Is the African Union’s aspiration towards Financial Autonomy achievable?

Jide Martyns Okeke

Executive summary
The African Union (AU) is witnessing a potentially transformative era, through its decision on financial autonomy and broader reform agenda. Even though the discourse on financing of the Union is hardly new, this policy brief explains why the July 2016 Kigali Summit decision provide unique opportunities that could allow for its full implementation. It argues that the political willingness of AU member states to make timely contributions to the Union’s budget and the Peace Fund, remains the single most important consideration for the success of the Kigali Summit decision on financing. For this to happen, this policy brief underscores the importance of four main considerations namely: the increased representation of the main financial contributing countries in the management, utilization and oversight of the Union’s budget; a revised sanction regime for default payments by member states; improved coherent and coordinated relationship between the AU and the Regional Economic Communities (RECs) and Regional Mechanisms (RMs) as well as AU-authorised regional coalitions; and enhanced confidence of member states in the effective financial management and efficiency of the AU Commission. It concludes by suggesting that the current efforts to finance and reform the Union will define the future relevance and legitimacy of the AU as a sustainable partner in the promotion of governance, peace and security in Africa.

Key points
- Dependence on international partners for the provision of funding has sometimes undermined the AU’s political legitimacy and credibility. Therefore, achieving financial autonomy will promote the AU as a sustainable partner in governance, peace and security.
- A milestone towards achieving financial autonomy was reached during the 27th AU Assembly of AU Heads of State and Government held in Kigali, Rwanda in July 2016, where a decision was made to institute a 0.2% levy on all eligible imported goods into the continent.
- This Summit decision on financing of the Union appears different and potentially transformative from previous decisions because: it adopts a single option in the derivation of financial contributions from member states; it links financial autonomy with the AU reform agenda; and entrusts the monitoring and oversight on the implementation of the financing decision to AU Heads of States and Government;
- The political willingness of most AU member states especially the main financial contributing countries will be a central factor for determining the success of the implementation of the financing decision.
- The AU could face a future of increased or decreased relevance depending on success of the implementation of its financing decision.
Introduction

No single organization is expected to exclusively shoulder the burden of addressing peace, security, governance and development challenges in Africa as reflected in the African Union’s (AU) Agenda 2063 and the Sustainable Development Goals 2030. Nevertheless, dependence on international partners for the provision of funding has sometimes undermined the AU’s political legitimacy and credibility. Its operations, programmes and peace and security initiatives have largely been driven by voluntary contributions from partners and in some exceptional cases, through the utilization of assessed contributions from the United Nations (UN). As a result, priorities, initiatives or interventions by the AU have either been shaped or influenced by international partners. This has been illustrated in the strategic direction of AU peace initiatives such as Libya (2011), Mali (2013), the ongoing AU Mission in Somalia (AMISOM) (2007 to date), and more recently, the authorization of the deployment of the Group of Five (G5) Sahel Joint Force (2017). In addition, some political decisions have been delayed or left unimplemented due to the lack of funding. Achieving financial autonomy will restore the Union’s political legitimacy and credibility and resolve some of these problems.

The reduction in voluntary contributions to the AU from international partners, coupled with the recognition from AU member states that the Union needs to generate more indigenous resources to ensure the organization’s financial autonomy as a priority of its overall reform agenda, has spurred efforts to revitalize the AU Peace Fund. A milestone towards achieving this goal was reached during the 27th AU Assembly of AU Heads of State and Government held in Kigali, Rwanda in July 2016, where a decision was made to institute a 0.2% levy on all eligible imported goods into the continent. This would allow the AU to fund 100% of its operational budget, 75% of its programmes budget and 25% of peace and security activities, incrementally from 2017 with full implementation of these percentages envisaged by 2020. In the implementation of this financing decision, both the AU Commission and the AU member states recognize that the balance from the proceeds from the 0.2% levy on eligible imports, following the payments towards the Union’s budget and the Peace Fund, should be retained by member states for their own development projects.1

Although the political discourse on financing the Union is hardly new, this policy brief explains why this political decision is potentially transformative and what needs to be done to ensure that it is fully implemented. The unique opportunities that stem from the AU financing decision lie in the following:

a) The adoption of a single option in the derivation of financial contributions from AU member states;

b) Linkages between the financing decision and the overall AU reform process;

c) The political oversight of the implementation of the financing decision led by a Troika composed of the previous, current and upcoming Chairpersons of the Union; and

d) The necessity for generating additional funding from AU member states to better respond to the changing nature of Africa’s security challenges and the concomitant dwindling of support from international partners.
The primary determinant for successfully implementing the AU’s financing decision will be the willingness of its member states to make timely contributions. This brief argues that the likelihood for such political willingness could be bolstered by:

a) Increased representation of Tier 1 category member states, with an estimated combined contribution of 60% towards AU assessed contributions in the management, utilization and oversight of the Union’s budget;

b) A revised sanction regime for default payments by AU member states;

c) Achieving a coherent and coordinated relationship with Regional Economic Communities (RECs)/Regional Mechanisms (RMs) as well as AU-authorized regional coalitions and;

d) Increased confidence by member states in the effective financial management and efficiency of the AU Commission.

This brief concludes that the prospects of implementing the AU’s financing decision will shape the future relevance and legitimacy of the continental body.

**AU financing decisions: What is new, and what progress has been made?**

In July 2016, the AU Assembly of Heads of State and Government made a key decision on financing the Union, underpinned by a uniform option for all AU member states. Specifically, member states agreed to institute a 0.2% levy on all eligible imported goods into the continent. This decision was preceded by three previous decisions by the AU Summit that sought to promote increased financing contributions from member states. The first was a Summit decision in January 2015 where member states pledged to contribute 100% of the Union’s budget; 75% of the Union’s programme budget and 25% of the Union’s budget of peace support operations. This was re-iterated at the AU Summits in July 2015 and January 2016 respectively.

In addition, the Assembly decided to establish a scale of assessment based on a tier system as follows:

a) Tier 1: All countries with GDP above 4%

b) Tier 2: All countries with GDP above 1% but below 4%

c) Tier 3: All countries with GDP of 1% and below

It was further decided that those five member states in the Tier 1 category shall pay 60% of the Union’s budget shared equally while the share of member states in Tiers 2 and 3 will be based on their capacity to pay underpinned by the principles of solidarity and equity. The table below provides an illustration of the composition of the main AU financial
contributing countries drawing from Tier 1 and Tier 2 categories.

**Table 1: Overview of main AU financial contributing countries**

<table>
<thead>
<tr>
<th>Tier 1 Category</th>
<th>Countries</th>
<th>% Assessed Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Algeria</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>2. Egypt</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>3. Morocco</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>4. Nigeria</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>5. South Africa</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Tier 2 Category with contributions of 4% and above&lt;sup&gt;6&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Angola</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>7. Kenya</td>
<td>4.1%</td>
<td></td>
</tr>
<tr>
<td>8. Ethiopia</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Total (Tier 1)</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Total (Tier 2 above 4%)</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Total (Tier 1 and Tier 2 (above 4%))</td>
<td>76%</td>
<td></td>
</tr>
</tbody>
</table>

From the above representation, it is envisaged that 8 out of 55 AU member states are required to pay 76% of the Union’s budget. However, the Tier 1 states constitute the main financial contributing countries with an expected total contribution of 60%. This political decision has its merits and challenges, which will be addressed in the subsequent part of this brief.

The decision by AU member states to rely less on voluntary contributions from international partners has its roots in the transformation from the Organization of African Unity (OAU) to the AU in 2002. During the 2001 OAU Summit held in Lusaka, Zambia, member states directed the OAU Secretariat to conduct a study on “Alternative Sources of Funding for the AU.” Several declarations have also been made by member states on the need to increase the mobilization of financial contributions from within the continent. In addition, a High-Level Panel led by former President of Nigeria Olusegun Obasanjo was also instrumental in proposing options and modalities that would allow for greater financial autonomy and self-reliance of AU member states. The Obasanjo Report suggested a $10 levy on air travel, and a $2 levy on hotel accommodations.

Through these options it was envisaged that the AU would generate an annual revenue of $700m. However, these proposals were not implemented because they were “non-exhaustive, non-binding baskets of options, with implementation dependent on national imperatives, laws, regulations and constitutional provisions”. Moreover, some countries that primarily depended on tourism would ultimately shoulder a disproportionate burden of financing the AU. As such, they were unwilling to implement the recommendations made by the Obasanjo Panel.

Almost two decades since the establishment of the AU, the Kigali Summit decision has been perceived by the AUC leadership, some member states and analysts as a watershed moment in the AU’s aspiration to enhance its financial autonomy and by extension, exercise greater authority over the affairs of the AU and African collective security, governance and development. There are four reasons why this decision has been perceived as such: first, the AU financing decision represents a political declaration on a single option in the derivation of contributions from member states. Previous decisions on funding were either based on the conduct of a technical study or proposed multiple options with no political decision on a
single option. In contrast, the Retreat of AU Heads of State and Government on Financing the Union, which was held on 16 July 2016 in Kigali, Rwanda under the Chairpersonship of President Idris Itno Deby in his capacity as Chair of the Union, focused on the possibility of a single derivative option.

Subsequently, the AU Assembly adopted a single derivative option for funding the AU based on a concrete expression of African solidarity and equitable contributions based on the GDP of AU member states. This decision will ensure that member states are able to identify and maintain a dedicated source of funding through the 0.2% levy on all eligible imports, to allow for timely payments of their contributions. At the same time, member states are paying based on their respective capacity measured against their level of economic development. Overall, it would appear that the coincidence between a single option, which received a political consensus (at least as reflected in the Summit decision) and the assessment of member state contributions based on their capacity to pay, is a solid basis for implementing this decision.

Second, the financing of the Union is part of the overarching process to reform it. In January 2017, the AU Summit decided to reform the institution (Assembly/AU/Dec/635(XXVIII)). The Commission and its member states realized the necessity for reform as a pre-requisite for improving the financial status of the AU. In order words, the main incentive for the effective implementation of the decision on financing was to overhaul the AU especially its Commission and organs for greater accountability, transparency and effectiveness. The reform of the AU is expected to: (a) reduce and refocus the priorities of the AU to political affairs, peace and security, economic integration and Africa’s global representation with a clear division of labour between the AU, RECs/RMs and other institutions, (b) realign AU institutions to reduce bottlenecks and right-size AUC structures and capabilities, (c) improve connections between the AU and its citizens, (d) improve management, oversight and leadership by AU Heads of State and Government in the implementation of its decisions, and (e) finance the AU sustainably.\(^\text{11}\)

It is unlikely that member states will support the financial reforms if they are not convinced of the AUC’s commitment to improve efficiency; therefore, the success of the financial reforms is linked to progress across the other reforms. While there have been previous attempts to reform the Union, notably the 2007 Report of the High Level Panel on the Audit of the AU led by Professor Adebayo Adedeji,\(^\text{12}\) this is the first time that resource mobilization from AU member states is being caveated by the primary objective of making the AU more accountable, transparent and efficient.

Third, a troika of previous, current and future AU Chairpersons from 2016, 2017 and 2018 will be established to ensure oversight and management of the operations of the AU, including the implementation of the financing decision. This troika will include President Idris Itno Deby, President Alpha Conde and President Paul Kagame. The justification for this troika is that transformative leadership is required for the effective implementation of the AU’s strategic decisions, including the establishment of the AU itself. The troika is also responsible for ensuring continuity from when the decision was adopted by the Summit to its implementation, given that
there has often been a serious crisis of legitimacy in the AU’s track record of implementing its decisions. It is envisaged that the troika will be formally established during the 30th Ordinary Session of the Assembly of AU Heads of State and Government in January 2018. The troika will provide strategic guidance and effective monitoring of the implementation of the reform process including on financing.

Fourth, funding has often impacted the ownership of AU peace initiatives and the timeliness in response to crisis situations. Conflicts in Libya (2011), Mali (2012) as well as the outbreak of the Ebola Virus Disease in some West African countries (2014) put a spotlight on the need for at least an emergency response fund that can respond immediately to crises on the continent. In short, the lessons derived from conflict prevention and management of crises have demonstrated that without substantial contributions from AU member states for peace initiatives, including peace support operations, timely and rapid interventions will remain a challenge.

The necessity of funding from AU member states is reinforced by the dwindling support from international partners. For example, despite the success of AMISOM in mitigating the threats posed by the Al-Shabaab terrorist group in Somalia, the European Union (EU) reduced AMISOM troop allowances. The EU reduction of support to AMISOM was attributed to the reprioritization of development aid as well as pressure arising from their prolonged engagement in Somalia. This reprioritization and fatigue from some donors is a manifestation of both internal and external pressures such as the widening of donor support in Africa, questions raised by some international partners about the impact of sustained support to the AU, ongoing reforms of the UN and reconfiguration of membership of intergovernmental organizations notably the EU following the imminent exit of the United Kingdom, as well as the changing policy direction of some donor states like the United States towards aid in Africa.

Without a doubt, the uniform political derivative option, the ongoing reform of the AU, the direct involvement of Heads of State, and the timing of the decision on financing and its implementation thereof, offer an opportunity for genuine financial and institutional transformation of the AU. Some initial steps have been taken in the right direction. In this respect, the supervisory mechanism for the financing and reform of the Union led by the troika has commenced its work, including through Summit-level consultations such as the 24 April 2017 meeting held in Conakry, Guinea, which reiterated the irreversibility and inseparability of the financing and reform decisions.

In addition, the Chairperson of the AU Commission, Moussa Faki Mahamat, has established the Reform Implementation Unit within his office to serve as the secretariat for the AU reform agenda. The Committee of Ten Finance Ministers (F10), composed of two representatives from each region and responsible for working out the modalities for the implementation of the financing decision, has been established and has met four times between July 2016 and June 2017. The F10, with the support of the AU Commission, has revised assessed contributions for member states including proposals for the Kingdom of Morocco following its re-admission to the AU
in January 2017. The mandate of Donald Kaberuka has been expanded from High Representative for the Peace Fund to include the overall financing of the Union. Further, as of July 2017, 14 out of 55 member states have made full contributions to the Peace Fund while contributions are also being made towards the Union’s budget. It is anticipated that the major milestones of the financing and reform decisions will be implemented by the 31st Summit of Heads of State and Government, scheduled to take place in January 2019. Though it would seem that much progress has been achieved, even the Heads of State and Government recognize that “the road to financial independence is long and difficult” and requires sustained political commitment.

### Realizing AU financial reform: What needs to happen?

The central test for the AU in its commitment to financial reform is the willingness of its member states to make full and timely contributions based on their annual assessed contributions. This will almost exclusively determine the basis for resolving the AU’s historical internal and external crisis of legitimacy.

Internally, the AU has built its foundation on some far-reaching normative frameworks, policies and decisions, sometimes even serving as a pacesetter in some potentially transformative agendas. These include for example, the AU’s legal provision of the right to intervene in grave human rights violations as contained in Article 4(h) of its Constitutive Act; the development of an ambitious Agenda 2063 on regional integration; the immediate priority of ‘Silencing the Guns by 2020’; and decisions on the Protocol of Free Movement of Persons amongst others. Yet, the continental body has often not been able to translate such policies, decisions and frameworks into effective implementation.

Externally, the AU has often not met its timelines to develop the required deliverables in order to enhance its partnership with international partners. For instance, partners have sometimes criticized the AU for its administrative and procurement processes, which has either delayed or stalled the absorption of the support they have provided. Resolving this crisis of legitimacy through genuine commitment by member states to reform the AU Commission as well as making their respective financial contributions, combined with the establishment of accountable, transparent and effective fiduciary standards in the management of the funds, will significantly improve perception amongst international and regional stakeholders, but more importantly encourage additional support to the AU.

The question of the principle of sovereign equality of AU member states needs to be revisited. Politically, there is no question about the sacrosanct nature of the principle of sovereign equality, which has remained an enduring pillar of the OAU and AU. However, there may be a need to revisit the role and responsibilities of Tier 1 Category states in the management of the resources of the Union. Currently, only four countries namely – Algeria, Egypt, Nigeria and South Africa – collectively contribute 48% of the Union’s budget. With the re-admission of Morocco and the current contribution of Angola at 8% of the Union’s budget, these six countries will contribute to
68% of the total budget of the Union. Beyond the fact that these countries benefit from increased non-discriminatory staffing quotas for their citizens, there are no additional incentives for them to maintain their contributions. The 2011 crisis in Libya and recent economic crises in some of these countries may also negatively impact on timely payment. Perhaps a consideration could be that those countries that fall within the Tier 1 list of highest contributors could be given greater participation and oversight in the management of their financial contributions.

A recent communiqué of the AU’s Peace and Security Council (PSC) following its 689th meeting held on 30 May 2017 suggests the importance of this consideration. Even though limited to the Peace Fund, the PSC emphasized that the “management structure, proposed eligibility criteria and fund management principle should take into consideration representation of AU member states in the governing structure of the Peace Fund, based on regional representation...”. This call was championed by most of the PSC members but especially Egypt, Nigeria and South Africa currently amongst the Tier 1 contributors. The declaration made during the AU Finance Ministers meeting held on 9 August 2017, which expanded the F10 representatives to include Nigeria, Morocco and Cameroon is a laudable step in ensuring the inclusivity of the main financial contributing countries. In addition, incentives could be given in terms of pre-allocation of some senior management positions, on a rotating basis, to these countries based on UN best practices.

Another unresolved issue is the current flexible sanction regime associated with default payments by member states. Article 23 of the AU Constitutive Act empowers the Assembly to impose appropriate sanctions on any member state that defaults in the payment of its contributions to the budget of the Union through, “denial of the right to speak at meetings, to vote, to present candidates for any position or post within the Union or to benefit from any activity or commitments, therefrom”. Consideration for such sanctions by the Assembly can only be triggered after two concurrent years of non-payment. This means member states are able to pay in arrears or make partial payments within a grace period of two years without any sanction. As a result, financial contributions received from member states are usually below the estimated budget. This has a negative impact on the ability of the AU Commission and its organs to implement programmes and in some cases constrains the operational day-to-day management of the institution which impacts on the overall performance of the continental body. Political leadership for the effective implementation of the financing decision must be matched by an effective sanction regime that will ensure more predictable and timely contributions from member states. A “new and more robust sanctions and incentives regime”, proposed by the finance ministers of AU member states, which could be adopted during the 30th AU Assembly in January 2018, offers a window of opportunity for the success of the AU financing of the Union decision.

In addition, a more coherent and coordinated relationship between the AU and the regional institutions and coalitions will be an important criterion for success of the financing decision. The role of RECs/RMs has been recognized as an important driver for the implementation of
peace, security and regional integration agendas of the continent, in accordance with Article 16 of the 2004 Protocol Relating to the Establishment of the Peace and Security Council of the African Union. The sub-regional groups are also increasingly playing influential roles in the promotion of peace and security particularly through the establishment of regional coalitions such as the Multinational Joint Taskforce against Boko Haram (MNJTF), the G5 Sahel or the Regional Coalition Initiative against the Lord Resistance Army (RCI-LRA). In addition, some RECs such as the Economic Communities of Central African States (ECCAS), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) have well-established regional financial mechanisms including provisions for the establishment of the Peace Fund, largely operationalized from contributions from their respective member states. Beyond consultations, the inclusivity of RECs/RMs or other regional configurations such as the Lake Chad Basin Commission or the G5 Sahel (as may be required) in the representation, utilization and management of the AU financial arrangements is a necessity. The commencement of the AU-RECs/RMs Coordination Meeting from July 2018 could provide a platform for political consensus and synergy in continental strategic priorities including in how the Union’s budget will be utilized to avoid duplication and improve coherence. The possible representation of member states in the governance structure of the Peace Fund, based on regional distribution will be critical to facilitating an inclusive continental-regional approach in the financing of the Union.

Finally, the increased confidence of AU member states in resource optimization and efficiency in the programming and internal governance of the AU Commission could serve as an incentive to fund it. The streamlining of the work of the AU Commission to four main pillars namely: peace and security, political affairs, economic integration and Africa’s global representation are important priorities that could be the main focus of the AU. However, for these four pillars to achieve their goals, there must be a significant re-think of the current programming and working methods of the AU Commission as well as effective coordination with the regions and other relevant stakeholders to avoid duplication and promote value for money. This should hopefully transform the perception by most AU member states about the effectiveness of the continental body.

**Conclusion**

The success of the AU reform and financing decisions will define the future relevance of the continental body. While no conclusive prediction can be made at this early stage, three scenarios are possible: the first is the increased relevance of the AU following the timely implementation of its financing decisions. This will accelerate positive regional and international perceptions, concrete interventions, ownership and leadership on the continent. It will also improve international perception and reinforce the AU’s argument for complementary funding from international partners including the likelihood of the utilization of UN assessed contributions for UN Security Council-authorized peace support operations.

The second scenario could be diminished relevance and possible isolation of the AU if these decisions on financing and reform are not
implemented. The risk here is that the political credibility of the AU will be undermined and that there will be increased isolation by RECs/RMs as well as other regional coalitions of the AU in promoting regional integration, peace, security and development. With the nature of governance, peace and security challenges on the continent, there is a high probability that AU member states will forge alliances with regional or international partners in order to address them.

The third scenario is maintenance of the status quo, wherein the AU remains over-dependent on international partners in the implementation of its programmes including in the area of peace operations. This means the success of the AU will be contingent on the vacillating domestic and foreign policies of major international partners as well as the dictates of the politics of the UNSC, especially in matters relating to crisis situations on the continent. The prevailing global geopolitical context characterized by the reduction of funding from some international partners, and the critique against multilateral organizations by some populist movements certainly pose a risk to the continued over-dependence of the AU on international support. The first and preferred option, ensuring the enhanced relevance of the AU, will take dedicated, sustained and inclusive political leadership to be realized.

About the Author

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End Notes


2 Tier 1 category AU countries are those with over 4% of Gross Domestic Growth (GDP), and are expected to pay the largest share of the AU’s budget. This is elaborated upon in the latter part of this brief.


5 African Union Assembly/AU/Dec/578(XXV)

6 The data provided are drawn from Assembly/AU/Dec.602(XXVI)


9 See AU Assembly decision on Scale of Assessment and Alternative Sources of Financing the African Union, Doc. Assembly/AU/Dec.578(XXV), 25th Ordinary Session of AU Heads of State and Government, held from 14 to 15 July 2015 in Johannesburg, South Africa.


