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**EXECUTIVE COUNCIL
Twelfth Ordinary Session
25 – 29 January 2008
Addis Ababa, ETHIOPIA**

EX.CL/369 (XII) - a

**REPORT OF THE ADVISORY SUB-COMMITTEE
ON ADMINISTRATIVE, BUDGETARY AND FINANCIAL
MATTERS HELD FROM 8-11, 14 and 16 JANUARY 2008 AT
THE AU HEADQUARTERS**

REPORT OF THE ADVISORY SUB-COMMITTEE
ON ADMINISTRATIVE, BUDGETARY AND FINANCIAL MATTERS,
HELD FROM 8-11, 14 AND 16 JANUARY 2008

1. The meeting of the Advisory Sub-Committee on Administrative, Budgetary and Financial Matters was held in Addis Ababa, Ethiopia, from 8-11, 14 and 16 January 2008 to consider, among others, the Draft Budget of the African Union Commission for the year 2008.

Attendance

2. The meeting was chaired by the First Vice President of the Bureau of the Advisory Sub-Committee, H.E. Augustin Nsanze, the Ambassador of the Republic of Burundi to Ethiopia, and was attended by representatives of the following Member States:

- | | |
|----------------------------------|---------------------------|
| 1. Algeria | 22. Libya |
| 2. Angola | 23. Madagascar |
| 3. Benin | 24. Malawi |
| 4. Botswana | 25. Mali |
| 5. Burkina Faso | 26. Mozambique |
| 6. Burundi | 27. Namibia |
| 7. Cameroon | 28. Niger |
| 8. Cape Verde | 29. Nigeria |
| 9. Chad | 30. Rwanda |
| 10. Congo | 31. Sahrawi Arab Republic |
| 11. Cote d'Ivoire. | 32. Senegal |
| 12. Democratic Republic of Congo | 33. Sierra Leone |
| 13. Egypt | 34. South Africa |
| 14. Ethiopia | 35. Sudan |
| 15. Gabon | 36. Swaziland |
| 16. Gambia | 37. Tanzania |
| 17. Ghana | 38. Togo |
| 18. Guinea | 39. Tunisia |
| 19. Guinea-Equatorial | 40. Uganda |
| 20. Kenya | 41. Zambia |
| 21. Lesotho | 42. Zimbabwe |

Opening Session

3. The Chairperson of the meeting welcomed all members of the Sub-Committee and under-scored the importance of the Session. He introduced the Draft Agenda as presented, and invited the Sub-Committee to adopt it.

Adoption of the Agenda

4. The following agenda items were proposed by the Commission:

- i Adoption of the Agenda
- ii Organisation of Work
- iii Consideration of the draft Budget of the African Union for the year 2008
- iv Consideration of the Staff Rules and Regulations
- v Consideration of the Report on Salary Adjustment
- vi Any other Business

5. In view of the importance of items iv and v in terms of staff welfare, as well as the need to devote adequate time to discuss the Draft 2008 Budget, the Sub-Committee decided to defer discussions of the Staff Rules and Regulations and the Report on Salary Adjustment at its first session after the Assembly meeting. The Sub-Committee therefore adopted the Agenda as amended as follows:

- i Organisation of Work
- ii Consideration of the draft Budget of the African Union for the year 2008
- iii Any other Business

Organisation of work

6. The Sub-Committee adopted the following programme of work:

Morning Session	10:00 hrs – 13:00 hrs
Lunch Break	13:00 hrs – 15:00 hrs
Afternoon session	15:00 hrs – 19:00 hrs

Consideration of the 2008 Draft Budget

7. In presenting an overview of the Draft 2008 Budget of the Africa Union, H.E the Deputy Chairperson of the African Union Commission thanked members of the Sub-Committee and indicated that that the current draft budget was prepared in line with the Financial Rules and Regulations, and in conformity with the decision of the Executive Council, {(EX.CL. Dec.78(IX), Banjul June 2006)}, which required the Commission to combine the regular and program budgets into a consolidated budget.

8. He indicated that the total budget of the African Union for 2008 was US\$164.7 million and that the Commission was actively engaging development partners with a view to persuading them to shift from the current individual programme/project support to direct budget support. He also informed the meeting that such a shift would not only qualitatively improve the budgeting process and its output, but would also bring some degree of predictability, reliability and flexibility in the flow of funds, thereby improving budget execution.

9. Finally, he expressed his confidence in the members of the Sub-Committee to support the Union to live up to its expectations, and went on to invite the Director of Programming, Budgeting, Finance and Accounting (PBFA) to present the details of the proposed budget for 2008.

10. The Director of PBFA presented the draft AU budget as follows:

	US\$
Operational (AUC)	82,305,220
Programs (AUC)	<u>52,302,000</u>
Total for AUC	134,607,200
Other Organs of the AU	<u>30,112,412</u>
Grand Total	<u>164,719,632</u>

11. The attention of the Sub-Committee was drawn to the following:

- i The total 2008 draft budget for the African Union represented an increase of 23.88% over the 2007 budget.
- ii The 2008 Commission budget was 18% higher than the 2007 budget.
- iii The AU Commission programs budget was 5.26% higher than in the 2007 budget.
- iv The budget for the Organs was 53.55% higher than their 2007 budget.

12. The total 2008 proposed budget of the African Union was expected to be financed as follows:

- | | |
|--|-------------|
| ▪ Contribution from Development Partners | USD 27.35m |
| ▪ Assessed to Member States | USD 137.37m |

13. The assessed Contribution to Member States is higher than the 2007 budget by 42%, mainly due to an increase in the budget of AU Organs, by 53.55% over their 2007 budget.

14. In the debate that ensued, the Sub-Committee expressed its appreciation on the manner the report was prepared and presented. The Sub-Committee, however, made the following observations and comments:

- i. The Commission was supposed to submit detailed reports on the 2007 Programme Budget Execution and a Performance Review of the 2004-2007 Strategic Plan of the African Union to enable the Sub-Committee to objectively consider 2008 Draft Budget.
- ii. The low budget execution rates (58.8%) of 2007 did not justify a higher budget request as presented by the Commission. Moreover, the budget

should take into account the absorptive capacity of the Commission and the ability of Member States to pay.

- iii. Clarification was sought on the existence of internal review mechanisms in the Commission, which reviewed the budget prior to its submission to the Sub-Committee.
- iv. There was a need for the Commission to comply with the relevant provisions of the Financial Rules and Regulations with regard to the timely preparation, distribution and presentation of the Draft Budget.

15. In response to the concerns and observations of the Sub-Committee, the Commission explained as follows:

- i The Report of the Review of the 2004-2007 Strategic Plan and the Implementation Report of the 2007 Program Budget had been finalised and were currently under translation and would be made available to the Sub-Committee, in due course.
- ii The low execution rate of the programme budget was mainly attributed to the delayed receipt of assessed contributions from Member States and funds coming from Partners, and some departments' over-estimated budgets. This was further exacerbated by capacity constraints in terms of inadequate staff.
- iii On the issue of need for timely provision of all necessary supporting documentation, information, detailed breakdown and justification of programmes when presenting budget proposals, the Commission took note of it, and indicated its preparedness to abide by the provisions of the Financial Rules and Regulations.
- iv The Commission provided a detailed explanation of the various steps in budget preparation, including a Budget Retreat, involving all Directors, that was convened to review the Draft 2008 Budget, as well as, the setting up of realistic ceilings for the Departments.

16. Following the above clarifications by the Commission, the Sub-Committee agreed that specific issues relating to each Organ should be addressed systematically during the upcoming detailed discussions.

17. The Sub-Committee then made the following recommendations:

- i **That the principle of zero growth rate to the 2008 budget based on 2007 appropriations, be adopted. However, budget increases over and above the 2007 appropriation may be considered for new institutions and cost elements which were not included in the 2007 Budget.**

- ii That all the budget lines that are fully funded by partners and therefore have no financial implications on Member States be adopted.

Consideration of Budgets of the Organs of the Union

Pan African Parliament

18. The Draft Budget for the Pan African Parliament (PAP) was introduced by the Vice Chairperson of the Finance Committee of PAP, followed by a detailed presentation by the Clerk of PAP. It was explained that PAP was now working closely with the Commission to ensure that it complied with the Financial Rules and Regulations of the African Union as well as Council Decision EX.CL1 Dec 98. It was also indicated that PAP was finding it difficult to implement the directives of Decision 98 due to the fact that the Committee of Ten had not yet started its work. PAP indicated its commitment to strictly adhere to the AU Financial Rules and Regulations, and also indicated its eagerness to receive and work with the Committee of Ten. The PAP appealed to the Sub-Committee to make appropriate recommendations that would facilitate the reactivation of the Trust Fund.

19. The total proposed budget of PAP was presented as 36.5% higher than in 2007 and was broken down as follows:

	US\$
Operational	14,457,442
Programmes	<u>2,773,600</u>
Total	<u>17,231,042</u>

20. The proposed budget is expected to be funded as follows:

▪ Member States	US\$15,831,042
▪ Partners	US\$ 1,400,000

21. In the discussions that ensued, the Sub-Committee expressed its appreciation for the presentation and in particular took note of PAP's commitment to adhere fully to the AU Financial Rules and Regulations. The Sub-Committee made the following observations:

- i That PAP should submit the Budget performance report for the year 2007 to facilitate consideration of the 2008 Draft Budget.
- ii Some budget items such as several allowances, overtime, medical expenses, vehicles and buildings maintenance, separation costs were found to be very high. Moreover the allowances proposed in paragraphs 13, 15, 16, 17 and 19 of the Draft Budget document totalling **US\$ 2,908,600.00 were found to be unauthorised.**

- iii In view of the fact that PAP was still in the transition period, travel expenses for Parliamentarians should be covered by their respective Member States and should therefore not be included in the budget of PAP.
- iv The fact that the Ministerial Committee of Ten was not yet operational should not be an excuse to continue violating the Financial Rules and Regulations

22. In response to the concerns and observations of the Sub-Committee, PAP explained that:

- i. The higher operational costs were mainly due to increased recruitment which had necessitated additional staff allowances and new office equipment, as well as high frequency and long duration of PAP meetings.
- ii. On the need to provide the Budget Performance Report for 2007, PAP drew attention to some relevant sections of the Draft Budget document that provides a progress report on the implementation of the 2007 Budget.

23. Following the above clarifications, the Sub-Committee requested PAP to review its budget in line with the zero growth principle less any unauthorized expenditure. The revised budget should be in compliance with the provisions of Decision Ex. CL/Dec 98 and the Financial Rules and Regulations. However, the representatives of PAP informed the Sub-Committee that they did not have the mandate to revise the budget adopted by the Parliamentarians.

24. The Sub-Committee expressed concern on PAP's response and made the following recommendations:

- i That the PAP be given a maximum budget of US\$12,626,271 which was allocated for the year 2007, in compliance with the principle of zero growth rate
- ii All unauthorised budget expenses should not be included in the 2008 Budget
- iii That PAP should comply with Decision Ex. CL/Dec 98 as well as the Financial Rules and Regulations
- iv The meeting of the Ministerial Committee of Ten should urgently convene.

African Commission on Human and People's Rights (ACHPR)

25. The Chairperson of the ACHPR introduced her team and recalled the Accra Decision, empowering the ACHPR to prepare and submit their budget independent of the AU Commission. She also mentioned that hitherto, the ACHPR had been operating on seed money and that the budget before the Sub-Committee happened to be their first fully-fledged budget.

26. The Secretary to the ACHPR presented the proposed ACHPR budget as follows:

	US\$
Operational	5,609,208
Programmes	1,419,466
Total	<u>7,028,674</u>

27. The budget was expected to be funded as follows:

- Member States US\$ 6,461,674
- Partners US\$ 567,000

28. In the discussion that ensued, the Sub-Committee raised the following issues and concerns:

- i. ACHPR was requested to explain why a high budget was proposed for some budget lines such as Temporary Assistance, Meetings, Medical expenses and Education Allowances.
- ii. Clarification was sought on whether the proposed budget was prepared based on the new structure.

29. In response to the concerns of the Sub-Committee, the ACHPR explained that:

- i The budget submitted was based on the Maputo Structure and not on the proposed new structure.
- ii On the issue of Temporary Assistance, the budget line was needed to cover cost of interpreters, translators and salary of temporary staff to be recruited until the vacant posts were filled.
- iii Concerning the issue of meetings, the proposed budget estimates on meetings was meant to cover the cost of statutory meetings.

30. The Sub-Committee was not satisfied with the ACHPR's presentation and explanation but resolved that a lump-sum budget of **US\$6,000,000** be allocated to enable the Organ to function properly. As a result, the ACHPR was instructed to work out the details of its budget priority areas.

31. After taking into account the Sub-Committee's comments and observations, the ACHPR resubmitted a revised budget of US\$6,003,857.

32. Following discussions on the revised submission, the Sub-Committee made the recommendation that, a budget of US\$6,003,857 be adopted by the PRC.

33. The budget was broken down as follows:

	US\$
Operational Budget	4,584,390
Programs Budget	<u>1,419,467</u>
Total	<u>6,003,857</u>

- i. Out of the total budget of US\$6,003,857, US\$567,000 would be financed by Partners whilst US\$5,436,857 will be assessed to Member States.

Objection: Objections on the decision and methodology to recommend a lump sum of Six Million United States Dollars to the ACHPR were raised from **Algeria, Egypt, Kenya, Libya and Nigeria.**

African Court of Human and People's Rights (THE COURT)

34. In presenting the 2008 budget of the Court, its President provided a background to the establishment of the Court and how it had been operating since. He went on to give an overview of the 2008 budget as presented. He thanked the AU Commission for its support to the Court in the preparation of the budget.

35. The President presented the proposed budget of the Court as follows:

	US\$
Operational	9,049,374
Programmes	<u>1,135,000</u>
Total	<u>10,184,374</u>

36. The proposed budget was expected to be funded as follows:

- Member States US\$ 9,403,574
- Partners US\$ 779,800

37. In the debate that ensued, the Sub –Committee raised the following issues and concerns:

- i. The Sub–Committee expressed appreciation in the manner in which the Court's budget was prepared and presented.
- ii. The total budget of the Court was found to be high for a young Organ and the Court was requested to provide some justifications.
- iii. The Court's budget should be scaled down because the recruitment process will only be completed after April 2008.

- iv. The Sub-Committee advised the Court to review its budget and resubmit it for consideration.

38. In his response, the President explained that the budget appeared to be on the higher side as compared to last year because the Court was not then fully operational. However, he indicated his preparedness to resubmit a revised budget.

39. As agreed, the Court resubmitted a revised Draft 2008 Budget totalling US\$7,121,414 to be financed by Member States. The Sub-Committee then recommended the revised budget as presented by the Court for the consideration of the PRC.

Consideration of the 2008 African Union Commission Budget

Programs Budget

40. Initially the AUC presented a total Programs Budget of US\$52,302,000. But the Sub-Committee recommended that it should be scaled down based on the low rate of execution of the 2007 budget. **The budget was revised down to US\$43,470,000.**

41. The financing plan of the revised draft 2008 budget was as follows:

- | | |
|-----------------|----------------|
| ▪ Member states | US\$13,821,000 |
| ▪ Partners | US\$29,649,000 |

42. The Sub-Committee sought clarification on some budget lines which appeared to be a duplication of each other.

43. In response, the Commission explained the differences and the purpose of some budget lines appearing under different departments.

44. The Sub-Committee agreed to adopt the revised program budget and recommend it to the PRC.

Operational Budget

45. In line with the adopted principle of zero growth (except for identified new cost elements), the Commission submitted a revised operational budget to the tune of **US\$76,000,187.**

46. The revised operational budget breakdown was as follows:

	US\$
Staff Costs	45,976,504
Furniture, equipment and Buildings	5,174,892
Meetings and Seminars	4,904,454
Subventions/Grants	7,666,681
Other operating costs	<u>12,277,656</u>
Total Operational Budget	<u>76,000,187</u>

47. In the debate that followed, the Sub-Committee made the following observations and comments:

- i. Some budget lines still indicated increases where decreases were expected
- ii. Certain budget lines seemed to be overlapping and as such those budget lines were recommended to be merged
- iii. The Sub-Committee expressed concern at the notable absence of Commissioners from the meeting

48. The Commission was again requested to go back to the drawing board and effect further reductions on the operating budget and re-submit it in line with the Sub-Committee's observations and recommendations.

49. Taking into consideration the observations and remarks of the Advisory Sub-Committee and the understanding that the zero growth principle could not be applied on staff costs, the Commission revised down its operational budget to US\$ 68,506,538.

50. The breakdown of the revised budget was as follows:

	US\$
Staff Costs	45,976,504
Furniture, equipment and Buildings	2,637,723
Meetings and Seminars	3,121,527
Subventions/Grants	6,648,632
Other operating costs	<u>10,122,152</u>
Total Operational Budget	<u>68,506,538</u>

51. Following exchange of views, the Sub-Committee made the following comments and observations:

- i. Appreciated the efforts made by the Commission in reducing the operational budget

- ii Needed information on dates, number of AU observers who will take part and cost drivers to Budget Line 303 (Elections)
- iii Requested for the detailed breakdown of the ECOSOCC budget
- iv Explanation was sought on the AU building project and the Five Star Hotel for which a Memorandum of Understanding was signed between the Commission and a private construction company

52. In response, the Commission provided the following information:

- i The list of the Member States who will hold elections during the year and assured the Sub-Committee that in future it will provide detailed information on elections
- ii ECOSOCC would provide the detailed breakdown of its budget to the Sub-Committee in due course.
- iii The Five Star Hotel was not part of the AU building project and therefore was not on the AU plot. The signing of the Memorandum of Understanding was to ensure that the business of the hotel would not interfere with the operations of the African Union.

53. The Sub-Committee then recommended the revised operational budget of US\$68,506,538 of the AUC to the PRC as presented.

General Recommendations

54. The Sub-Committee made the following general recommendations:

- i The Commission should endeavour to provide in a timely manner, all necessary supporting documentation, information, detailed breakdown and justification of programmes, when presenting budget proposals.
- ii. There was a need to have realistic budget proposals taking into account the rate of execution.
- iii That regular (e.g. every 3 months) review meetings be held between the Commission and the Sub-Committee. The review meetings would be focused on monitoring progress regarding programs implementation.
- iv That possibilities for the review of Financial Rules and Regulations be explored with a view of carrying over budget surpluses of previous years, in order to reduce the amount of assessed contributions on Member States
- v That all Commissioners should be attending the Sub-Committee meetings.

Summary of the Recommended Draft Budget of the African Union for 2008

55. The recommended draft 2008 Budget is tabulated in Table 1.

Table 1: The recommended Draft Budget of African Union

	Operational Budget in (USD)	Programs Budget in (USD)	Total in (USD)
PAP	11,226,271	1,400,000	12,626,271
ACHPR	4,584,390	1,419,467	6,003,857
The Court	7,121,414	-	7,121,414
ECOSOCC	1,530,000	-	1,530,000
AU Commission	68,506,538	43,470,000	111,976,538
Total	92,968,613	46,289,467	139,258,080

Table 2: Financing Plan for Draft 2008 Budget (Amounts are in US\$)

	Operational Budget in (USD)	Programs Budget in (USD)	Total in (USD)
Assessed to Member States	91,881,168	14,673,467	106,554,635
Partners Contribution	-	31,616,000	31,616,000
Arrears	1,087,445	-	1,087,445
Total	92,968,613	46,289,467	139,258,080

56. The being no any other business, the meeting was adjourned at 12:15 pm.

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