Budget 2017 Presentation to the Executive Council

By H.E Erastus Mwencha, Deputy Chairperson of AUC
The AU 2017 Budget preparation started into a critical moment…

- The AUC 2014-2017 Strategic Plan to be evaluated and a new one to be designed

<table>
<thead>
<tr>
<th>End of AUC Strategic Plan 14-17</th>
<th>Kicking off implementation Alternative Source of Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addressing harnessing Demographic Dividends</td>
<td>Embracing Agenda 2063</td>
</tr>
</tbody>
</table>

- Alternative Source of Funding may require strong governance

- The AUC 2014-2017 Strategic Plan to be evaluated and a new one to be designed

- The Union is kicking off the First Ten Years Implementation Plan for Agenda 2063
Subsequently, programs and budget were prepared under challenging economic and social environment (1/2)

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commodity prices</strong></td>
<td>- Commodity prices fell sharply during the first half of 2015, triggered by an abundant supply of commodities.</td>
</tr>
<tr>
<td><strong>Oil prices</strong></td>
<td>- Oil prices were on average US$30 a barrel in 2015 with a small increase forecast for the second half of 2016.</td>
</tr>
<tr>
<td><strong>Metal prices</strong></td>
<td>- Metal prices have declined since 2011, driven by abundant production.</td>
</tr>
<tr>
<td><strong>Climate change</strong></td>
<td>- Climate change has negative implications on food security, energy, and human health.</td>
</tr>
<tr>
<td><strong>Tax revenue collection</strong></td>
<td>- Significant improvements in tax revenue collection; its domestic resource mobilization remains low.</td>
</tr>
<tr>
<td><strong>African capital markets</strong></td>
<td>- African capital markets are slowly developing and are beginning to play an increasingly important role.</td>
</tr>
<tr>
<td><strong>Growth in illicit financial flows</strong></td>
<td>- Financing Africa’s development has been hampered by commercial exploitation. Total illicit financial flows at US$50 billion annually.</td>
</tr>
</tbody>
</table>
Subsequently, programs and budget was prepared under challenging economic and social environment (2/2)

- **Limited access to Electricity**
  - Access to electricity remains limited. ~29% of African populations have access..

- **Poor growth in Manufacturing**
  - Manufacturing sector on Africa remains small although this varies.

- **Scope to grow Agriculture**
  - Agriculture represents 15% of the continent’s GDP, or ~$100 billion annually and employs 65% of its labor force..

- **Increase in migration**
  - About 30 million Africans left their countries seeking shelter overseas or within the Continent

- **Progress in gender equality**
  - Although inequalities exist, 22 countries that have at least 30% of women in Parliament

- **Increase in conflicts**
  - Conflicts continue to plague the Sahel region, parts of West and Central Africa, Libya, South Sudan and Somalia

- **Rise in extremist attacks**
  - Radicalization and extremist groups continue to bring insecurity in Northern, Western and Eastern Africa.
Taking into account the challenging social and economic environment, we believe that the fundamentals of our budgeting process should remain the same and emphasizes the needs to make progress towards the eight strategic areas of our Agenda 2063:

1. Focus on building Africa’s human capacity
2. Promote peace, security and stability
3. Deepen regional and continental market integration and development
4. Mainstream the participation of women and youth in all priorities and activities of the Union
5. Expand agricultural production and productivity for food and nutrition security
6. Promote inclusive economic development and industrialization
7. Implement strategies for resource mobilization
8. Build a people-centered Union and strengthening the institutional capacity of the AUC, RECs and AU Organs
Hence our programs and subsequent budget proposals have been built around five pillars....
…with the aim to sustain the results and achievements of the year 2015…

2015 Performance of the Union

1. Social economic development of the continent showing positive trends
2. Integration, cooperation & partnership
3. The Union is building its capacity to deliver
4. Shared values: women and youth programs reinforced
5. AU Reforms is moving fast and well
6. Peace and Security: APSA showing results and AGA performing

The Union is building its capacity to deliver
Integration, cooperation & partnership
Social economic development of the continent showing positive trends
Shared values: women and youth programs reinforced
AU Reforms is moving fast and well
Peace and Security: APSA showing results and AGA performing
The 2017 programs and budget will continue supporting implementation of the eight strategic areas of the African Union and is built around our five pillars...

### Key demands and programs for 2017

#### Strategic areas

- Building Africa’s human capacity
- Mainstreaming participation of women and youth
- Regional and continental market integration
- Inclusive economic development and industrialization
- Expanding agricultural production and productivity
- Promoting peace, security and stability
- Implementing strategies for resources mobilization
- Building a people-centered Union
- Strengthening the institutional capacity of the AU Commission, RECs and other AU Organs

### Selected financial figures of the Union budget

#### Union Programs, Investment and Functioning Budget

<table>
<thead>
<tr>
<th>Budget</th>
<th>2017</th>
<th>% Change 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>205.1</td>
<td>+1.5</td>
</tr>
<tr>
<td>Programs (incl. AMISOM)</td>
<td>578</td>
<td>-8.2</td>
</tr>
<tr>
<td><strong>Overall</strong></td>
<td><strong>782</strong></td>
<td><strong>-3.2</strong></td>
</tr>
</tbody>
</table>

#### Programs budget by pillars

- **Peace and Security**: 72%
- **Social, Economic and Human Development**: 13%
- **Institutions, Capacity Building and Communication**: 4%
- **Integration, Cooperation**: 4%
- **Shared Values**: 4%

Distribution by Pillars shows that AU Budget for Peace & Security Operations has the biggest share.
In 2017, the Union budget will continue to be financed by assessed contributions and support from development partners...

### Key demands and programs for 2017

#### Priority areas

- Building Africa’s human capacity
- Mainstreaming participation of women and youth
- Regional and continental market integration
- Inclusive economic development and industrialization
- Expanding agricultural production and productivity
- Promoting peace, security and stability
- Implementing strategies for resources mobilization
- Building a people-centric Union and Capacity building

### Selected financial figures of the Union budget

#### Source of financing of the Union’s budget in 2017

<table>
<thead>
<tr>
<th>2017 budget</th>
<th>Mil. USD</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS Assessed Contribution</td>
<td>205.2</td>
<td>26</td>
</tr>
<tr>
<td>Out of which MS for program</td>
<td>41.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Partners</td>
<td>578.9</td>
<td>74</td>
</tr>
</tbody>
</table>

The structure of the Union budget in 2017 remains stable and comply with international standards.

The above figures clearly show that AU staff cost is about one fifth of the total budget, while investment and operations support are at the expected rates.
The budget of Union per Organs supports the Union Programs for 2017

### Key demands and programs for 2017

#### Priority areas

- Building Africa’s human capacity
- Mainstreaming participation of women and youth
- Regional and continental market integration
- Inclusive economic development and industrialization
- Expanding agricultural production and productivity
- Promoting peace, security and stability
- Implementing strategies for resources mobilization
- Building a people centric Union and Capacity building

#### Key demands and programs for 2017 (Continued)

- AMISOM continues to be our biggest share of budget – it is important to note that AMISOM budget is mostly coming form international partners and that the budgeted amount is only for troops stipends and civilians support expenditures

<table>
<thead>
<tr>
<th>Organs</th>
<th>Budget Proposals</th>
<th>Recommended by Subcommittee</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUC</td>
<td>333</td>
<td>348</td>
</tr>
<tr>
<td>PAP</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Court of Justice</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>ACPHR</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>ECOSSOC</td>
<td>2</td>
<td>1.2</td>
</tr>
<tr>
<td>NEPAD</td>
<td>43</td>
<td>41.3</td>
</tr>
<tr>
<td>AUCIL</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>AUBC</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>PSC</td>
<td>1</td>
<td>1.04</td>
</tr>
<tr>
<td>CAEDBE</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>AFREC</td>
<td>2</td>
<td>1.2</td>
</tr>
<tr>
<td>IPED</td>
<td>1</td>
<td>0.7</td>
</tr>
<tr>
<td>CIEFFA</td>
<td>1</td>
<td>0.7</td>
</tr>
<tr>
<td>PAU</td>
<td>3</td>
<td>2.5</td>
</tr>
<tr>
<td>AIR</td>
<td>3</td>
<td>0.7</td>
</tr>
<tr>
<td>ACDC</td>
<td>7</td>
<td>3.9</td>
</tr>
<tr>
<td>OASTI</td>
<td>2</td>
<td>0.9</td>
</tr>
<tr>
<td>AFRIPOL</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>AMISOM</td>
<td>336</td>
<td>336</td>
</tr>
<tr>
<td><strong>Total (inc. AMISOM)</strong></td>
<td><strong>777</strong></td>
<td><strong>782</strong></td>
</tr>
</tbody>
</table>

- Priority areas
  - Regional and continental market integration
  - Implementing strategies for resources mobilization
  - Building a people centric Union and Capacity building

- Key demands and programs for 2017
  - Regional and continental market integration
  - Implementing strategies for resources mobilization
  - Building a people centric Union and Capacity building
We significantly enhanced our corporate governance as well as our financial and administrative processes to better manage our funding and deliver impacts to our member states.

1. Enhance Corporate Governance of the AU to meet international standards
2. Support economic transformation of Africa by enhancing regional cooperation
3. Drive the internal capacity building to support Agenda 2063

2015

- Support the development of statistical methods tools to drive Agenda 2063 implementation
- Build Africa data center for statistics

2016

- Finalize structural review for Organs
- Update SRR to be aligned to Agenda 2063
- Launch e-procurement
- Build a second data center
- Launch AU Balanced Score Card
- Implement SAP Budget Planning
- Upgrade SAP HCM

2017

- Support the African Union Leadership Academy programs
- Implement the AU Learning & Development Programs
- Build internal capacity to update AU organs strategic planning
- Strengthen program management and procurement/supply chain skills within the AU

2018

- Support diaspora engagement/networking
- Support the monitoring of AU Treaties
- Support the CFTA Negotiations and build technical capacity
- IT Technology to support the African Court strategic plan
- Judiciary dialogue
Overall, our capacity building initiatives will transform the AU across three various levers for a more effective & efficient Organisation and better management of contribution from our member states

**What?**

- 1000s of hours of work saved
- Faster turnaround times
- More motivated team
- Greater collaboration

**How?**

- Map out and simplify core processes (e.g.: recruiting, meeting planning, budgeting)

**Examples:**

- Field service deployment from 22 weeks to 10 weeks
- Recruitment process enhanced
- Payment time reduced

**What?**

- Reduced operational cost both staff and non-staff without negatively impacting current staff complement

**How?**

- Reducing non-staff costs due to improved process efficiency and budget reallocation
- Grandfathering some roles and vacant positions

**Examples:**

- Printing and other non-staff costs can be saved due to improved process efficiency
- Based on engagement with Commission, some roles can be grandfathered

**What?**

- More clarity on accountabilities
- Structure changes aligned to A2063

**How?**

- Point roles in departments for gender mainstreaming
- Accountability linked to budget utilisation

**Effective, efficient Commission**

**Aligned with mandate**

**Process efficiency**

**Cost efficiency**
Our budget in revenue and expenditures will close at 782 mio USD for 2017

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Budget 2015</th>
<th>Budget 2016</th>
<th>Budget 2017</th>
<th>Variation 2017 vs 2016</th>
<th>%</th>
<th>Variation 2016 vs 2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member States Contribution</td>
<td>147,318,607</td>
<td>169,833,340</td>
<td>205,149,538</td>
<td>35,316,198</td>
<td>20.8%</td>
<td>22,514,733</td>
<td>15.3%</td>
</tr>
<tr>
<td>Partners (inc Pass through &amp; TA)</td>
<td>639,727,038</td>
<td>631,487,492</td>
<td>576,958,511</td>
<td>(54,528,981)</td>
<td>-8.6%</td>
<td>(8,239,546)</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Commercial &amp; Revenue Generating Activities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Voluntary Contributions, Gifts and Donations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>787,045,645</td>
<td>801,320,832</td>
<td>782,108,049</td>
<td>(19,212,783)</td>
<td>-2.4%</td>
<td>14,275,187</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Budget 2015</th>
<th>Budget 2016</th>
<th>Budget 2017</th>
<th>Variation 2017 vs 2016</th>
<th>%</th>
<th>Variation 2016 vs 2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Cost</td>
<td>120,334,696</td>
<td>121,611,885</td>
<td>129,841,347</td>
<td>8,229,462</td>
<td>6.8%</td>
<td>1,277,189</td>
<td>1.1%</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>347,985,921</td>
<td>357,900,344</td>
<td>355,757,269</td>
<td>(2,143,075)</td>
<td>-0.6%</td>
<td>9,914,423</td>
<td>2.8%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>1,561,885</td>
<td>1,837,339</td>
<td>2,927,171</td>
<td>1,089,832</td>
<td>59.3%</td>
<td>275,454</td>
<td>17.6%</td>
</tr>
<tr>
<td><strong>Total Operating Costs (A)</strong></td>
<td>469,882,502</td>
<td>481,349,568</td>
<td>488,525,786</td>
<td>7,176,218</td>
<td>1.5%</td>
<td>11,467,066</td>
<td>2.4%</td>
</tr>
<tr>
<td>Programmes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programme</td>
<td>317,163,143</td>
<td>319,971,264</td>
<td>293,582,263</td>
<td>(26,389,001)</td>
<td>-8.2%</td>
<td>2,808,121</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Total Programme (B)</strong></td>
<td>317,163,143</td>
<td>319,971,264</td>
<td>293,582,263</td>
<td>(26,389,001)</td>
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Thank you!
2017

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Mwencha, Erastus

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