

 **Distr.**

 **LIMITED**

 **CS/ADM/SC/XX/4**

Original: **ENGLISH**

**COMMON MARKET FOR EASTERN**

**AND SOUTHERN AFRICA**

Twentieth Meeting of the Sub-Committee on

Audit and Budgetary Matters

28 October – 1 November 2019

Lusaka, Zambia

**REVIEW OF THE ASSESSED CONTRIBUTION RATIOS FOR 2020**

**(Agenda item 4)**

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**2020 ASSESSED CONTRIBUTION RATIOS**

# **STATUS OF IMPLEMENTATION OF DECISIONS OF COUNCIL – ASSESSED CONTRIBUTION BUDGET RATIOS**

1. The Secretariat is consulting the Chair (Madagascar) on convening the meeting of the Ministers of Finance to consider and deliberate on decisions made by Council, which relates to: -
2. Non-and or late remittance of annual Member States;
3. Libya’s request for COMESA to examine the parameters of her assessed contributions ratio considering the significant economic challenges she is facing; and
4. Examination of whether the parameters should remain the same, as these have not changed in 2016 and 2017.
5. The matters to be considered by the Ministers of Finance, are outlined below: -

**October 2016 Council Decisions – Outstanding Council Decisions**

*(Extract of Report compiled by Internal Audit on status of implementation of Council decisions)*

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Decision** | **Context** | **Implementation Status**  |
| 1 | The Secretariat should submit a report on the status of contributions payable by Member States to the Ministers of Finance and Governors of the Central Banks Meeting and that of the COMESA Fund Ministerial meeting;  | It was suggested that during the up-coming Council of Ministers meeting and Summit, there should be a substantive agenda on the low payment of contributions by Member States. This matter should also be considered by the Ministers of Finance during the COMESA Fund and Governors of Central Banks meetings | Paper is ready. Meeting is yet to be convened.*Time-frame: Dates are yet to be deliberated on.* |
| 3 | Libya’s request on her assessed contributions ratio be subjected to the formula on assessment of contribution ratios in the light of the new challenges being faced by the Member State | Libya requested that her assessment contribution ratio be reduced from the current 12% to 3% because of her current challenging situation and also requested for a repayment to be approved by the Authority. On the assessed contribution to be reduced to 3%, Council informed Libya that this will follow the formula adopted by the Council of Ministers. |
| 8 | The Secretariat should undertake a review of the formula of contributions and present the same to the Policy Organs meeting through the Ministers of Finance. | Council noted that despite some economic challenges faced by some Member States, the assessed contribution ratios have remained the same in 2016 and 2017. | Paper is ready. Meeting is yet to be convened.*Time-frame: Dates are yet to be deliberated on.* |

**Status of Implementation of November 2017 Council Decisions**

*(Extract of Report compiled by Internal Audit on status of implementation of Council decisions)*

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Decision** | **Context** | **Implementation Status** |
| 7 | The matter of annual Member States contributions be brought before the meeting of Ministers responsible for Finance. | Council noted that the current non-remittance/late remittance of annual Member States contribution has a significant adverse impact on the organisation, which if not immediately attended may result in the depletion of Cash Reserve Fund and cessation of all activities, including programmes.  | Paper is ready. Meeting is yet to be convened.*Time-frame: Dates are yet to be deliberated on.* |
| 15 | A policy framework on budget allocation be put in place by the COMESA Secretariat to ensure that program activities are allocated significant portion of the budget. This applies to the COMESA Secretariat and all COMESA Institutions and Agencies.  | Council was invited to note that RIA played an important role in promoting investments in the region, yet only 34 % of its budget obtained from Member States, was allocated to program activities  | Outstanding: To be aligned with process to come up with 2021-2025 MTSP. |
| 21 | The Secretariat submits the matter of review of the formula regarding distribution of annual Member States contributions to the Ministers of Finance, as directed by Council in November 2012. | Council noted that the current formula is due for review, as directed by the Council in November 2012. The review waits convening of the meeting of the Ministers responsible for Finance.  | Paper is ready. Meeting is yet to be convened.*Time-frame: Dates are yet to be deliberated on.* |
| 22 | There is a need to align the scope of programmes, as developed from the 2016-2020 Medium Term Strategic Plan with increased funding from Member States. In this regard, the COMESA Secretariat should be mandated to carry out work, which should inform deliberations of COMESA Policy Organs on review of the base line of Member States funding.  | Council noted that the current formula is due for review, as directed by the Council in November 2012. The review waits convening of the meeting of the Ministers responsible for Finance | Outstanding: To be aligned with process to come up with 2021-2025 MTSP. |

**Status of Implementation of July 2018 Council Decisions**

*(Extract of Report compiled by Internal Audit on status of implementation of Council decisions)*

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Decision** | **Context** | **Implementation Status**  |
| 14 | Council noted the unfunded 2018 budget needs of COM$1,101,623, attributed to the withdrawal of grant funding on re-current costs of institutional support (capacity, systems and processes); overtime pay for locally recruited staff to cope with limited capacity; and address strategic and organizational risks. Council: -Approved the proposal to obtain required funding of COM$926,623 from staff budget lines be submitted to Council for approval. Council decided that the request for increased funding towards COMESA programmes and activities be referred to Ministers responsible for Finance**.** | Council noted the request for additional funding of COMESA programmes and activities. Council observed that there is a need to consult Ministers responsible for Finance as they are critical to sustainability of COMESA funding | A paper on operationalization of COMESA levy, as established under Article 168, was presented to Officials in August 2019 |

# **PARAMETERS – IN CALCULATING 2020 ASSESSED CONTRIBUTION BUDGET RATIOS**

1. Pending the outcome of the review of the formula by the Ministers responsible for Finance, the Secretariat has applied the decision of Council (November 2012 in Kampala, Uganda) by use of existing parameters, in calculating the proposed 2019assessed annual Member States contributions, as follows: -
2. The parameters of the formula, as stated, below:
3. Gross Domestic Product - 30%
4. Imports from Non-COMESA Countries - 30%
5. Intra COMESA Exports - 30%
6. GNP per Capita - 5%
7. Population - 5%
8. The Secretariat shall apply the five-year moving average using the most up to date statistics on an annual basis;
9. Member States whose statistics are different from what is contained in COMSTAT Database shall provide the correct statistics as per laid down procedure between the National Statistics Office and the Secretariat;
10. The Secretariat shall continue to use the World Bank and the COMSTAT database as the sources of statistics for calculating the assessed contribution ratios: -
11. That a lower ceiling of 1%, an upper ceiling of 12% be applied; and
12. That a shock absorber of 15% be adopted as it addresses the criteria of equity, fairness, capacity to pay, strength of the economy, benefits accruing to Member States and the size of the market.
13. Step by step application of the parameters, is as outlined below: -

**Step 1**: Parameters are provided by COMESA Statistics unit in line with rules of procedures governing their work.

Note the following steps, which are adhered to: -

**Step 2**: Individual variables obtained over a five-year period, from 2014 to 2018, which are then averaged to smoothen impact.

**Step 3**: A proportion of each Member State’ average variable.

**Step 4**: Each average variable is then adjusted based on its weight in the formula, as follows: -

|  |  |
| --- | --- |
| Variable  | Weight |
| 1: Population  | 30% |
| 2: GDP  | 30% |
| 3: GNI per Capital  | 30% |
| 4: Trade Statistics | 4.1: Extra-COMESA Imports  | 5% |
| 4.2: Intra-COMESA Exports | 5% |
| Total | 100% |

Step 5: Budget ratios before capping adjustments

Step 5.1: Upper cap

Step 5.2: Floor cap

Step 5.3: Apply shock absorbers to limit any increase in Member States’ budget ratio to under 15%

# **RECOMMENDATION - 2020 ASSESSED CONTRIBUTION BUDGET RATIOS**

1. The 2020 assessed contribution budget ratios and related increase of 5% on 2019 assessed contributions, are shown in below:



*Note 1: For distribution: COMESA Secretariat; Competition Commission; Federation of National Associations of Women in Business in Eastern and Southern Africa; Regional Investment Agency.*

*Note 2: Tunisia (2019): Amount of US$1,878,029, reduced/ pro-rated, based on date of receipt [20 June 2019] of instrument of ratification.*

*Note 3: Somali(2019): Not yet submitted instrument of ratification. 2020: Provisional estimate*

1. The Sub Committee recommends that the 2020 assessed contribution ratios be considered by the Committee on Administrative and Budgetary Matters.

# **ASSESSED CONTRIBUTION BUDGET RATIOS’ WORKINGS**

1. Detailed tables and workings, are presented as follows: -
* Table 1: Parameters, i.e. Statistics
* Table 2: Proportions of each parameter and application of upper and floor cap
* Table 3: Application of shock absorber
* Table 4: 2014 to 2020 Assessed contribution budget ratios
* Table 5: 2020 Assessed contribution budget ratios