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**EXECUTIVE COUNCIL**

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**REPORT ON THE APPROPRIATE LEVEL OF FUNDS TO BE USED  
UNDER THE CRISIS RESERVE FACILITY (CRF)  
OF THE AU PEACE FUND**

## 1.0 Background

1. The report provides an update to the Executive Council on progress on the implementation of Assembly Decisions on Financing of the Union: *Assembly/AU/Dec.605(XXVII)* and *Assembly/AU/Dec.635(XXVIII)*. Since the decision was taken, several activities have been undertaken and significant progress registered.

2. Member States are assessed based on existing scale of assessment to contribute \$65 Million each year from 2017-2019 and US\$51.25 Million from 2020-2023 to reach US\$400 Million target for the Peace Fund.

3. It would be recalled that, the Peace Fund has three thematic windows namely; Mediation and Preventive Diplomacy, Institutional Capacity Building and Peace Support Operations as well as clear governance structure and independent fund management body.

4. During the 13th retreat of the Peace and Security Council (PSC) of the African Union on its working methods in the context of AU Institutional Reforms ref. PSC/Retreat.13 dated 27-29 May 2021 held in Mombasa Kenya, Council discussed and agreed on the utilization of the AU Peace Fund through pilot projects from the accrued interest.

5. The 35th Ordinary Session of the Assembly of the Union, held from 5 - 6 February 2022, in Addis Ababa, Ethiopia, commended the efforts of the Chairperson of the AU Commission, in his capacity as Chair of the Executive Management Committee and the Chairperson of the Board of Trustees of the Peace Fund towards the pilot utilization of the Peace Fund in 2022 through costed and prioritized programmatic activities to address urgent peace and security challenges on the Continent.

6. The Revolving Trust Fund known as Crisis Reserve Facility (CRF) in the new Financial Rules (FR) has been established in accordance with Article 21 (4) of the Protocol Relating to the Establishment of the Peace and Security Council (PSC) which states that “there shall also be established, within the Peace Fund, a revolving trust fund”. The Protocol establishes CRF, in order to provide the necessary financial resources for peace support operations and mediation and preventive diplomacy intervention of the Union to respond to emergency situations in a timely and effective manner.

### 7. **Legal Basis of the Proposed Level of CRF:**

As per Rule 39(2) of the AU Financial Rules, the purpose of the Crisis Reserve Facility shall be to:

- a) ensure rapid response of the AU during the start-up phase of new Peace Support operations and mediation and preventive diplomacy;

- b) fund expansion of existing peace support operations; and meet any unforeseen and extraordinary Expenditure requirements related to Peace Support operations and mediation and preventive diplomacy.

**8. Per Rule 39 (3) - (5) of the AU FR, the approval process of the CRF Level is defined as follows:**

The appropriate amount of the revolving Trust Fund will be prepared by the Peace Fund Secretariat and presented to the Board of Trustees for recommendation to relevant Policy Organs for adoption. The Secretariat will present the recommended amount to the PSC for endorsement prior to consideration by the Policy Organs for adoption.

**9. Eligibility for Assistance from the Crisis Reserve Facility (Rule 40):**

According to Rule 40 (1) & (2) of the AU FR, Eligibility for Assistance from the Crisis Reserve Facility shall be guided by the nature of the emergency and the goals expected to be achieved. In addition, the Criteria to be fulfilled to qualify for assistance from the Crisis Reserve Facility shall be:

- a) Decisions of the competent AU Policy Organs that fall within the scope of the Peace Fund but have been adopted after the approval of the budget and require immediate implementation.
- b) Start-up costs of new missions authorized by competent AU Policy Organs until they have been absorbed into the regular budgeting process of the Peace Fund;
- c) Decisions taken by the Chairperson of the Commission within the framework of Article 10 of the Protocol Relating to the Establishment of the PSC;
- d) The proposed activity shall be carried out expeditiously and effectively within the required time frame; and
- e) Such emergency assistance should aim at restoring a degree of stability and peace in the lives of the affected populations as quickly as possible.

**10. Tapping the CRF and reporting are prescribed in Rule 41 (1) – (3) on Advances from the CRF as follows:**

Once the competent AU Policy Organs have decided on eligible activities, the Accounting Officer (i.e. Chairperson of the Commission) shall be authorized to enter into commitments and notify the Board of Trustees, PSC and Executive Council through PRC of any expenditure under the CRF, every six months. There could be several advances in a year, provided the total annual advances do not exceed the approved CRF level. The duration of activities financed under CRF shall not exceed 12 months.

**11. Per Rule (41(4), Advances made from the CRF shall be reimbursed.**

CRF is established as a revolving trust fund. Rule 41(4) provides that advances made from the CRF shall be reimbursed as soon as receipts of contributions from Member States are available for those purposes.

## 2.0 Justification of the proposed base line for the level of CRF for 2022/23

12. The proposed base line level was guided by two principles. The first has to do with the targeted source for the pilot exercise, which is the interest income that has been generated by invested funds thus far. Currently the interest accrued stands around US\$ 13 million and is projected to grow to US\$ 15 million by the end of the most recent maturity date in July 2022. The Board of Trustees has so far approved **US\$8.4 million** to implement a number of pilot projects leaving a balance of **US\$4,816,306.28 out of a total of US\$13,216,306.28 available to date. The balance is projected to grow to about US\$6.6 million at end of the most recent maturity date in July 2022.**

13. The second principle is to benchmark the level against real life situations that the Commission had to face during the 2021 and 2022, some of which were provided for through supplementary budget in 2021 whilst some were funded through partner support.

14. During the 2021 and 2022 financial years, the Commission had responded and continues to respond to a number of crisis situations across the continent, which met the objective and criteria set up in the CRF as provided for in Rule 40 of the AU FR.

15. The activities which were implemented and qualified to be funded under the CRF were as follows: Engagement of the AUC PAPS Department in emerging crisis situations, mediation and preventive diplomacy and political transition in some Member States with a Total budget of \$4,043,648.58. The budget breakdown of these interventions is detailed below:

- a. Mali- Budgeted **US\$267,470**
- b. Chad – Budgeted Euro **3 million (equivalent of US\$3,658,536.58)**
- c. Guinea Conakry- **Budgeted US\$117,642**

16. These actions were approved in last quarter of 2021 through a supplementary budget process. Meanwhile, the Commission has expended a total of **US\$2,404,023.55** to support Member States in political transition and post conflict situations, which includes:

- a. Mozambique- **US\$43,674.00**
- b. SADC Peacebuilding Support to the Republic of Mozambique - **US\$2,144,663**
- c. Gambia - **US\$92,894.00**
- d. Horn of Africa- **US\$68,729.05**
- e. Comoros- **US\$54,063.50**

17. These activities were unforeseen and the budgets were again approved through the supplementary budget process in the last quarter of 2021 except the SADC Peacebuilding support that was approved as part of 2022 regular budget process. It is

important to highlight that these approved activities were funded from Joint Financing agreement (JFA) and European Union Early Response Mechanism (EU-ERM).

18. In addition to the above, the Commission has signed a total of **US\$1 million** financing agreement with African Development Bank (AfDB) to provide additional support to the AU High Representative for the Horn of Africa, which is administered by the African Union Commission (AUC) with financial appropriation managed by the African Development Bank (AfDB) based on agreed activities.

19. It is important to note that, the support to the transition processes in Guinea, Mali and Burkina Faso could have increased to **US\$1.5 million** each, if the AUC was to provide direct support instead of doing that through ECOWAS.

20. Based on the above, it is evident that the total amount required for the various interventions could have amounted **US\$11.9 million** for the period under review.

### **3.0 Proposed CRF Level for the Next 12 Months**

21. Based on the above statistics and taking into account the available amount from the interest earned on investments of the Peace fund as of June 2022 and projected interest to be accrued by the end of the financial year, the Commission proposes a CRF of **US\$5Million** for the initial pilot phase for the consideration by the Board of Trustees to be subsequently approved by the policy organs. Although the proposed amount represents a reduction from the amount spent in 2021 and 2022, the Commission deems it important to present a modest budget as the proposal is for a pilot phase. Doing so would allow for the identification and application of important lessons for future projects.

### **4.0 Proposed Modalities of Replenishment of the CRF**

22. Pursuant to Rule 36(1) of the AU FR, the Peace Fund shall be financed through the following six (6) mechanisms:

- a) Statutory contributions from Member States to the initial endowment of US\$400M;
- b) Statutory contributions from Member States;
- c) Contributions from Development Partners in line with Rule 27 of this FR;
- d) Voluntary contributions from Member States;
- e) Revenue from investment of the Peace Fund;
- f) Contributions from African private sector and any other sources as may be approved by the Accounting Officer provided they are consistent with the objectives and principles of the Union.

23. According to Rule 41.4 of the AU FR, Advances made from the Crisis Reserve Facility (CRF) shall be reimbursed as soon as receipts of contributions from the Member States are available for those purposes. Accordingly, the Commission proposes the following reimbursement modalities for any advances that will be made, whose total shall not exceed the proposed level of **US\$5 million** for 2022.

- **Option I** - Since the assessment of US\$400 Million contribution is still ongoing, the amount which will be used from the CRF in 2022/2023 can be included to the balance of contribution of 2023 and the Member States will be assessed using the 2023 scale of assessment for the Revitalized Peace Fund.
- **Option II** - Member States' voluntary contribution can also be used to reimburse the amount used from the proposed Crisis Reserve Facility (CRF) level.
- **Option III** - Member States could identify other relevant statutory contribution sources, such as general reserves.
- **Option IV** – Allocate a percentage of the regular budget voted each year.

## 5.0 Recommendations of The Board of Trustees

24. Approved the proposed Crisis Reserve Facility Level of US\$ 5 million for the next 12 months and recommend it to Policy Organs for adoption.

25. Also recommended the four options of reimbursement of the advances made from the CRF for Policy Organs consideration and adoption of preferred modality(ies).

## 6.0 Conclusion

26. The Commission through the Chair of Executive Management Committee is requesting the adoption of **US\$8.4** Million to fund the Pilot Projects and provision of **US\$5** Million for Crisis Reserve Facility (CRF). The Board of Trustee also adopted the proposed amount of **US\$ 393,565** for the program budget of the Peace Fund Secretariat.

27. The pilot projects, CRF and Peace Fund Secretariat amount of **US\$8.4 million**, **US\$5 million** and **US\$ 393,565** respectively will be drawn from the interest accrued from the investment of Peace Fund.

28. The adoption of option IV to replenish the CRF in case the Commission uses it according to criteria mentioned in Rule 40 of FR.

29. In view of the support from many Member States and upon the advice of the Legal Counsel, the request to draw funds from the interest accrued to the Peace Fund will be presented to the PRC for its consideration and decision.

**DRAFT DECISION ON THE PROPOSED LEVEL OF PEACE FUND CRISIS  
RESERVE FACILITY (CRF) AND PILOT PROJECTS**

**The Executive Council,**

1. **TAKES NOTE** of the Report on the update to the Executive Council 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) and the several activities that have been undertaken and the significant progress registered;
2. **RECALLS** the elements of the July 2016 Kigali Assembly Decision Assembly/AU/Dec.605 (XXVII), namely: (a) the establishment of a Committee of Ten Ministers of Finance comprising ten Member States, representing the five (5) regions to participate in the preparation of the annual budget; (b) the institution of a 0.2% levy on all eligible imported goods into the Continent to finance the African Union's budget starting from the year 2017; and (c) that contributions to the Peace Fund should be divided equally among the five regions of the African Union;
3. **ALSO RECALLS** Assembly Decision Assembly/AU/Dec.635 (XXVIII) paragraph 5 (d); and Assembly Decision Assembly/AU/Dec.734(XXXII) whereby Member States are assessed based on existing scale of assessment to contribute **US\$65 million** each year from 2017-2019 and **US\$51.25 million** from 2020-2023 to reach **US\$400 million**;
4. **RECALLS** Assembly Decision Assembly/AU/Dec. 838(XXXV) that decided to extend the application of the current scale of assessment 2020- 2022 by one year up to 2023 and **REQUESTED** the Commission with the support of F15 to develop the new scale of assessment to be applied for the period 2024- 2026 and, following the due process, present it to the Assembly for adoption in February 2023;
5. **FURTHER RECALLS** There are three thematic windows namely; Mediation & Preventive Diplomacy, Institutional capacity and Peace Support Operation as well as clear governance structure and independent fund management body;
6. **COMMENDS** The Peace and Security Council (PSC) of the African Union on its working methods in the context of AU Institutional Reforms ref. PSC/Retreat.13 dated 27-29 May 2021 held in Mombasa Kenya whereby they discussed and agreed on the utilization of the AU Peace Fund through pilot projects;
7. **RECALLS** Assembly Decision Assembly/AU/Dec. 815(XXXV) of the 35th Ordinary Session of the Assembly of the Union, held from 5 - 6 February 2022, in Addis Ababa, Ethiopia, whereby it commended the efforts of the Chairperson of the AU Commission, in his capacity as Chair of the Executive Management Committee and the Chairperson of the Board of Trustees of the Peace Fund towards the pilot

utilization of the Peace Fund in 2022 through costed and prioritized programmatic activities to address urgent peace and security challenges on the Continent;

8. **TAKES NOTE** of the legal basis of the proposed Level of CRF and its purpose as Per Rule 39 of the AU FR. **FURTHER EMPHASIZES THAT**, the approval process of the CRF Level and the Eligibility for Assistance from the Crisis Reserve Facility as per Rule 40 shall be obliged and the tapping from CRF and reporting as prescribed in Rule 41, as well as advances made from the CRF shall be reimbursed;
9. **TAKES NOTE** of the proposed base line level and the interest income that has been generated by invested funds of **US\$13 million** that is projected to grow to **US\$15 million** by end of July 2022. **FURTHER TAKES NOTE THAT**, the Board of Trustees has approved **US\$8.4 million** to implement a number of pilot projects activities;
10. **TAKES NOTE** of the Proposed CRF Level for the Next 12 Months and Proposed Modalities of Replenishment of the CRF
11. **TAKES NOTE** of how the Advances made from the Crisis Reserve Facility (CRF) shall be reimbursed according to Rule 41.4 of the AU FR, as soon as receipts of contributions from the Member States are available for those purposes. **FURTHER TAKES NOTE** of the Commission proposal on the following reimbursement modalities for any advances that will be made, whose total shall not exceed the proposed level of **US\$5 million** for 12 months' calendar.
  - **Option I** - Since the assessment of **US\$400 million** contribution is still ongoing, the amount which will be used from the CRF can be included to the balance of contribution of 2023 and the Member States will be assessed using the 2023 and 2024 scale of assessment for the Revitalized Peace Fund.
  - **Option II** - Member States' voluntary contribution can also be used to reimburse the amount used from the proposed Crisis Reserve Facility (CRF) level.
  - **Option III** - Member States could identify other relevant statutory contribution sources, such as general reserves.
  - **Option IV** – Allocate a percentage of the regular budget voted each year.
12. **COMMENDS** The Board of Trustees following the adoption of the priority areas with a proposal of **US\$5 million** as initial amount under Crisis Reserve Facility (CRF);
13. **DECIDES** as follows:



- a) Adopt the proposed Crisis Reserve Facility Level of **US\$5 million** for the next period of 12 months to respond to emergency crisis situations in the continent using the CRF eligibility criteria.
  - b) Adopt the four options of reimbursement of the advances made from the CRF as preferred modality(ies) as follows.
    - a. **Option I** - Since the assessment of **US\$400 million** contribution is still ongoing, the amount which will be used from the CRF in 2023 can be included to the balance of contribution of 2023 and the Member States will be assessed using the 2023 and 2024 scale of assessment for the Revitalized Peace Fund.
    - b. **Option II** - Member States' voluntary contribution can also be used to reimburse the amount used from the proposed Crisis Reserve Facility (CRF) level.
    - c. **Option III** - Member States could identify other relevant statutory contribution sources, such as general reserves.
    - d. **Option IV** – Allocate a percentage of the regular budget voted each year.
- 14. FURTHER DECIDES** to adopt, the following four CRF eligibility criteria for Peace Fund:
- i. Start-up costs of new missions authorized by the chairperson of the AU Commission or any other competent AU or the PSC organ, until they have been absorbed into the regular budgeting process of the Peace Fund.
  - ii. The emergency situation must be of a scale which is clearly beyond the capacity of the country and its own agencies.
  - iii. It should be established that the proposed activities can be carried out expeditiously and effectively within the required time frame.
  - iv. Such emergency assistance should aim at restoring a degree of stability and peace in the life of the affected populations as quickly as possible;
- 15. REQUESTS** the proposed **US\$8.4 million** and **US\$5 million** to fund the pilot projects and CRF, respectively, is adopted and the Accounting Officer of the AU Commission to prepare and submit statement of accounts of the Peace Fund to the PRC through the PSC as provided for in the AU FR;
- 16. TAKES NOTE** of the proposed **US\$ 393,565** for the program budget of the Peace Fund Secretariat based on the support from many Member States and upon the advice of the Legal Counsel, that requested to draw funds from the interest accrued to the Peace Fund and be presented to the PRC for its consideration and decision;

17. **DECIDES** that, the pilot projects, CRF and Peace Fund Secretariat amount of **US\$8.4 million, US\$5 million** and **US\$ 393,565** respectively will be drawn from the interest accrued from the investment of Peace Fund.

2022-06-20

# Report on the Appropriate Level of Funds to be used under the Crisis Reserve Facility (CRF) of the AU Peace Fund

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