



**Economic Commission for Africa
Office for North Africa**



**Arab Maghreb Union
General Secretariat**

UMA-ECA Cooperation

**Experts meeting on the feasibility of an autonomous
funding mechanism for the Arab Maghreb Union**

June 12, 2014, Rabat (Morocco)

Meeting Report

1. Meeting purpose

In the framework of the ECA-AMU Multi-Year Work Program and the Memorandum of Understanding signed between the two institutions on December 27, 2013, ECA North Africa Office and AMU General Secretariat on June 12, 2014 in Rabat (Kingdom of Morocco) held a meeting of experts on the feasibility of an AMU autonomous funding mechanism.

The meeting objective was to (i) share with the Member Countries the outcomes of the study conducted by the ECA and (ii) look into the possibilities of providing the REC with the resources commensurate with its ambitions and the requisite positioning within the economic groupings under construction in Africa and the world.

2. Participation

The meeting was co-chaired by Mrs. Karima Bounemra Ben Soltane, Director of the North Africa Office of the (SRONA-ECA) and his Excellency Mr. Habib Ben Yahia, AMU Secretary General. This meeting saw the participation of experts from the Ministries of Foreign Affairs and Finance of the five Member Countries, as well as the active attendance of the of Department Heads of the AMU General Secretariat and experts of the ECA SRO-NA. The list of participants is here attached as Appendix 2.

3. Meeting Proceedings

The proceedings were held in the form of a plenary session focusing on the following aspects:

- ✓ The inaugural session including two allocutions focusing on the importance of the issue of funding regional integration;
- ✓ Introduction and discussion of the funding mechanisms of the other RECs and the European Union;
- ✓ Presentation and discussion of the options available to the AMU, in particular with regard to the parameters and operating method for the AMU levy system; and
- ✓ The methodology to be adopted for the implementation of the said instrument.

The meeting agenda is included in Appendix 1.

3.1 Inaugural session

The meeting opened with the welcome speech by Mrs. Karima Bounemra Ben Soltane, Director of the ECA-SRONA and short speech by His Excellency Mr. Habib Ben Yahia, AMU Secretary General.

In her welcome message the Director of the ECA North Africa Office stated that integration is no longer an optional outlook for the Maghreb countries. « It corresponds to an economic necessity to bring joint responses to the shared challenges, in particular with regard to the narrowness of national markets, the need for more sustained growth entailing greater job creation, better attractiveness to investors and mitigation of the negative effects of asymmetrical multilateralism. »

Mrs. Bounemra recalled that one of the major causes of the sluggishness of the integration process in Africa was the insufficiency or irregularity of the resources mobilized for regional cooperation. This led the ECA Ministerial Conference to adopt resolutions 794 and 822, calling for continental institutions such as the ECA-AU-ADB for assistance addressing the RECs for the establishment of more efficient and autonomous resource mobilization mechanisms. On this basis and by way of the implementation of the recommendation 2 issued by the 28th meeting of the Intergovernmental Committee of Experts (ICE) pertaining to the establishment of a multi-year- ECA-AMU Cooperation Program, the ECA North Africa Office conducted a study on this subject on behalf of the AMU.

The Director of the ECA North Africa Office continued her remarks by underlining that the study report provides an analysis, based on the experience of other African RECs and of the European Union and the specific features of the North Africa sub-region, of the various options to be taken into consideration for the AMU. The study recommends a new system making possible optimum coverage of the current and future financial needs of the Maghreb integration project: this would be in the form of theme-based studies, integrating projects and programs, regional counterparts to the endeavors funded by partners, regional market structural or adjustment funds and operation of community institutions.

She ended her allocution by reiterating the availability of the ECA and North Africa Office to assist the national administrations of the Member States and AMU institutions in the process of appropriation of the study outcomes in order to give fresh impetus to the North African integration dynamic.

Subsequently taking the floor, the AMU Secretary General expressed his appreciation for the quality of the collaboration existing with the ECA North Africa Office and thanked it for its continued support to the cause of North African integration.

This issue of funding this integration is pivotal, said Mr. Ben Yahia, because it is not limited to the operational budgets only but encompasses the structural funds and other equalization mechanisms required to correct the gaps in development between Maghreb countries and to guarantee equitable benefits among AMU members.

Thanking the ECA for the quality of the proposed study which is expected to stimulate reflection by the participating experts, the Secretary General asked that they build awareness among their respective administrations on the importance of having available own resources commensurate with the aspirations of people of the Maghreb and contributing to the success of Maghreb construction.

The perspective of the holding of an AMU summit by the end of 2014 constitutes a crucial time limit making it possible to mobilize the driving forces of regional integration that will lose no time in rekindling the dynamics leading to a United Maghreb, concluded Mr. Ben Yahia.

3.2 Presentation of the funding mechanisms of other RECs and of the European Union—lessons learnt

The ECA North Africa Office shared with the participants the background of the operating methods, the outcomes achieved and the lessons learnt about the funding mechanisms adopted by the European Union and certain of the Continent's RECs/SRECs.

With regard to the European experience, the presentation emphasized the diversity of the instruments implemented since 1970 and the evolutionary management thereof with the establishment of the so-called conventional own resources (customs duty, agricultural levies, sugar and Isoglucose levies) and subsequently the institution of the VAT Resource and GNI balancing resource.

With regard to the African RECs, the presentation focused on the following points:

- Evolution of the funding issue regarding integration in Africa;
- Conceptual approach of new funding methods for integration with the set objectives and performance criteria;
- Typology and outcomes of on-going experience.

This report made it possible to demonstrate the functionality and good yield level of the autonomous levies instituted out of the 'import' aggregates and assigned to the RECs in place of the conventional system of contributions made by Member Countries in their respective national budgets. The experience of the former CEAO and WAEMU, ECOWAS, CEMAC and ECCAS as well as the studies conducted by the SADC and COMESA made it possible to spread out the gradual appropriation by African countries and the regional institutions thereof regarding the concept of a semi-fiscal tax dedicated to funding of regional integration.

3.3 Analysis of the options possible for North Africa

This presentation with force and full details dealt with:

- The scope and limits of the current AMU funding system,
- The options possible for AMU, and
- The feasibility of the AMU autonomous levy.

The scenario of an AMU levy based on imports has been developed in all its legal and fiscal parameters (tax base, exonerations, levy rate, collection scheme, receipts availability, assignment of resources, surpluses and deficits...), without affecting the choices made by the Member Countries for another reference base. At this juncture, the ECA underlined the existence in the AMU Member Countries of a diversity of parafiscal taxes assigned to autonomous public bodies which should facilitate familiarization of national administrations with the recommended tool.

The ensuing interchanges and debates made it possible to provide explanations and more in-depth information solicited by national experts. Particular stress was placed on the need to revise the system of a (fair) distribution of expenses among the AMU Member Countries, the potential level of resources earmarked with the recommended autonomous mechanism, the exchange system applicable to the transfer of receipts, the role played by the national and community administrations in management (Customs and/or Taxes, Treasury, Central Bank, AMU General Secretariat), as well as the transitional and fully-fledged operating method.

3.4 Work approach and methodology for implementation of an autonomous levy assigned to the AMU

The last section of the presentation dealt with the elements of a methodology for the implementation of the proposed mechanism. The lessons drawn from the presentation and ensuing debate can be summarized as follows.

Like for the other RECs having already experimented with these new tools, the negotiation, adoption and implementation process of such an instrument must be preceded by adequate appropriation of the tool recommended, the end purpose, stakes, advantages and constraints thereof by all the national institutions or administrations to be involved in each of the Member States prior to the inception of regional negotiations.

The other steps would be as follows

- i) Negotiations between Member States in the framework of the AMU General Secretariat on the draft memorandum of understanding on the levy (*Ad hoc* Committee of Experts, statutory experts Committee, Ministerial Economy and Finance Commissions, Council of Ministers, Presidential Council).
- ii) Adoption of the agreement or act and setting of a kick-off date.
- iii) Adoption of the levy by the national parliaments in three different versions:
 - Ratification of the AMU agreement or act,
 - Vote on specific law identical to the content of the AMU law, **or**
 - Inclusion of the levy parameters in Title II (New Fiscal Provisions) of the Finance Act of the State General Budget.
- iv) Start up of the mechanism in all Member States under the terms and conditions spelled out in the community law.
- v) Elaboration of an annual assessment report for the implementation of the mechanism and outcomes addressing the decision-making bodies (Council of Ministers, Presidential Council) and, if applicable, revision of the said legal and fiscal parameters.

However, the negotiation process should avoid the below stumbling blocks which could compromise comprehensive achievement of the objectives set:

- Sluggishness in negotiations;
- Adoption of an autonomous “tailor-made” funding mechanism
- Adoption of a tax base and/or rate ensuring only partial coverage of needs;
- Significant gaps between the dates of start-up of mechanism from one country to another;
- Major divergence between the regional law and national implementing texts;
- Absence or non exhaustive nature of annual assessment reports.

4. Summary of the reactions by Member State experts¹

Questioning of the participants made it possible to gather the reactions which, taken together, were all positive. Therefore the representative of Tunisia welcomed the reform proposal and suggested the organization in each North African country of a national workshop with the participation of the heads of the relevant departments to explain the content of the study and analyze the related scenarios.

The representative of the Algerian Ministry of Finance expressed his interest in the outcome of this study and underlined the utility of reform to achieve greater effectiveness of AMU structures. However, he reflected on the way in which the study proposal should be applied and on the fact that it would be necessary to follow them in the framework of AMU institutions to ensure the adoption thereof. His counterpart from the Embassy of Algeria in Rabat stated that reform of the funding system should go hand in hand with reform of the AMU by-laws and the running, as well as the prerogatives of the General Secretariat.

The representative of Mauritania expressed her great interest in the proposed reforms and approved the ideas put forth, in particular with respect to the level of financial participation of each country. She also spoke of her determination to support the idea of reform to her hierarchical superiors.

The representative of the Moroccan Ministry of Finance found these proposals interesting and deserving of investigation in greater depth and stated she would speak of this to the people in charge at her Ministry.

The Libyan representatives also expressed their interest in the study and suggested they would inform their hierarchical superiors and make sure of their awareness of its utility.

No reaction or rejection came to the fore; in fact it was just the opposite. The representatives of the AMU countries in attendance showed their special interest with regard to the reform proposal presented by the study and deemed that these proposals were deserving of greater in-depth investigation. This foreshadows acceptability by all AMU countries to looking further into this issue. Also it was recommended to plan additional meetings at the level of each country to enable the people in charge to find out about the reform and to proceed to the appropriation thereof.

¹ Point 4 of the report was developed on the basis of input from the AMU General Secretariat

5. Outcome of deliberations – Path to follow

Upon completion of the presentations and discussion, the Member State experts agreed on the following points:

- The importance and pertinence of the issue of the funding of Maghreb integration;
- The substantive scope and methodology of the proposal made by the ECA and its adequacy with respect to the AMU context;
- The need to carry on with further reflections and the promotion of an exchange of information and experience in this matter particularly through the holding of national awareness-raising workshops;
- The commitment of the attending experts to share the outcomes of the study with their respective administrations;
- The appropriateness of including this initiative as a component of the AMU institutional reform;
- The need for ECA assistance for follow-up and monitoring of the issue.

The experts agreed that a considerable increase of the financial resources of the AMU could have a leveraging effect on the capabilities of the institution and the central role thereof in the conducting and management of the integration process with an enlarged field of action and responsibilities. Like for the other RECs, among other elements, it should make possible the establishment of structural funds and other equalization or compensation instruments, especially for countries subject to a serious lack of revenues further to the liberalization of intra Maghreb trade. The longevity and efficiency of the integration process will directly hinge on an equitable sharing of the costs and benefits of the regional market under construction.

The experts were made aware of the importance of greater integration of the principle of equality in contributing the financial efforts required for North African construction in order to improve the level of resources made available to the AMU and also to achieve better adequacy between financial contributions and the contributive capacities of the Member Countries.

6. Meeting Wrap up

The AMU General Secretariat praised the efforts that the ECA has continuously deployed in support of economic integrations in particular with regard to the funding obtained by the AMU and the expertise afforded thereto. It also expressed the hope that the new Maghreb Heads of State summit scheduled for the year end will make the decisions likely to reform the AMU by-laws from an institutional and financial standpoint.

The ECA North Africa Office renewed its commitment to work hand in hand with the AMU and the efforts deployed for the development and integration of the sub-region's countries.

Both parties expressed their appreciation of the outcomes of this meeting and asked the participants to share the meeting recommendations with their respective administrations. The meeting deliberations were then adjourned.

Appendix 1

Meeting Programme of work

8:30-9:00	Welcome and registration of participants
9:00-9:20	Allocution of AMU Secretary General Allocution of the Director of ECA office for North Africa
9:20-10:00	Presentation of the funding mechanisms of other RECs and of the EU Options available to North Africa
10:00-10:30	Coffee break
10:30-12:30	Sharing points of view – Discussion
12:30-14:30	Lunch
14:30–16:30	Features of a methodology Summary of discussions– Recommendations
16:30-17:00	Meeting wrap up

Appendix 2

List of participants

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