



## Financing Africa's Integration and Development

### Presentation to the Permanent Committee on Monetary and Financial Affairs, Pan African Parliament, 7 March 2014

By Carnita Ernest, Selemani Kinyunyu and Jeggan Grey-Johnson<sup>1</sup>

#### SECTION 1: AU BUDGET ANALYSIS: KEY ISSUES TO CONSIDER

##### CONTEXTUAL OVERVIEW

- Funding for multi-lateral institutions has always been a problem. The UN, ASEAN, OAS have also experienced difficulties.
- In our continent it is more complicated. 28 of 36 countries within Africa are LDCs. Africa contributes only 2% of global economy of the world.
- At inception the OAU had only 3 organs; with AU Constitutive Act we have 10 organs incorporated into the AU Budget. This is apart from the other institutions which are set up by other treaties.
- 2005 Strategic Plan: required \$600 million per annum.
- In 2013, the AU Budget (for 54 countries) was equal to the ECOWAS Budget (for 15 countries).

##### AU BUDGET ANALYSIS : STRATEGIC AREAS

- Budget is in alignment with the with 2014-2017 Strategic Plan.
- The Five Pillars for the Strategic Plan are:
  - Peace & Security
  - Social, Economic & Human Development
  - Integration, Cooperation & Partnerships
  - Shared Values
  - Institutions, Capacity Building and Communication
- Biggest Budget Areas are for: Peace and Security; Agriculture. (\*\*\*)but note that agriculture and energy was reduced from 2013 within core line; and some of the budget is captured 2014 'Pass Through Funds' category)

---

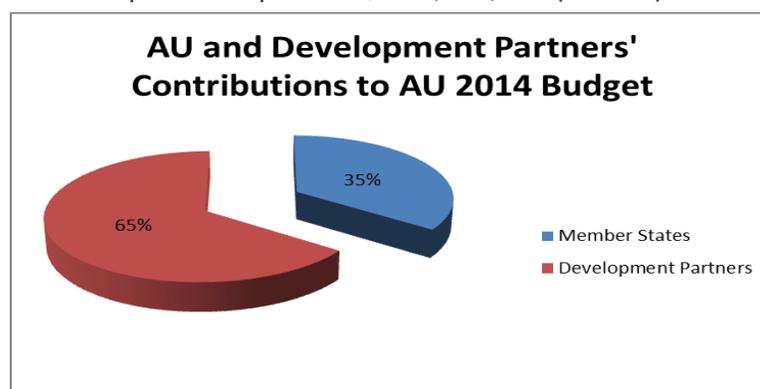
<sup>1</sup> Carnita Ernest (@CarnitaErnest) is the Executive Director of the Centre for Citizens' Participation on the African Union and Selemani Kinyunyu @selemani is a Programme Lawyer with the Pan African Lawyers Union. The views expressed in this paper are their own.

## AU BUDGET : OVERVIEW

- TOTAL BUDGET APPROVED FOR 2014: **US\$ 395,223,186**
- NOTE: The 2014 Budget had to be reduced in December due to the inability to raise the shortfall of \$ 78,185,573. The Programme Budget was therefore reduced.
- 35% of total funds are for operational costs. This is quite usual for service delivery programmes.
- 2014 Budget highest contributions to Organs:
  - AUC (\$197.4 m)
  - NEPAD (\$40.4 m)
  - PAP (\$14.2 m)
  - AfCHPR (\$8.6 m) ....

## AU MEMBER STATES contributions to the 2014 Budget

- Member States are expected to provide \$ 137,949,831 (or 35%) of the budget.



- Development Partners' contributions total \$257,2 million which include \$112,6 million which are 'restricted' (Technical Assistance, Pass Through Funds, Special Projects)

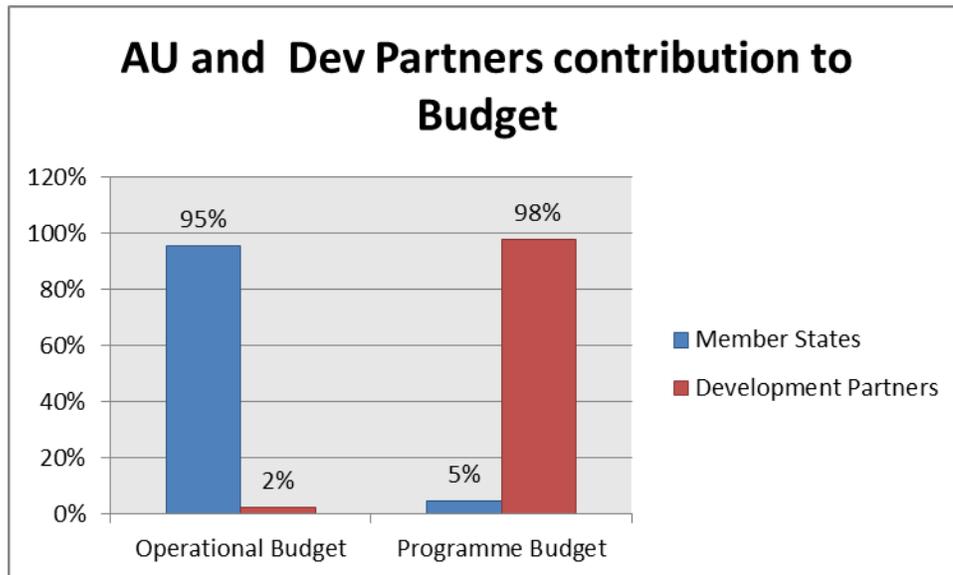
## AU BUDGET ANALYSIS: MEMBER STATE CONTRIBUTIONS 2013-2014

Contributor	2013 July Approved	2012	2014 May Approved	2013	2014 ( Jan 2014 Revised)
AU Member States	44%		45%		35%**
Development Partners	56%		55%		65%
<b>Total Budget</b>	<b>278,226,623</b>		<b>308,048,376</b>		<b>395,223,186</b>

\*\*NOTE: The reduction in the percentage of MS contributions in the revised budget was due to an increase in the Partner budgets from just over \$170 mill to \$257 million

## OPERATIONAL & PROGRAMME BUDGETS

- A key challenge remains the overdependence on Development Partners for Programme Funds (95%)



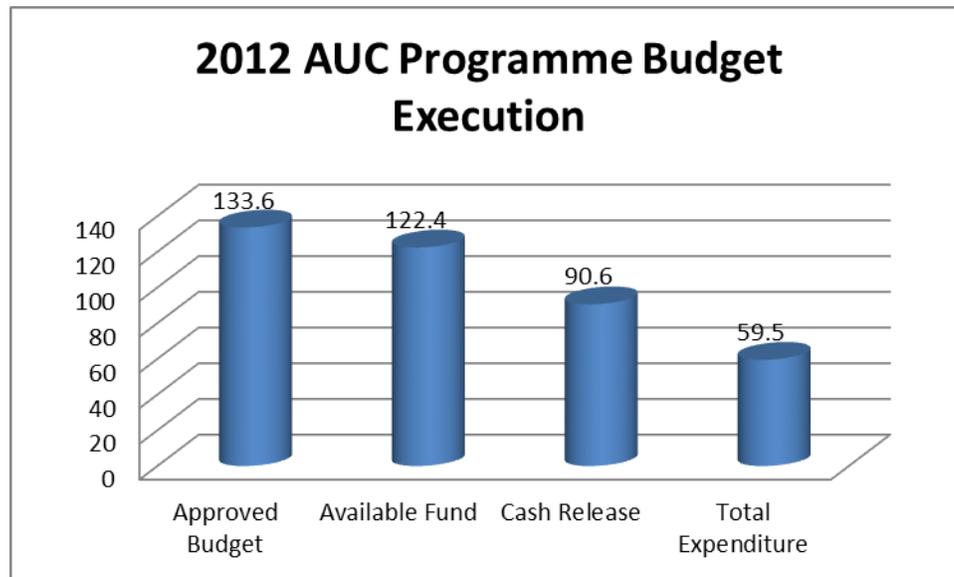
## ABSORPTION CAPACITY/CASH FLOWS

- The actual expenditure of the AU in 2012 was US\$172,961,386 – i.e. only 65% was spent/absorbed.
- In 2012 only 41% of planned Programming Budget was spent, as against 94% of Operational Budget
- There is a combination of delayed release of funds. But even when funds are released only 67% was spent in 2012

## MONITORING BUDGET AND EXPENDITURE

- Monitoring the ability of Organs to spend budgets is needed. Issues of both spend and outcomes/results. An analysis of the 2012 budget of the African Union Commission (AUC) shows that only 66% of the funds which was released to the AUC was spent.
- This points to challenges around absorption capacity of the AUC and would require and analysis of when funds became available for spending. It may also point to the challenges of meeting donor requirements before further cash is released; as well as the challenge of the delayed payments of Member States.

- It should be noted that greater effort has been made at the AUC to improve monitoring of the budget and expenditure.
- Similar analysis can be done with all the budget departments.



## MEMBER STATES DUES TO AU

- **Issue 1: Big 5.** The major contributors to the AU budget from AU Member States are: Algeria, Egypt (currently suspended), Libya, Nigeria and South Africa, who together contribute 66% whilst the remaining 48 contribute 34%. Tunisia and Egypt is more than 30% of AU Member States' Budget.
- **Issue 2: Slow payments:** Track when Member States make payments. There needs to be an approved release of funds. By mid 2012 only 11 had paid their dues.
- **Issue 3: Arrears.** As at end September 2013 (see Annex)
  - Only 19 Member States are totally paid up
  - Gabon, Zambia, Nigeria, Ethiopia had substantive advances for 2014
  - Member States arrears were \$50.3 million. Of this, \$15.3 million was arrears carried over since 2012. Biggest owing: Libya, Sudan, Kenya, Cameroon, Senegal, Madagascar, Tanzania, Uganda. Some rushed to pay up at the end of 2013.

## Role of Pan African Parliament in Budgeting

- **Advisory and Consultative**
  - Be part of entire budgeting cycle. Can we move towards a 3 year budget cycle in the AU?
  - Prioritisation: How to become smarter about budgeting and expenditure. 35 outputs in AUC's strategic plan covering 188 strategies and actions. Is this realistic?
  - Greater synergies between organs and institutions in terms of priorities and coherence.
- **Oversight and monitoring** of budgeting and expenditure of all Organs. Even without legislative powers the PAP can still review and provide advisory opinions on the budgets.
- **Advocacy** role especially around Member States contributions; resource mobilisation; regional integration priorities.

## RESOURCING AFRICA'S DEVELOPMENT

- AU's own analysis that MS assessed contribution could remain stable for the 2010-2014 with average annual contribution of US\$119.85 million.
- However it is felt that at minimal this should be \$200 million
- *"The African Union needs an adequate, predictable base of regular resources in order to fulfill its mandate and preserve African character in supporting member states in achieving their development goals." (AUC Budget Document, May 2013)*

## SECTION 2: AU PROPOSALS ON ALTERNATIVE FINANCING

- Appreciation that Funding the Integration Agenda will be a challenge.
- Africa currently has 28 of the 36 Least Developed Countries (LDCs)
- Africa only contributes only 2% of the Global Economy
- Overdependence on the Big Five which contribute 66% of AU's Assessed Budget
- Transformation of the OAU to AU increased AU's mandate. We moved from 3 organs to more than 14 Organs and Implementation Bodies and numerous Specialized Institutions.
- However, there is a growing sense that Africa stands at the precipice positive change i.e. Natural Resources, African Renaissance, Agenda 2063

### THE 2006 WADE PROPOSALS

- Levies
- Levies on Imports (0.2% charge on goods from outside Africa)
- Levies on Insurance Policies (0.2% charge)
- Levies on Air Travel (\$2 for short haul and \$5 for long haul flights)
- Levies on Exports (0.5% on certain goods)
- Hydrocarbon Levy (0.5% on hydrocarbon exports)
- Community Levy: Charge on goods from outside AU member States
- Tourism Tax: 0.5% on all touristic activities
- Private Sector Funding : Leasing of rights to the Private Sector to organize certain economic events
- Sundry Income: Exhibitions, sale of publications, Concerts etc
- NO decision on adoption of any of the proposals. Assembly requested more studies and reports on the implications of the proposals.

### OBASANJO PANEL PROPOSALS

- Panel established in 2011 (This coincided with the North Africa Uprisings)
- It reviewed previous Wade Proposals, abandoned earlier suggestions and decided on only 3 options:

- \$2 hospitality levy per stay in a hotel instead of tourism levy;
- \$ 5 cents levy per text message sent;
- \$5 travel levy on flight tickets originating from or coming to Africa from outside Africa

## WHERE WE STAND

- The Obasanjo Panel finished its work close a year ago
- It is estimated that these proposals could raise the AU's Budget to \$ 2 Billion a year
- No decision has been made on these proposals

## THE ROLE OF PAP IN THE FINANCING DEBATE

- PAP can and should highlight the importance of **Expedited Decision** on the Financing Proposals by the Half Summit to be held in Malabo. This should also be reflected in the final PAP communiqué.
- The Monetary and Financial Affairs Committee continues to support advocacy efforts to push Member State to remit their contributions as well as carry out oversight on usage.
- The Monetary and Financial Affairs Committee can take the lead in engaging the Obasanjo Panel as well as other actors working on the issue.
- Support for follow-up meeting on Financing Proposals (convened by CCPAU towards end of April) by having at least 2 PAP representatives present.

## CIVIL SOCIETY CONTRIBUTIONS

- Technical Support
- Information sharing of work of PAP
- Leveraging our own resources in more effective ways
- Research, Monitoring and Advocacy:
  - Budget Hearings --- where are citizens' heard in the budget cycle?

## WHAT CIVIL SOCIETY IS DOING in 2014

As part of the Broader Campaign on the AU We Want, civil society partners led by CCPAU and PALU have agreed on the following outcomes on the Financing Areas:

By the end of 2014 we will:

- 1) Facilitate deeper and broader engagement of CS on issues of financing the AU and financing development in Africa
- 2) Deepen our own analysis of the financing options being proposed to ensure our advocacy is knowledge driven.
- 3) Mobilise to ensure that the Assembly will decide on its priority choices for resource mobilisation, as captured in the Obasanjo report and related documents.
- 4) Support CS to track AU member states' contribution and making the data public. At national level raise awareness of MS dues to the AU as part of the budget discussions and in relevant forums.
- 5) Better leverage of our resources to limit duplication. Be resource smart ourselves. Track our own contribution to organisations.
- 6) Explore the practicalities of a citizens' fund which would support some of the crucial Pan African institutions better perform their duties and functions

For more information on the Civil Society Campaign on Financing Africa, please visit [http://ccpau.org/?page\\_id=1169](http://ccpau.org/?page_id=1169) where you will also find all the key documents as well as a map on member state contributions.

Also follow us on twitter @FinancingAfrica

**THANK YOU**