agenda 2063 and for the continent to take control of its destiny. He cautioned that without financial autonomy, implementation of the Union's programmes and ensuring peace would remain a dream that would not be realised. He emphasised that strong and accountable budget and financial management was required to ensure that the Commission did not lose the confidence of its Member States.

11. He reminded the meeting that the Kigali Decision was a directive which allowed for Member States to determine the form and the means of implementation while honouring the spirit of the Decision and therefore the necessary flexibility is already built into the Decision. He noted that in 2017, AU Member States had contributed US\$29.5 million to the Peace Fund, the most significant amount contributed by Member States since its establishment in 1993. He also emphasised the need to establish a more equitable burden-sharing formula to avoid over-reliance on a small group of Member States.

### **Opening remarks by Chairperson of the F10+**

12. In his opening remarks, H.E. Dr. Abdoulaye- Sabre Fadoul, Chairperson of the F10+, and Minister of Finance of Chad thanked the Government and the People of Rwanda for graciously agreeing to host the F10+ meeting and took note of the presence of Finance Ministers as an acknowledgment of not only the importance of the Decisions on Financing of the Union, but also their vital role in the financial management of the Union. He reminded the meeting of the importance of an adequately resourced and autonomous AU vis-a-vis the implementation of its programmes and the subsequent achievement of its development goals. To this end, he reiterated the significance of the Kigali Decision of 2016 to finance the Union further highlighting that the directive therein established a Committee of Ministers of Finance comprising [ten] Member States tasked with the responsibility of overseeing the implementation of the 0.2 percent import levy and also oversight functions of the

African Union budget and Reserve Fund by establishing clear financial management and accountability principles such as those espoused by the 'Golden Rules'.

**13.** Further, the Minister recalled the F10+ meeting held in Addis Ababa, Ethiopia, in August 2017, which deliberated and consulted on how to accelerate the implementation of the Kigali Decision. He recalled that a call was put forth to Member States who are yet to implement the Decision on Financing of the Union to explore all means possible and find a way to institute the levy towards resolving the longstanding issue of domestic resource mobilization for an effective Union in the spirit of Agenda 2063 and the Africa we want. The Minister also lauded the F10+ Committee of Technical Experts for a commendable job in the consideration of the various challenges faced at the country level and proposing workable solutions that seek to preserve the spirit of the Decision on Financing the Union. He then underlined that the purpose of the January 2018 Ministerial meeting was to take stock and follow up on progress made since the August sitting and make further recommendations for consideration by the Assembly of Heads of State and Government later on this month. In addition, he reaffirmed the support of the Finance Ministers to the ongoing reforms led by the President of the Republic of Rwanda H.E. Mr Paul Kagame stating that they remain available for any consultations as deemed necessary. Lastly, he reiterated the Ministers of Finance full commitment to implement the Kigali Decision and urged the F10+ countries to set the pace and lead from the front on the implementation of the import levy.

### **III. ADOPTION OF THE AGENDA**

**14.** The meeting adopted the following agenda:

- (i) Opening of the Meeting
  - Welcome by Minister of Finance and Economic Planning of Rwanda, Hon. Claver Gatete;
  - Welcome remarks by AUC Chairperson, H. E. Mr Moussa Faki Mahamat;
  - Opening remarks by Chairperson of the F10+, H. E. Dr Abdoulaye Sabre Fadoul.
- (ii) Adoption of the Agenda;
- (iii) Reflection on the implementation of Kigali Decision on Financing the Union;
- (iv) Presentation of recommendations of the F10+ Technical Committee Meeting;
- (v) Discussions;
- (vi) Adoption of the Report and Closing of the F10+ Meeting.

#### **IV. REFLECTION ON THE IMPLEMENTATION OF KIGALI DECISION ON FINANCING THE UNION**

**15.** On the status of implementation of the Kigali Decision, the High Representative on Financing the Union and Peace, Dr Donald Kaberuka, briefed the meeting that as of December 2017, 21 Member States had started implementing the Kigali Decision. Out of these, 12 Member States had started collecting the 0.2% import levy. He went on to advise the meeting to focus on the substantive issues as mandated to them by the Heads of State and Government. He also reminded the meeting that the F10+ were expected to present a progress report on Financing the Union to the January 2018 Summit.

#### **V. PRESENTATION OF RECOMMENDATIONS OF THE F10+ TECHNICAL COMMITTEE MEETING**

**16.** The Chairperson of the Technical Committee, Mr Bechir Daye, presented the outcome of the deliberations of the Technical Committee. In his presentation, he informed the meeting that the Committee considered the following:

- a) Draft golden rules establishing clear financial management and accountability principles;
- b) Draft mechanism on the involvement of the Committee of Ten Ministers of Finance (F10+) in AU budgetary and financial matters, in which two options were presented for discussion;
- c) An update on the status of implementation of the Kigali Decision on Financing the Union; and
- d) An update on the status of the Peace Fund.

**17.** He further informed the meeting that the Experts, after deliberating at length, agreed to defer recommending to F10+ the proposed 'Golden Rules'. He cited that this was reached on account that there was insufficient information availed to the Experts to enable them take an informed decision. In this regard, the Experts requested the Commission to avail the Audit report done by KPMG and that of Collaborative Africa Budget Reform Initiative (CABRI), an independent consultancy firm based in South Africa to enrich the proposed rules.

**18.** Regarding the proposed oversight functions of the F10+ on AU budget processes, the meeting was informed that the Experts could not reach a consensus on the two Options that were tabled for discussion since each of the proposal affected the work of the PRC. The Experts, then recommended to F10+ for deferment to adopt any option until the PRC was consulted.

**19.** On the status of implementation of the Kigali Decision, the Experts noted the report and proposed amendments. He reported that 21 Member States has started implementing the Decision. Out of these, 12 had already started collecting the levy.

20. Regarding the Peace Fund, the Chairperson of F10+ Technical Committee informed the F10+ that the meeting could not reach a conclusion.

## VI. DISCUSSIONS

21. On the proposed golden rules, Ministers agreed that the mandate bestowed upon them by the Kigali Decision tasked them to oversee the implementation of the 0.2 percent levy on imports and to provide fresh proposals that seek to improve the expenditure aspects of the Union. Ministers further agreed that the KPMG external audit report was not necessary in considering and recommending the Golden Rules for adoption by Assembly. In addition, the Golden Rules were understood to be subject to continuous review and Member States were at liberty to amend them as and when necessary.

22. Regarding the oversight functions, Ministers noted the two options presented on the proposed oversight functions of the F10+ on AU budget preparation processes. Option 2 was eliminated on account that it proposed elimination of the PRC Sub-Committees involved in budget preparation process. The Ministers considered Option 1 as a preferred option and recommended that the two sub-committees of the PRC should not be merged but should have a joint sitting with the F10+ Experts to consider both the Budget Framework Paper and budget proposals. The joint sitting of the Sub-Committees and the F10+ Experts was strongly encouraged as the latter was to provide technical content on budget and financial matters. Ministers therefore agreed that Option one will be implemented and will be reviewed and amended as and when necessary.

## VII. RECOMMENDATIONS

23. The F10+ made the following recommendations:

### *On the Golden Rules*

- (i) Recommended the Golden Rules for adoption by Assembly, with an option for review by F10+ Members as necessary. First review will be done at the next F10+ meeting.

### *On the Oversight Mechanism*

- (ii) Adopted Option One with recommendation that the PRC Sub-committees should have a joint sitting with the Technical Committee of the F10+ before submitting its recommendations to the PRC. The PRC would then submit its recommendations to the Committee of Finance Ministers (F10+) for consideration and onward transmission to the Executive Council.

### *On the surplus from the 0.2% Import Levy*

- (iii) Agreed to request the Assembly to recall Decision Assembly/AU/Dec./605/XXVII) to amend the Decision to allow Member

States retain any surplus from the import levy after meeting assessed contribution.

*On the Peace Fund*

- (iv) That the AU Commission accelerate the implementation of the endorsed governance and management structure in order to ensure the accountable and prudent management of the Peace Fund.

**VIII. ADOPTION OF THE REPORT AND CLOSING OF THE F10+ MEETING**

**24.** In closing, the Chairperson of the F10+ thanked Ministers for their active participation which led to the success of the meeting. He also thanked the interpreters and logistical team for ensuring the smooth running of the meeting.

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Version 2

EX.CL/1063(XXXII)  
Annex

**REVISED REPORT ON THE IMPLEMENTATION OF THE KIGALI  
DECISION ON FINANCING THE AFRICAN UNION**

January 2018

## 1.0 Background

1. The report provides an update to the Assembly on progress made so far, on the implementation of Assembly Decisions on Financing of the Union: *Assembly/AU/Dec.605(XXVII)* and *Assembly/AU/Dec.635(XXVIII)*. Since the June 2017 AU Summit several activities have been undertaken and significant progress registered.

### A. Status on the Implementation of the 0.2% Import Levy

2. As of January 17, 2018, the AU Commission has on record 21 Member States that are at various stages of implementing the Kigali Decision. Out of these, twelve (12) Member States have already started collecting from the levy and have deposited the funds at an account dedicated for AU opened with the Central Bank. Remittances of funds to the African Union is expected to be start from January, 2018. The following are the Member States that have indicated that they are implementing the decision:

- |                      |                   |
|----------------------|-------------------|
| 1) Kenya             | 8) Gambia         |
| 2) Congo Brazzaville | 9) Gabon          |
| 3) Rwanda            | 10) Cameroun      |
| 4) Chad              | 11) Sierra Leone  |
| 5) Djibouti          | 12) Cote d'Ivoire |
| 6) Guinea            |                   |
| 7) Sudan             |                   |

3. Five (5) more Member States have initiated internal legal processes and are at advanced stages to start collecting funds from the 0.2% import levy. These are:

- |             |               |
|-------------|---------------|
| 1) Ghana    | 5) Mauritania |
| 2) Benin.   |               |
| 3) Ethiopia |               |
| 4) Senegal  |               |

4. Malawi has also indicated its intention to start internal legal processes leading to the implementation of the levy. In the interim, it will continue to contribute to the Union using the existing mechanism.

5. Two (2) Member States: Mauritius and Seychelles have indicated full commitment to principles of financing the Union.. However due to national economic and legal constraints and international commitments they requested for flexibility in the implementation of the Decisions. In this regard, they will continue to meet their

financial obligations using alternative means while preserving the spirit of the Assembly Decisions on financing of the Union.

6. The Sahrawi Republic has also shown commitment to the implementation of the Kigali Decision but are faced with unique challenges. The country has invited the High Representative on Financing the Union and Peace Fund, Dr Donald Kaberuka, to look into these challenges.

7. Egypt and South Africa have written to the Chairperson of the AU Commission indicating that they will not be able to implement the Kigali Decision in its current form. The High Representative on Financing the Union and Peace Fund, Dr Donald Kaberuka and the AU Commission will engage these Member States in further consultations.

#### **B. Meetings the Committee of Ten Finance Ministers (F10+)**

8. During the reporting period, the Committee of Ten Finance Ministers (F10) held two meetings to review progress made in the implementation of the Decisions on Financing of the Union. The first meeting was held in Addis Ababa, Ethiopia on August 9<sup>th</sup> , 2017 while the second meeting was held in Kigali, Rwanda on the 13<sup>th</sup> January 2018. In prelude to these meetings, the F10+ Technical Committee of Experts met on the 7<sup>th</sup> to 8<sup>th</sup> August 2017 and 11<sup>th</sup> to 12<sup>th</sup> January 2018 respectively.

9. In Kigali, the Meeting of the Committee of Ten Ministers of Finance (F10+) took place at the Kigali Convention Centre, Rwanda. The meeting was a follow-up to the meeting that was held in Addis Ababa on the 9<sup>th</sup> August 2017 and was presided over by H. E. Dr Abdoulaye Sabre Fadoul, Chairperson of the F10+, and Minister of Finance and Budget of the Republic of Chad. The meeting was attended all the members of the F 10+.

10. At this meeting, F10+ considered the following:

- a) Draft proposed golden rules establishing clear financial management and accountability principles;
- b) Draft proposed oversight function of the Committee of Ten Ministers of Finance (F10+) in AU budgetary and financial matters, in which two options were presented for discussion;
- c) An update on the status of implementation of the Kigali Decision on Financing the Union; and
- d) An update on the status of the Peace Fund.

11. In the end, the F10+ made the following recommendations:

- i) Recommended the Golden Rules for adoption by Assembly, with an option for review by F10+ Members as necessary. First review will be done at the next F10+ meeting.
- ii) Adopted an oversight function which recommends that the PRC Sub-committees should have a joint sitting with the Technical Committee of the F10+ before submitting its recommendations to the PRC. The PRC would then submit its recommendations to the Committee of Finance Ministers (F10+) for consideration and onward transmission to the Executive Council.
- iii) Agreed to request the Assembly to recall Decision Assembly/AU/Dec./605/XXVII) to amend the Decision to allow Member States retain any surplus from the import levy after meeting assessed contribution.
- iv) That the AU Commission accelerate the implementation of the endorsed governance and management structure in order to ensure the accountable and prudent management of the Peace Fund.

12. The F10+ meeting in Addis Ababa, Ethiopia was open to attendance by other member states and was chaired by the Minister of Finance of Chad, H.E. Mr. Christian Digumbaye. The meeting was attended by 40 member states including all the members of the F 10. Based on a request from 3 Nigeria, Morocco and Cameroun the 3 Members States were allowed to sit in the closed session of the F10. The full list of participants is provided in the table below :

13. Table 1. Participating States at the Open meeting of the Committee of Ministers of Finance

F 10	OTHER MEMBER STATES		
1. Algeria	11. Angola,	21. Libya	31. Senegal
2. Egypt	12. Cameroon	22. Madagascar	32. Seychelles
3. . Ghana	13. Djibouti	23. Malawi	33. Sudan
4. Cote d'Ivoire	14. Eritrea	24. Mali	34. Sahrawi
5. Chad	15. Equatorial Guinea	25. Mauritius	35. Tanzania
6. Congo Brazzaville	16. Gambia	26. Mauritania	36. Togo
7. Kenya	17. Gabon	27. Morocco	37. Tunisia
8. Ethiopia	18. Guinea	28. Namibia	38. Uganda
9. South Africa	19. . Lesotho	29. Nigeria	39. Zambia
10. Botswana	20. Liberia	30. Rwanda	40. Zimbabwe

14. In addition to member states the meeting was also attended by representatives from:

- a) Common Market for Eastern and Southern Africa (COMESA).
- b) Economic Community for West Africa (ECOWAS).
- c) United Nations Economic Commission for Africa (UNECA).

15. The Commission updated the Ministers on the progress made on the financing of the Union. The Ministers exchanged views and shared experiences on the implementation of the Decision in their respective countries. At the end of their insightful deliberations, the Ministers agreed on:

- i) The Ministers agreed to recommend to the AU Assembly the expansion of the membership of the F10 to 15, 3 from each of the 5 regions of the Union. In this regard, the tenure of the Committee shall be two years after which new members shall be nominated.
- ii) Members of the F10Plus are urged to hold consultations within their respective regions before and after meetings of the F10Plus so as to ensure ownership and awareness on decisions. In this regard, the AU Commission is requested to facilitate the regional consultations.
- iii) Member States accelerate the implementation of the Kigali Decision with a view to the Union attaining financial autonomy. In this regard, Member States facing challenges with the implementation of the Kigali Decision be allowed, in the interim, to use flexible and alternative mechanisms while preserving the spirit of the Kigali Decision until these challenges are addressed.
- iv) The AU Commission, with the assistance of Dr. Donald Kaberuka, AU High Representative on Financing of the Union and the Peace Fund, was urged to consult with Member States facing challenges with the implementation of the Kigali Decision with a view to finding a solution that will satisfy Member States.
- v) The AU Ministers of Finance are urged to meet at least once a year within the framework of the relevant structures of Specialized Technical Committees (STCs) to review progress made in the implementation of Decisions on Financing of the Union as well as Decisions of the F10Plus. In this regard, the relevant STC may consider establishing a sub-Committee to review progress made in the implementation of Decisions on Financing of the Union as well as Decisions of the F10Plus.

- vi) The Commission is urged to develop and recommend to the F10Plus a roadmap for the effective implementation of the Kigali Decision.
- vii) The eligible imported goods be defined by Member States in accordance with their national laws and development objectives.
- viii) Member States should retain the balance of the proceeds of the 0.2 percent levy on eligible imports after funding the budget of the AU and the Peace Fund from their assessed contributions.
- ix) The mandate of the F10Plus, in addition to their oversight responsibility of the AU budget and Reserve Fund, shall include the development of a set of ‘golden rules’ (as per Assembly/AU/Dec.635 (XXVII), monitoring and evaluation of the AU budget and oversight on the implementation of recommendations of AU external auditors as well as the rationalization of the expenditures of the AU.
- x) The F10Plus is urged to review the Budget Framework Paper prepared by AU Commission.
- xi) The F10Plus is further urged to review the recommendations of the PRC on the AU budget and other financial matters and make recommendations to the Assembly through the Executive Council. In this regard, Member States are urged to include the Ministers of Finance in their delegations to the meetings of the Executive Council when discussing the Union’s budget and other financial matters before submission to the Assembly of Heads of State and Government for approval.
- xii) The F10Plus is urged to meet at least twice a year to perform its oversight functions as well as to monitor progress made on the implementation of Decisions on the Financing of the Union. In regard, the AU Commission is requested to facilitate their meetings.
- xiii) Proposals on “Caps and Minima” be referred to the Ministerial Committee on Scale of Assessment for consideration and recommendations made to the Assembly of Heads of State and Government, through the Executive Council.
- xiv) The AU Commission is urged to publish an annual report which presents the achievements and challenges of the Union. In this regard, the report should contain information on Member States that have paid their

assessed contributions as well as those that have not paid in order to encourage compliance.

- xv) Member States are urged to review and tighten sanctions on defaulting members of the Union.
- xvi) The Union is urged to pursue prudent financial management of its funds with the view to adding value to its assets through capital market based investment strategies.

### **C. Country Visits**

**16.** The Commission has also since the June 2017 Summit undertaken a number of country visits with a view to learn experiences and rendering technical assistance to Member States on the financing the Union. The country visits were in two parts:

- a) To understand and learn lessons from countries implementing the Kigali Decision. The findings were vital in assisting other Member States ready to start implementing the Decision but facing challenges;
- b) To provide technical assistance and backstopping to Member States facing challenges implementing the 0.2% import levy.

#### **1) Study Visits to Member States Implementing the Kigali Decision**

**17.** An AU Commission delegation comprising staff from the Bureau of the Deputy Chairperson, department of Finance, the UN Economic Commission for Africa and the Financing of the Union Secretariat visited Rwanda, Ghana and Chad to learn lessons on the modalities and processes they undertook leading to their implementing the 0.2% import levy. The visits took the team to meet with officials from Ministry of Finance, Ministry of Trade, Customs Authority and Ministry of Foreign Affairs. The team noted variations in legislative requirements across Member States:

- a) In some countries, internal legal processes for the implementation of the levy commenced following an Executive Order of either the Head of State or the Minister of Finance in accordance with existing national law provisions. While in other Member States it required an enactment of Parliament to legalize its implementation.
- b) In places where an Executive Order was triggered all internal legal processes were finalized and funds are already being collected, deposited at a dedicated account opened for AU at the Central Bank, and ready for remission in January 2018.

- c) Where a Parliamentary legislation is required, internal legal processes commenced with Cabinet meeting to deliberate on the proposal and recommend for a Bill to be prepared for tabling in Parliament. A number of Member States that have gone this route may experience delays in fully implementing the Decision since tabling of such a Bill often occurs during the Budget Sitting of Parliament which often comes before, during or towards the end of the year depending on each country's fiscal year. Member States facing such delays will continue to remit funds to AU using the existing mechanism at least during the first half of 2018.
- d) On the choice of which goods to levy, the visits revealed that in some countries an existing import levy was employed to collect funds for the AU purposes. A distinct code was assigned to the identified goods and funds collected automatically was deposited into escrow account opened for the AU at the Central Bank. While in some countries, the Ministry of Finance ran a simulation on eligible goods to determine the right amount to be collected through a levy based on the historical information regarding a country's assessed contribution. Similarly, a dedicated account was also opened for the AU with the Central bank.
- e) Lessons learnt from such visits have assisted the Commission greatly in appreciating different ways to implementing the 0.2% import levy. The information gathered from such visits were vital in assisting other Member States facing challenges to implement the same so far.

## **2) Visits to Countries facing challenges implementing the 0.2% Import Levy**

**18.** The visits took place pursuant to the recommendation by the Ministers of Finance at their meeting held in Addis Ababa, Ethiopia on the 9th August 2017 for the AU Commission, with the assistance of Dr. Donald Kaberuka, AU High Representative on Financing of the Union and the Peace Fund, to consult with Member States facing challenges with implementation of the Kigali Decision with a view to finding solutions that will satisfy Member States.

**19.** On invitation by their respective Governments, the AU delegation comprising the High Level Representative on Financing of the Union and Peace Fund, bureau of the Deputy Chairperson, department of Trade, department of Finance and the Financing of the Union Secretariat visited Ghana, Rwanda, Chad, Mauritius, Malawi and Seychelles to discuss modalities for implementing the 0.2% import levy.

**20.** During the visits, the AU delegation found out that each Member State had unique challenges and needed different set of solutions. Lessons learnt from visits to countries already implementing the Decision were crucial in this respect.

- a) On the part of Mauritius, the team learnt that the country took steps to liberalize trade by significantly lowering import tariffs to zero percent

(0%) on 95% of its imports. Imposing a 0.2% import levy on the remaining 5%, therefore will not only provide a narrow base from which to collect the funds but also may affect its doing business indices. Calculations on the remaining 5% of imports would only yield 27% less revenue than what Mauritius contributes annually to the African Union. Instead, the country has agreed to pay a shortfall through a balancing item which will be made up of funds from other non-tariff goods. A special account for the AU will, however, be opened at the Central Bank in accordance with the spirit of Kigali Decision.

- b) The Government indicated full commitment to the principles of financing the union however they indicated that due to existing national and international obligations it cannot over the short to medium term implement the imposition of the 0.2% levy. It there sought to be given exemption in the interim to use existing source to meet obligations towards the AU. They proposed to enter into an MoU with the Commission that will oblige Seychelles to pay its assessed contributions within the first quarter of the year to ensure predictability.
- c) Seychelles also proposes a meeting of Small Island States to deliberate and reach an agreement on a common regime applicable to them in order to support the Kigali Decision.
- d) Malawi, on the other hand, requested for clarification on the interpretation of the levy and its implication on its global and regional trade obligations, especially the WTO. They also sought clarification on the use of excess collection and get clarity on the modalities for implementing the 0.2% import levy.
- e) Experiences of countries already implementing the levy were very useful in making Malawi understand its expectation. In the end, the country committed itself to start implementing the Kigali Decision. However, the country indicated that it may not be ready to remit funds from the levy from January 2018 since Cabinet will have to deliberate on the proposal before tabling the Bill to Parliament for legislation. Parliament will only sit to discuss the Bill in March/April 2018. Meanwhile, Malawi will remit its 2018 assessed contribution from its existing source.

**3) Development of a set of 'Golden Rules' establishing clear financial management and accountability principles**

21. During the visits to Member States, the team took time to discuss issues around the development of 'golden rules', reforming of the Union budget, and proposing the oversight mechanism of the Committee of Ten Finance Ministers (F10). Outcome of such discussions have been processed for consideration by a team of Senior Experts of the Committee of Ten Ministers of Finance (F10) before the adoption by the F10 itself.

#### 4) Implementation of the Peace Fund

22. The African Union Commission established a Peace Fund Task Force to work with the High Representative in taking forward the implementation of the Decision.

23. The work has focused on three key elements:

*Developing new governance and management structures for the Peace Fund*

24. An enhanced governance and management framework for the Peace Fund, including eligibility criteria, has been developed in line with the concept endorsed by the Assembly in July 2016. This framework was endorsed by the Peace and Security Council in May 2017.

25. A Peace Fund Instrument has been developed based on the endorsed framework. This has been reviewed and cleared by the Legal Counsel and is ready for adoption by the Assembly. In 2016, the Assembly approved an amount of \$400m to be raised for the Peace Fund by 2020. The administrative costs of managing the Peace Fund will be covered through this endowment amount so there are no further financial decisions to be taken.

26. The Chairperson of the AU Commission has started consultations with the Regional Deans on the selection of Members of the Board of Trustees. He is due to make the appointments during the January 2018 Summit period.

*Financing AU Peace Support Operations through UN Assessed Contributions*

27. One of the key partnerships the AU has been pursuing with a view to strengthening the predictability and sustainability of financing for AU-led PSOs is with the UN. This is based on the 2015 Common African Position which calls for greater equity and burden-sharing in financing AU-led responses that have been authorised by the UN Security Council and which the UN is unable to respond to in a timely manner.

28. Two seminal UN Security Council Resolutions were secured during this period.

*UNSCR 2320 (November 2016)*

29. This is the first formal statement by the UN Security Council announcing its readiness to consider agreement on the principle that AU-led PSOs that have been authorised by the UNSC could on a case by case basis be financed through UN assessed contributions.

**30.** The AU Commission was requested to present an update report to the Security Council in June 2017 addressing a range of management and accountability issues related to the deployment of AU-led Peace Support Operations.

**31.** The UN Secretary General was requested to provide options on what support could be provided to the AU within the framework of the financing partnership. Both organisations presented their reports in June 2017.

*UNSCR 2378 (September 2017)*

**32.** Under Ethiopia's Presidency of the Security Council, further calls for concrete progress on this issue based on the AUC and UN Secretariat's June 2017 Reports to the Security Council were made.

*Resource Mobilisation*

**33.** The 2017 target for the Peace Fund was \$65m. So far a total amount of US\$29.5 million has been collected. While short of the annual target, this represents the largest amount of funding that AU Member States have contributed to the Peace Fund since 1993.

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2018-01-26

# Report of the Committee of ten of Finance Ministers

African Union

DCMP

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