The Trials, Tribulations, and Triumphs in Financing the African Union

By:

Ueli Staeger

August 10, 2022

Money makes the world go round. The African Union (AU) is no exception to this rule, and in its first two decades, the organisation's politics has never been far removed from questions about money. Over the last few years, the power of money has become more significant, with the revitalisation of the AU Peace Fund, member states' substantive decrease of the AU's budget for 2019, and the highly-publicised allegations of Chinese espionage in the AU's Chinese-built headquarters building completed in 2012. But during its first two decades, the AU has also found it challenging to obtain funding for its transformative, Pan-African agenda from resources in and outside the continent.

Input vs Output: Two Perspectives of AU Funding

Two main competing narratives have dominated the AU's efforts regarding funding. These can generally be attributed to the first and second decades of the AU's existence but continue to co-exist and interact by causing political friction. In its first decade, the AU's pursuit of financial resources was concerned with the question of where funds came from and focused on the urgency of producing a tangible AU output. The need for endowing the AU's ambitious mandate with concrete organisational output trumped other considerations. In 2006, for example, the AU Executive Council encouraged 'Partners/Donors of the Union to work jointly with the Commission towards [the] realisation of budgetary support.' By 2009, with the introduction of the Joint Financing Agreements, the AU almost had its budget support arrangements in place that closely reflected the spirit of the 2005 Paris Declaration on Aid Effectiveness: Development funders committed to harmonising and aligning their aid with partners' policy agendas to maximise ownership and tangible results.

Over time, AU member states embraced the idea that re-balancing the input, i.e. that the origin of funds was intrinsically bound to the realisation of the AU's decolonial and Pan-African goals. In the 2010s, the AU matured politically, and its member states and citizens increasingly politicised funding. Numerous efforts at funding reforms have started to re-balance the AU's budgets, above all through the 2016 reform decisions dubbed the 'Kagame Reforms'. By 2022 the drive towards self-funding the AU has been firmly established in rhetoric, yet the concrete implementation of these decisions was delayed repeatedly.

From Financial and Legitimacy Crises to Financial Reforms

From 2014 to 2016, the AU faced significant cash flow challenges that left some AUC staff with unpaid salaries and failed to pay troops of the AU's largest peacekeeping mission in Somalia for six months. Many member states did not pay their assessed contributions on time, even if they were quite low. These statutory payments cover the operating costs, salaries, and programme activities of the AU and are essential for the smooth running of the organisation. The AU disclosed that only 67 per cent of assessed contributions were paid on time (over an unspecified time) and that more than thirty member states had defaulted wholly or partially on their contributions.

The AU's ambitious reform package initiated in 2016 foresaw several inter-connected plans of action. Reforms shifted the AUC's budget planning towards metric-based budget allocation, which referred to past financial and technical performance. In addition to political considerations, AUC departments' 'execution,' its ability to fully spend the sums previously budgeted, became a criterion for future allocations. In parallel, administrative reform was started to realign the AUC's structure for more efficient mandate delivery. Innovative new modalities demonstrate the AU's capacity to mobilise in-house and also utilise continental expertise for diversified funding. The revitalised AU Peace Fund, despite substantive delays, will eventually place money on commercial financial markets to generate interest that can fund the AUC's programme activities. Another example of a promising but stalling funding reform is the 0.2% levy that allows member states to pay their assessed contributions to the AU budget through a tax on eligible imports from outside the African continent. However, member states also attempted to do 'more with less' by insisting on a more efficient AU while consecutively cutting its budget for 2018–2021. The AU's financing reform attempts to balance sky-high ambition with continued resource constraints among AU member states to overcome external dependence. This paradox often results in delayed reform implementation.

Illicit Financial Flows and AU Funding: African Problems have Global (Offshore) Roots

The funding challenges faced by the AU must be seen in a global context. These challenges are neither an organisational problem that could be explained by the political will and administrative capacity of the AU nor is it a lack of political will among member states. Resource scarcity in the African public sector is also an expression of the continued fiscal challenges faced by African economies. These were caused by corruption and illicit financial flows (IFFs) often enabled by the global offshore economy and the Global North's financial industry. The AU's 10-member High-Level Panel on IFFs produced an important report in 2015 containing a wealth of recommendations to counter the $50 billion that Africa loses through IFFs annually. Many of the recommendations boil down to a need for better cooperation between all African actors, stronger regional institutions, and put an especially strong burden on 'the global community in all of its institutions, including parliaments, take all necessary steps to eliminate secrecy jurisdictions, introduce transparency in financial transfers and crack down on money laundering.' Thus seen, the AU alone cannot be blamed for its funding challenges, and the Global North should also be taken to task about Africa's weak fiscal base.

Where Next Towards a Financially Autonomous AU?

For the foreseeable future, the need for external partnerships will be a reality that must be dealt with. The AU's diversification of international partners has produced a dizzying number of partnerships, which enable the AU to offset the legitimacy problems of dependence on European partners, but this legitimacy gain comes at the price of unsustainable administrative coordination costs, including the difficulty in the management of centrally steering the overall programmatic portfolio and complex reporting requirements for each individual external funding agreement. Moving forward, pragmatism is needed to reconcile an input-and-output-oriented approach to AU funding.

Rethinking the EU's role as the EU's main funder is particularly urgent and a shared priority for the two organisations. Scholars generally agree that major AU partners such as the EU should see it 'in the best interest of both the EU and the AU to commit to a programme that in the short to medium term drastically reduces, and in the long-term eliminates [external] funding.' While such an agenda may be desirable from an output-oriented perspective, the practical capacity of African states to ramp up their funding input is still uncertain. After all, the AU can justify itself by delivering visible programmes and, ideally, development outcomes on the continent.

As the AU enters its twenties, understanding and addressing its funding challenges must be embedded in the broader political economy of Africa and the world. Global fiscal justice will go a long way in enabling African agency through more self-funding and leadership in the AU's agenda-setting and programme implementation. The AU can and should balance the shouldering of a steadily increasing burden of funding itself with continued pragmatic partnerships. In so doing, the AU will be able to roll out its reforms without losing access to vital resources in the short-term.