



African Union
a United and Strong Africa

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...

- Alternative Source of Funding may requires strong governance

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

End of AUC
Strategic Plan
14-17

Kicking off
implementation
Alternative
Source of
Funding

Addressing
harnessing
Demographic
Dividends

Embracing
Agenda
2063

- 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)



Drop in prices of Commodities

- Commodity prices fell sharply during the first half of 2015, triggered by an abundant supply



Drop in Oil prices

- Oil prices was in average US\$30 a barrel in 2015 with a small increase forecast for second half 2016



Decline in Metal prices

- Metal prices have declined since 2011 driven by abundant production



Climate change

- Climate changes negative implications on food security, energy and human health



Tax revenue collection

- Significant improvements in tax revenue collection, its domestic resource mobilization remains low.



Greater role for Capital Markets

- African capital markets are slowly developing and are beginning to play an increasingly important role



Growth in Illicit Financial flows

- Financing Africa's development has been hampered by commercial exploitation. Total illicit at US\$50 billion annually

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

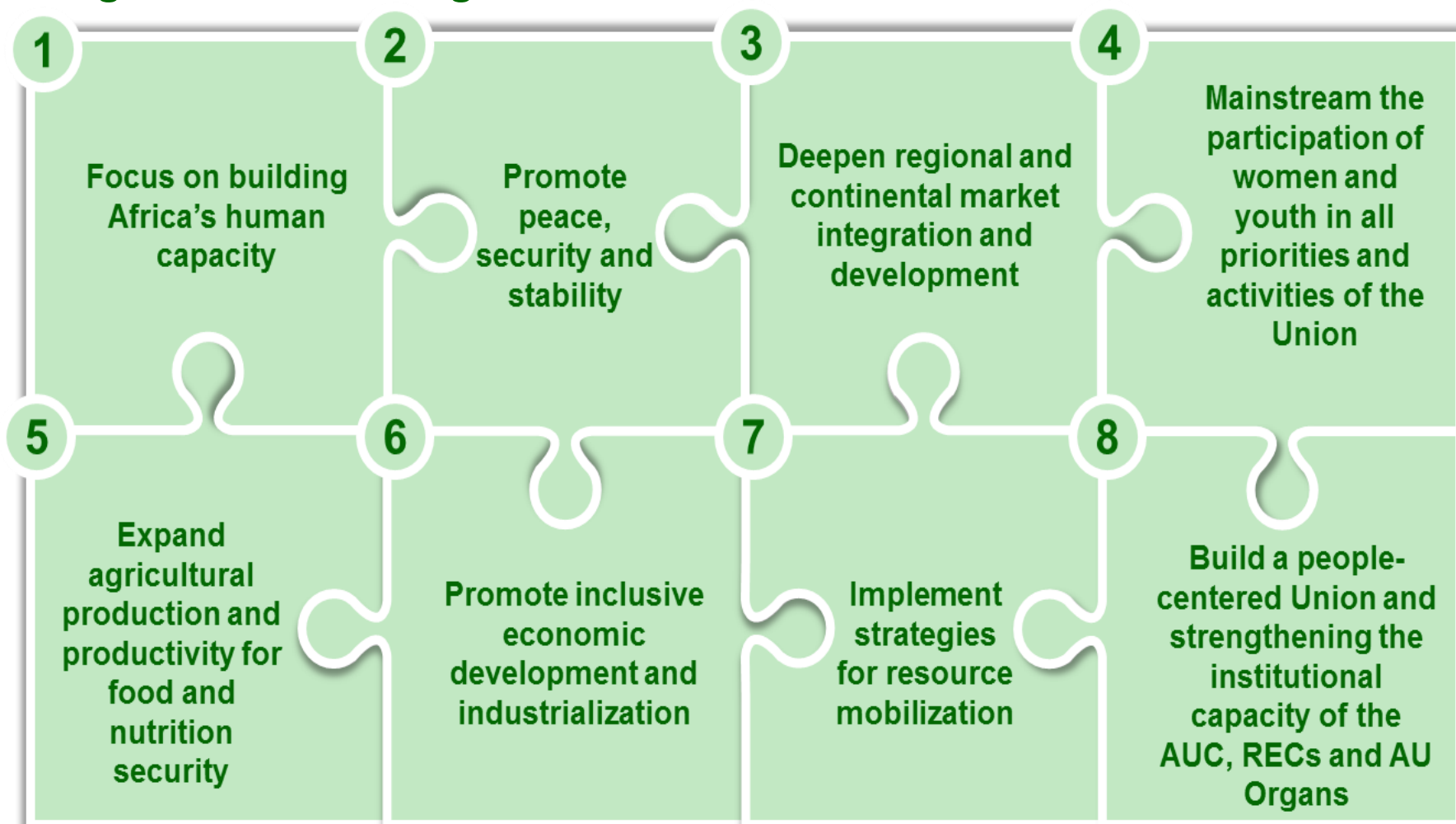
- Conflicts continue to plague the Sahel region, parts of West and Central Africa, Libya, South Sudan and Somalia



Rise in extremist attacks

- Radicalization and extremist groups continue to bring insecurity in Northern, Western and Eastern Africa.

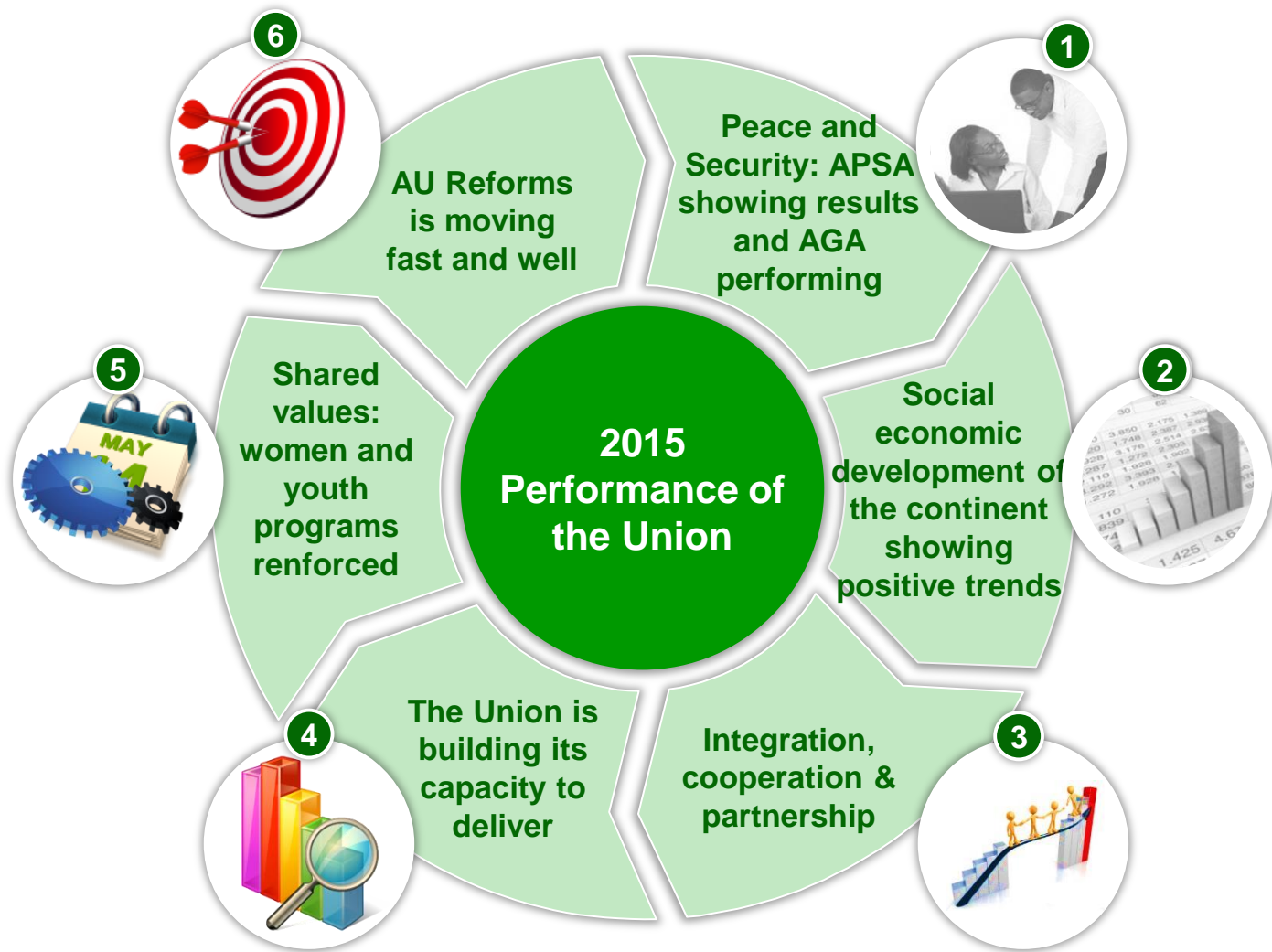
Taking into account the challenging social and economic environment, we believe that the fundamentals of our budgeting process should remain the same and emphasizes the needs to make progress towards the eight strategic areas of our Agenda 2063...



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...



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

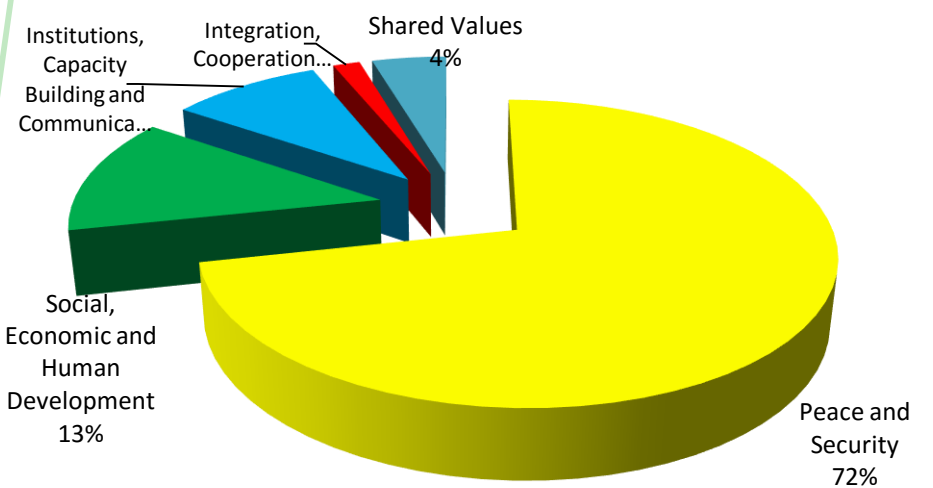
- Building Africa's human capacity
- Mainstreaming participation of women and youth
- Regional and continental market integration
- Inclusive economic development and industrialization
- Expanding agricultural production and productivity
- Promoting peace, security and stability
- Implementing strategies 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

Budget	2017	% Change 2016
Operations	205.1	+1.5
Programs (incl. AMISOM)	578	-8.2
Overall	782	-3.2

Programs budget by pillars



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

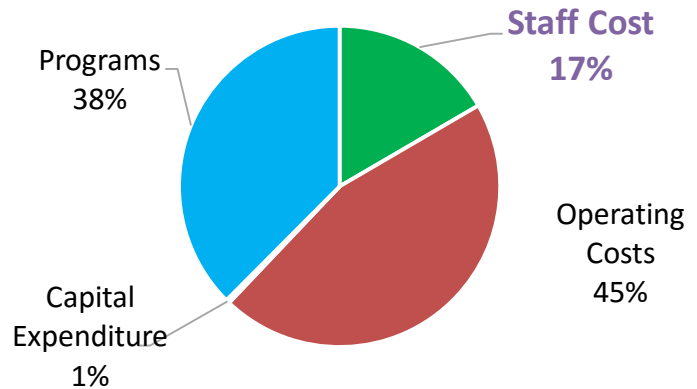
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Selected financial figures of the Union budget

Source of financing of the Union's budget in 2017

2017 budget	Mil. USD	% of Budget
MS Assessed Contribution	205.2	26
Out of which MS for program	41.7	5.3
Partners	578.9	74

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



The above figures clearly shows 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

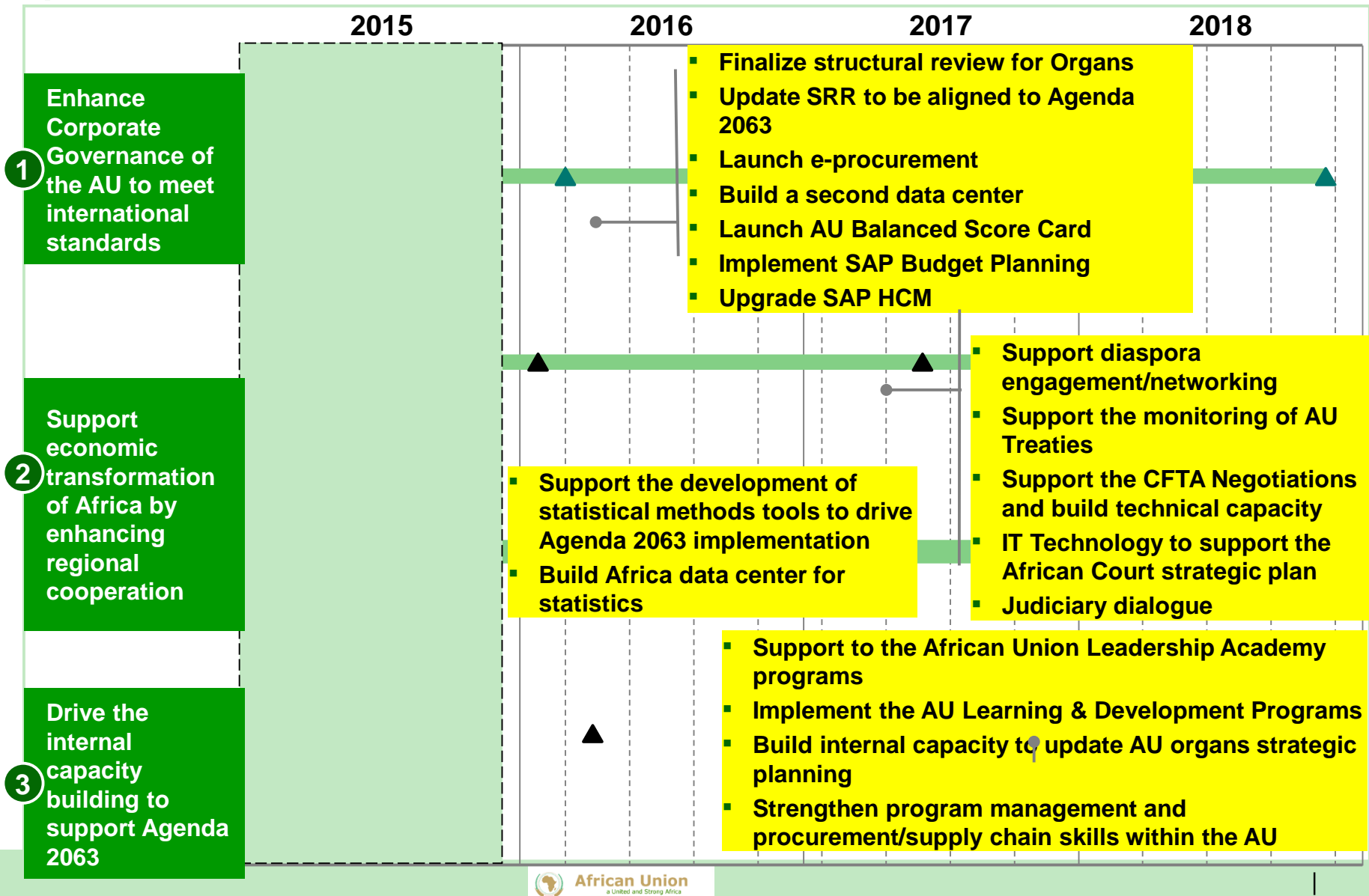
Priority areas

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- Mainstreaming participation of women and youth
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Organs	Budget Proposals	Recommended by Subcommittee
AUC	333	348
PAP	23	22
Court of Justice	11	10
ACPHR	5	6
ECOSSOC	2	1.2
NEPAD	43	41.3
AUCIL	1	1
AUBC	2	2
PSC	1	1,04
CAEDBE	1	0.8
AFREC	2	1,2
IPED	1	0.7
CIEFFA	1	0.7
PAU	3	2,5
AIR	3	0.7
ACDC	7	3,9
OASTI	2	0.9
AFRIPOL	1	1
AMISOM	336	336
Total (inc. AMISOM)	777	782

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

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



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?

- Accelerated delivery on 10-yr plan
- Reduced structural siloes

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 grand-fathered

Examples:

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



How?

- More clarity on accountabilities
- Structure changes aligned to A2063

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

in US\$			Budget 2015	Budget 2016	Budget 2017	Variation 2017 vs 2016	%	Variation 2016 vs 2015	%
Revenue		Member States Contribution	147,318,607	169,833,340	205,149,538	35,316,198	20.8%	22,514,733	15.3%
		Partners (inc Pass through & TA)	639,727,038	631,487,492	576,958,511	(54,528,981)	-8.6%	(8,239,546)	-1.3%
		Commercial & Revenue Generating Activities	-	-	-	-		-	
		Voluntary Contributions, Gifts and Donations	-	-	-	-		-	
		Miscellaneous	-	-	-	-		-	
		Total Revenue	787,045,645	801,320,832	782,108,049	(19,212,783)	-2.4%	14,275,187	1.8%
Expenses	Operating Costs	Staff Cost	120,334,696	121,611,885	129,841,347	8,229,462	6.8%	1,277,189	1.1%
		Operating Costs	347,985,921	357,900,344	355,757,269	(2,143,075)	-0.6%	9,914,423	2.8%
		Capital Expenditure	1,561,885	1,837,339	2,927,171	1,089,832	59.3%	275,454	17.6%
	Total Operating Costs (A)		469,882,502	481,349,568	488,525,786	7,176,218	1.5%	11,467,066	2.4%
	Programs	Programme	317,163,143	319,971,264	293,582,263	(26,389,001)	-8.2%	2,808,121	0.9%
	Total Programme (B)		317,163,143	319,971,264	293,582,263	(26,389,001)	-8.2%	2,808,121	0.9%
		Total Costs (A)+(B)	787,045,645	801,320,832	782,108,049	(19,212,783)	-2.4%	14,275,187.00	1.8%

Thank you!

2017

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