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## **52<sup>ND</sup> PLENARY ASSEMBLY**

**1<sup>ST</sup> TO 11<sup>TH</sup> DECEMBER 2022**

**KINSHASA, THE DEMOCRATIC REPUBLIC OF CONGO (DRC)**

**EXECUTIVE COMMITTEE REPORT ON FINANCIAL MATTERS**

**(TREASURER'S REPORT)**

**PAPER 3: BUDGET PROPOSAL FOR THE FINANCIAL YEAR 1<sup>ST</sup> APRIL  
2023 TO 31<sup>ST</sup> MARCH 2024**

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### **1.0. PREAMBLE**

- 1.1. The Plenary Assembly is requested to consider the budget of the organization for the financial year 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024. While the budget is envisaged to cater for the organisation's operational expenses, it is crucial for the Plenary Assembly to consider the bigger picture from a global perspective, including the rapidly shrinking donor funding, the bankruptcy of major donor economies due to COVID-19, and the ongoing conflict between Ukraine and Russia which is causing staggering global inflation. While the Forum has, like many other institutions, been negatively impacted by the current state of the global environment, it is still expected to rise to the aspirations of the SADC citizenry by implementing the transformation into a SADC Parliament in the next few years, and at the same time function at par with other inter-parliamentary bodies such as the Pan African Parliament, EALA, or the ECOWAS Parliament in view of defending the SADC's interests at the international level. The Forum must deliver its mandate, and to enable it to do so, it must have the financial strength and resource capability to function efficiently, as does other like-minded inter-parliamentary organisations across the world.
- 1.2. The Plenary Assembly is, therefore, requested to consider and interrogate the following factors which should then contribute to the Committee's appreciation of the proposed budget's responsiveness to the Forum's aspirations:

- 1.2.1. Whether the current budget motivates the right behaviour from the Forum membership and its administration;
- 1.2.2. The extent to which the Forum is supported by donor funding for thematic programmes and also to facilitate some of its statutory meetings, including the perceived influence of the donor on its priorities;
- 1.2.3. That whilst the Forum has a clear mandate to develop Model Laws, which will become even more crucial with the transformation, whether the Forum has adequate financial resources to that effect without relying on donor funding, or whether indeed it has adequate funds for other thematic activities from its core budget. The practical implication is that if the Plenary Assembly resolves to implement a programme, say on “*Parliaments engaging on climate change*”, there will be no budget to do so without a donor which responds to environmental issues in SADC. In effect, this limits the programmes and committees, and other initiatives, which must be implemented by the Forum;
- 1.2.4. Whether the lack of resources for statutory activities and the lack of core staff stifle leadership and growth of the organisation. The Office of the SG which is supposed to function at a strategic level has to consider and engage in both strategic and hands-on operations, and this is only possible since the SG was also the previous Director of Programmes and understands operational processes such as resource mobilization. However, this places a considerable workload on the shoulders of the Office of the SG with the outcome being that no activity can ever take place without the SG’s active contributions in planning, preparing presentations and appearing at events to ensure visibility of the Forum’s Secretarial leadership. Without appropriate staffing and/or robust secondment arrangements, there may be issues relating to corporate ethics which will then need to be addressed;
- 1.2.5. The year ahead, that is 2023/2024, appears to be a challenging year. Administrative costs have outpaced revenue growth, and this will have to be addressed. The Forum must consider strategies to manage administrative costs, while allowing for flexibility and variability to deal with uncertainty in the years ahead.
- 1.2.6. The SADC PF must review its key performance indicators (KPIs). The institution’s focus on performance and risk management requires a re-evaluation of metrics relevant to current objectives of the SADC PF and therefore demands that the Forum sets realistic targets and facilitates the implementation of the same through resolutions. It is important to align the 2023/2024 focus areas and ensure reprioritizing performance metrics to available resources.
- 1.2.7. In view of the existing vacancies, staff in other positions are deployed to areas of need as per vacant positions, making it difficult for the staff to focus on their Key Performance Indicators (KPIs) as per their work

contracts with the Forum. KPIs are thus becoming negotiable and not precise, thus stifling innovation and hindering the Forum's response to its Strategic Plan.

- 1.2.8. The resources available and the narrow budgeting for the organization has replaced and prioritized financial performance over strategy, under pressure to meet budget numbers and stay within the member contributions with little ability to adjust.
- 1.2.9. There is a need to review critical internal enablers such as the cost and value of the Secretariat Structure, including key positions and capabilities.
- 1.3. The above will help the Plenary Assembly to ultimately review all the equations required to avoid the pitfall of assuming that the impending transformation is a "given" that requires little or no discussion relating to finances of the organization and the Protocol entering into force. For example, with the current staffing levels, in the event that contributions are not increased, the salaries bill is estimated to take up 99% of Member Contributions by 2026. This means that, in the absence of increments in Member Contributions, and with no external funding, the core activities of the Forum, including inter-parliamentary cooperation and diplomacy, will be greatly and negatively impacted as there will be no financial resources to cater for the implementation of its statutory and other core activities beyond the payment of salaries.
- 1.4. The Plenary Assembly may also wish to recall that the 51<sup>st</sup> Plenary Assembly amended the Constitution to include the establishment of the Trust Fund. This is contained at Article 13. However, even if the SADC-PF and Successors Trust is to be registered in the months to come, it will take time (at least 2-3 years) to be in operational mode to channel funds to the Forum. Also the establishment of the Trust does not in itself guarantee that adequate financial resources will be mobilized within the required critical period. Meanwhile, the Forum has to seed capital to the Trust and incur other related costs, thus an additional operational expense.
- 1.5. Given the above, the Plenary Assembly needs to evaluate the resource base and sustainability of the organization and assess whether it aligns with the overall strategic vision.
- 1.6. Financial sustainability  
The Forum needs to have the right mix of revenue and expense management strategy that will enable the organization to pursue its mission and operational objectives in the forthcoming years. This can be achieved only when the Forum has a stable base of annual Contributions, adjusted periodically and timely for inflation and other economic factors, and a well-diversified and sustainable donor funding portfolio. The challenge is on the commitment of the institution to raise revenue

internally (Member Contributions) and externally (from Donors) and at the same time manage its operating expenditure. In addition, the lack of adequate expertise under the Parliamentary Business & Programmes Department exacerbates the inability to raise external funding.

- 1.7. In order to demonstrate the Forum's dependence on external funding, the following table provides an overview of the contributions from the Forum's revenue sources to the Forum's expenditures, as per the approved budget for the financial year ending 31<sup>st</sup> March 2023.

EXPENDITURE/INCOME CATEGORY	APPROVED BUDGET 2022-2023 N\$	PERCENTAGE OF TOTAL BUDGET %	PERCENTAGE OF MEMBER CONTRIBUTIONS
<b>INCOME</b>			
Annual Mandatory Contributions	21,148,050	41%	
Interest Receivable	180,000	0%	1%
Other Income	4,213,104	8%	20%
Funding from Swedish's SRHR project	23,220,330	45%	110%
Funding from Other Donors	2,661,458	5%	13%
<b>TOTAL REVENUE</b>	51,422,942		
<b>ADMINISTRATIVE OVERHEAD EXPENSES</b>	2,705,558	5%	13%
<b>STAFF EMOLUMENTS</b>	15,659,084	30%	74%
<b>DIRECT OPERATIONAL EXPENSES</b>	4,301,600	8%	20%
<b>PROGRAM ACTIVITIES (donor funded)</b>	25,881,788	50%	122%
<b>OTHER NON RECURRING EXPENSES</b>	1,593,648	3%	8%
<b>TOTAL EXPENDITURE</b>	50,141,678	98%	237%
<b>SURPLUS/(DEFICIT)</b>	1,281,264	2%	6%

- 1.7.1. Funding from donors and co-operating partners made up 51% of the total funds for the budget for the financial year 2022/2023. Out of the total budget of N\$51.42 million, N\$25.6 million (51%) was from external sources, with N\$25.5 (49%) from Member Contributions and other internal sources. Funding from the Swedish alone (N\$23.2 million)

amounted to 110% of the Mandatory Member Contributions (N\$21.14 million).

- 1.7.2. The table above also shows expenditure as a percentage of total budget including donor funds and expenditure as a percentage of total Member Contributions. Staff emoluments is 74% of total Member Contributions- this amount does not, however, include salaries and allowances payable to project staff and two key positions of Director Corporate Governance and Committee Secretary & Programme Manager (DGHR) which is subsumed under the amount for Program Activities (donor funded) and amounts to N\$5.5 million per annum. Without donor funding the project staff cannot be catered for. In addition the two key positions will from 2023 financial year have to be paid from Member Contributions.
- 1.7.3. Program activities budget, which pertains to funding from donors, amounted to N\$25.8 million which is 122% of Member Contributions. This amount covered meetings and joint sessions of Standing Committees and made it possible for statutory meetings of the Standing Committees to take place physically in Johannesburg, South Africa.
- 1.7.4. *The above picture demonstrates that, in the absence of donor support and other sources of income, funding from Mandatory Member Contributions alone is grossly inadequate with only 26% of Contributions available for activities (74% having been allocated to salaries). In this regard, the proposed budget for 2023/2024 requires that Member Parliaments **shall** now cover the cost of attendance of its Members to Forum activities.*
- 1.7.5. Further for the 2023/2024 proposed budget, the Forum will have to fall back on Retained Earnings to fund some of its activities, with Member Parliaments still covering the cost of participation of its Members.

### 1.8. Sustainability elements with donor funding (as at 30<sup>th</sup> September 2022)

Revenue source	As it relates to the following elements	% contribution to total Forum costs	Risks and Observations
<b>Annual subscriptions by Member Parliaments</b>	Salary costs (2022/2023: 74% Operational & Administrative Costs: 26%	43%	Risk: Member Parliaments will not be increasing their annual subscriptions. By 2026, the salary bill alone will be 99% of current Member Contributions.
<b>Sweden funding</b>	Contributes to program costs that include salaries of select personnel, travel costs, material costs and contribution to Overhead / administration costs	40%	Fact: Funding support leverages other sources of funding to expand and deepen the impacts of the SADC PF programs and committees. Agreement expires on 31 <sup>st</sup> March 2023

Revenue source	As it relates to the following elements	% contribution to total Forum costs	Risks and Observations
<b>Austria AID Development Agreement # 81254007, administered by GIZ EUR 309,905</b>	Offsetting Consultancy for technical support, translation, interpretation, conference, travel and accommodation costs on Gender and democratic accountability	11.5 %	Fact: This grant agreement is from 10 <sup>th</sup> March 2020 and expires on 31 December 2022. There is currently no indication of extension.
<b>National Parliaments</b>	Travel and accommodation costs with reference to election observation and attendance of other Forum activities. Attendance to Plenary Assembly other activities subsidised or fully covered by National Parliaments  Seconded staff	In kind	It is a practice that national Parliaments contribute to their travel and accommodation for EXCO and Plenary Assembly. There is no contingency fund however to enable MPs, especially Office bearers, to travel to events in case for internal reasons it is not possible for their national Parliaments to fund them.  This also places a restriction on the Forum to hold extraordinary meetings since this will require additional funds from national Parliaments.  Going forward, in the absence of donor funding, Parliaments will also have to cater for their members attendance of Standing Committee meetings. This will negatively impact on attendance and we may resort to virtual meetings/attendance.
<b>Strengthening Accountability and Oversight in Health and Agriculture Funders - donor support to specific programs Actionaid (USD 158,19 (utilized USD67,00,34)</b>	<b>Pledged resources</b>	2.5%	This grant operates through a draw down mechanism, as we spend.  The period is August 2019 to June 2023 with no indication of extension.
<b>Co-funding arrangements with CSO's and other institutions</b>	Joint contributions to the delivery of products, training facilitation at no cost to the Forum and other	1%	Assumption: CSOs assume that the Forum contributes to some logistics under joint initiatives, yet this is often not possible since such spontaneous initiatives are not budgeted.

Revenue source	As it relates to the following elements	% contribution to total Forum costs	Risks and Observations
<b>Secondments</b>	Relates to the full time staff - total cost to Forum that is offset by a member Parliament. Example of internal auditor paid for by Parliament of Namibia/Mozambique	2%	Risk: Part-time secondments have proved to be largely ineffective since the workload at national level competes extensively with Forum work.
		100%	

1.8.1. What the above also demonstrates is the diversity in funding sources and how funds by the donors Sweden, Austria, Action AID grant and International Cooperating partners helps to leverage other funding sources. For example, the SRHR and Democracy Programme that benefits the Forum by having national researchers in place, provides additional capacity to Parliaments. On the other hand, the Forum's visibility at national level is strengthened which contributes to the achievement of its inter-parliamentary objectives.

1.8.2. ***Given the above, there is a need for the Plenary Assembly, to consider the next budget by assessing the critical factors of efficiency and performance with regards to the Forum's set objectives. If the Forum is to progress in achieving its objectives, it needs an enabling budget that is responsive to programmatic, staffing and administrative goals that can position the Forum as a true Flag-bearer of democratization and socio-economic development for the Region. This will require bold decisions regarding the determination of priorities, mode of operations and sources of finance, especially as the institution moves towards its transformation into the Regional Parliament.***

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## 2.0. EXECUTIVE SUMMARY

The Plenary Assembly is requested to consider and approve the Budget Proposal for the financial year 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024.

### 2.1. Sources of Finance

This budget provides for all known and confirmed sources of finance for the financial year 2023/2024.

2.2. Detailed budgets for donor funding will be provided at Programme level and are not contained in this budget proposal.

### **2.3. Emphasis on Internally Generated Financial Resources**

The SADC PF and its membership continues to embrace change in view of the ever evolving global political, economic, social and technical environment. As indicated in previous years' budgets, the current global trends have warranted a rethinking of the way the Forum structures its budget so that it has progressively become less reliant on donor funding, with the use of donor funding only as a safety net for thematic projects only, rather than for running its core operations. **For the year 2023/2024, the budget recognises the absence of external funding and falls back on its internal resources.**

### **2.4. Mode of Operations/Implementation of Activities**

2.4.1. The budget for the 2023/2024 Financial Year ensures that the business of the Forum is conducted within the funds raised from Annual Mandatory Contributions and Retained Earnings, with minimal in-kind contribution on the part of Member Parliaments.

2.4.2. Pursuant to the resolution of the Executive Committee, at its meeting on 13<sup>th</sup> November 2021, in Johannesburg, South Africa, and as was the case with the budget for the financial year 2022/2023, it is proposed that in the next financial year, some of the statutory meetings of the institution be held physically while others be held virtually as follows:

2.4.2.1. Both the 53<sup>rd</sup> and 54<sup>th</sup> Plenary Assemblies are proposed be held face-to-face.

2.4.2.2. Two Executive Committee meetings are proposed to be held face-to-face, with any additional EXCO meetings to be held virtually. The budget provides for 2 physical and two virtual meetings.

2.4.2.3. All the EXCO Sub-Committee meetings will take place virtually (FSC, HR & PCD, Legal, & Parliamentary Business). The budget provides for 2 virtual meetings for each Sub-Committee.

2.4.2.4. Standing Committee, RPMLOC, and RWPC meetings are all proposed to be held virtually, unless external funding is available for physical meetings. In this regard, the Plenary Assembly may wish to note that some Standing Committees may hold physical meetings while others will only be able to hold virtual meetings. The budget provides for 2 virtual meetings each for the five Standing Committees, the RPMLOC and the RWPC.

2.4.2.5. For all physical meetings, a provision will be made to facilitate participation through a virtual platform (hybrid system).

## **2.5. Member Parliaments' in-kind Contribution**

**As per SADC PF established policy, the costs of participation of the membership in the physical meetings shall be borne by their Member Parliaments unless external funding is made available.**

## **2.6. Staff Emoluments:**

2.6.1. The institution continues to recognise the key role that the Secretariat plays in the management, sustainability and growth of the institution. It is the strength of the Secretariat and the robust human resource skeleton of the Forum which in large part makes the Forum attractive to be the recipient of donor funding. The budget for 2023/2024 provides for the current staff on board with the addition of one Committee Secretary & Programme Manager due to the fact that the secondment option has not been very effective. In this regard, funds previously allocated to secondment allowances will be reallocated to this position. This will go a long way in building the capacities required under the Parliamentary Business and Programmes Department.

2.6.2. In this proposed budget, the 2 previously donor funded positions are also catered for, namely Director of Corporate Governance and Committee Secretary & Programme Manager (DGHR). Fortunately, the positions were also budgeted in the year 2022/2023 due to the uncertainty of the external funding at the time of budgeting, meaning that the net increase in the salary bill for the 2023/2024 financial year is only N\$1.4 million, compounded by the fact that the secondment provision has been excluded.

## **2.7. Major Risk: Staff Emoluments**

2.7.1. It should be highlighted that the business Model of organisations of similar standing as the Forum has always been to have a robust salary bill which can attract elite professionals to join the organisation, especially as few individuals have the niche skills required to interact with Parliaments and build the capacity of MPs. Comparatively, the salary bill of the Forum continues to be much less than the salary bill of other inter-parliamentary organisations or other SADC organs such as the SADC Secretariat. The bottom line is that the business model of inter-parliamentary organisations in general, and the Forum in particular, do not permit them to have a salary bill which is below a certain amount (irrespective of the percentage with regards to revenue) since there is a need to preserve certain crucial skills to keep the organisation afloat and render it attractive to implementing partners, collaborators and potential donors and investors.

2.7.2. The proportion of the salary Bill with regards to the overall revenue of the organisation, including donor funding, has in the past years been at most 30%. However, without donor funding, the percentage of

salaries to Member Contributions is at 81%, while the percentage of salaries to the total budgeted income for 2023/2024, including retained income is 55%.

2.7.3. It is projected that the salary bill, in the absence of increases in Member Contributions, will be at 99% of Contributions by 2026.

2.7.4. Details of the Personal Emoluments budget are provided at 5.3.

## **2.8. Seconded Staff**

With regard to seconded staff, it is envisaged that the key position of Director of Programmes will be seconded by a Member Parliament on a full-time basis. It is important to note that, although the seconded staff enabled significant savings to be made, those seconded on part-time basis understandably prioritised their national Parliaments before the Forum, and hence the need for full-time secondments in respect of key positions.

## **2.9. Networking and Visibility**

As the Forum transitions into a Regional Parliament, there has been an increasing demand for the Forum to participate in the meetings of other regional and global Parliamentary bodies such as the SADC, PAP, CPA and the IPU in order to promote collaboration and visibility. In addition, the Task Team on Transformation composed of SADC Secretariat and SADC PF Secretariat staff will also continue to meet, pursuant to the resolution of the 41<sup>st</sup> SADC Summit of Heads of State and Government and the Council of Ministers which met in August 2021 in Malawi.

## **2.10. Cost Drivers and Context**

2.10.1. Costs of goods and services continue to rise due to inflation and depreciation of the South African Rand/Namibian Dollar against major currencies such as the British Pound and US Dollar. Unfortunately, inflation and depreciation of currencies extends to almost all the countries in Southern Africa and impacts on the costs of the institution's activities, most of which are held across the member countries pursuant to the tradition of the SADC PF.

2.10.2. As was the case with the 2022/2023 Budget proposal, the approach in preparing the 2023/2024 Budget Proposal has been a cautious one. The Secretariat has been innovative in ensuring the management of costs, which has fortunately been enhanced by the new way of doing business incidentally occasioned by the COVID19 pandemic. In addition, the core business of the Forum has been prioritised.

### **2.11. Going Concern:**

The proposed budget for 2023/2024 has a minimal projected surplus compared to previous years. It is therefore imperative that the Membership considers the financial position of the institution in view of the resolution not to increase Member Contributions vis-à-vis the ever-increasing costs due to inflation, depreciation of the local currency, rising interest rates and absence of donor funding. By 2026, a strategy must already be executed to address the risks to the going concern.

### **3.0. BUDGET PROPOSAL 2023/2024**

The proposed Budget for the financial year 2022/2023 is attached hereto as **Annexure B001 with support schedules A to C and 1 to 20.**

### **4.0. NOTES TO THE BUDGET: BUDGETED INCOME**

#### **4.1. Article 21 of the SADC PF Constitution provides as follows regarding its Sources of Finance**

The Finances of the Forum shall accrue from the following sources:

- (a) annual mandatory contributions from Member Parliaments, which shall be determined by the Plenary Assembly on the recommendation of the Executive Committee;
- (b) grants or donations from Governments, SADC, other international organisations and charitable institutions including international parliamentary groupings;
- (c) various fund-raising activities approved by the Plenary Assembly as recommended by the Executive Committee; and
- (d) any other sources approved by the Plenary Assembly.

#### **4.2. Mandatory Contributions: N\$21,148,050**

The Mandatory Member Contributions stand at N\$21,148,050 in the Financial Year 2023/2024, with each of the fourteen Member Countries contributing an amount of N\$1,501,500 per annum. Seychelles contribution is pegged at N\$127,050 per annum.

#### **4.3. Other Income N\$ 7,000,000**

4.3.1. Other Income totals N\$7,000,000 as tabulated in the schedule below:

	SOURCE	AMOUNT N\$
1	ACCUMULATED RESERVES- (for SALARIES)	1,500,000.00
2	ACCUMULATED RESERVES- OPERATIONAL & ADMIN EXP	5,500,000.00
	<b>TOTAL</b>	<b>7,000,000.00</b>

#### **4.3.2. Allocations from Retained Income**

- (i) Retained Income as at 31<sup>st</sup> March 2022 amounted to N\$11 million but only an estimated amount of N\$7.5 million is available for use in the financial year 2023/2024.
- (ii) An amount of N\$1,500,000 is proposed to be allocated from the Retained Income towards Salaries as approved by the 50<sup>th</sup> Plenary Assembly following the salary review recommendations which require an annual review of the salary structure by the Consumer Price Index (CPI) and includes notch increments;
- (iii) N\$5,500,000 to be allocated from Retained Income towards Operational Expenditure and Administrative Overheads. The proposal to allocate Retained Income to the budget is necessitated partly by the lack of external funding towards Standing Committee and programme activities, networking and policy development processes. The trend in past financial years has been to fund Standing Committee meetings from external funds; however although resource mobilisation is in process, there is currently no confirmed external funding for the financial year 2023/2024.

#### **4.3.3. Contributions to Election Observation Missions from Member Parliaments (Not included)**

During the Financial Year 2023/2024, the following countries are expected to hold elections: DRC, Eswatini, and Zimbabwe. The budget requires specific contributions from Member Parliaments towards the Election Observation Missions, pegged at US\$5,000 per Parliament per Mission, with an expected participation of about 9 Parliaments per Mission based on the total expected cost of approximately N\$2.4 million for the three EOMS. This proposed contribution is however, not reflected in the budget as the funding source is not confirmed. The funds will be treated as supplementary and accounted for as received following the Election Observation Missions. An amount of N\$300,000 only has been provided as seed funding.

#### **4.3.4. Income from Donor Funding: Zero**

There is no income from donors/co-operating partners reflected in the budget for 2023/2024. Even where it has been included in the previous years' budgets, the net effect is zero as an exact corresponding amount has been included under expenditure. Donor budgets and expenditure are compiled and reported separately according to the respective Agreements signed. This also aligns with the recommendation to discontinue the consolidation of SADC PF Main Accounts with donor funded accounts in the Audited Financial Statements.

#### **4.3.5. Total Revenue: N\$28,388,050**

The total Budget for 2023/2024 therefore anticipates a total revenue of N\$28,388,050 compared to N\$51,422,942 for the financial year 2022/2023. The decrease of N\$23.03 million (45%) is a net effect of

excluding donor funding and including allocations from the Retained Earnings to cater for the deficits. While a total of 50% in the amount of N\$25,881,788 in the 2022/2023 budget was from donor funds, there is no amount from donor funding in the 2023/2024 budget. Likewise, as shown at 4.3 above, an amount of N\$7.0 million is allocated from Retained Income. Details are provided in the schedule below:

ITEM NO.	EXPENDITURE/INCOME CATEGORY	CURRENT APPROVED BUDGET 2022-2023 N\$	PROPOSED BUDGET 2023-2024 N\$	INCREASE/ (DECREASE) N\$	INCREASE/ (DECREASE) %
	<b>INCOME</b>				
A	Annual Mandatory Contributions	21,148,050	21,148,050	-	0%
B	Interest Receivable	180,000	240,000	60,000	33%
C	Other Income	4,213,104	7,000,000	2,786,896	66%
D	Donor Contributions	25,881,788	-	-25,881,788	-100%
	<b>TOTAL REVENUE</b>	<b>51,422,942</b>	<b>28,388,050</b>	<b>- 23,034,892</b>	<b>-45%</b>

## 5.0. NOTES TO THE BUDGET: BUDGETED EXPENDITURE

### 5.1. Budgeted Expenditure is as tabulated in the Schedule below:

ITEM NO.	EXPENDITURE/INCOME CATEGORY	CURRENT APPROVED BUDGET 2022-2023 N\$	PROPOSED BUDGET 2023-2024 N\$	INCREASE/ (DECREASE) N\$	INCREASE/ (DECREASE) %
	ADMINISTRATIVE OVERHEAD EXPENSES	2,705,558	3,897,615	1,192,057	44%
	STAFF EMOLUMENTS	15,659,084	17,037,848	1,378,764	9%
	DIRECT OPERATIONAL EXPENSES	4,301,600	6,460,200	2,158,600	50%
	PROGRAM ACTIVITIES (donor funded)	25,881,788	-	- 25,881,788	-100%
	OTHER NON-RECURRING EXPENSES	1,593,648	867,225	- 726,423	-46%
	<b>TOTAL EXPENDITURE</b>	<b>50,141,678</b>	<b>28,262,888</b>	<b>- 21,878,790</b>	<b>-44%</b>
	<b>SURPLUS/(DEFICIT)</b>	<b>1,281,264</b>	<b>125,162</b>	<b>- 1,156,102</b>	<b>-90%</b>

## **5.2. Total budgeted expenditure: N\$28,262,888**

5.2.1. Total budgeted Expenditure is N\$28,262,888 compared to total expenditure attributable to Mandatory Contributions and other income of N\$ 24,259,890 in 2022/2023 (An amount of 25,881,788 out of the total N\$50,141,678 for 2022/2023 was for donor funds. Note that the budgeted Expenditure for 2023/2024 does not include donor funded expenditure as was the case in the 2022/2023 budget). Budgeted expenditure under SADC PF funds has therefore increased by N\$4.0million (16.5%).

5.2.2. Excess of budgeted Revenue over Expenditure is negligible at N\$125,162, after providing for a Contingency of N\$60,000.

## **5.3. Staff Emoluments: N\$ 17,037,848**

5.3.1. The proposed total budget for Staff Emoluments amounts to N\$17,037,848 representing an increase of N\$1,378,764 (9%) from the financial year 2022/2023 budget which amounted to N\$ N\$15,659,084. This is a result of the annual adjustment of the salary structure in line with the CPI and notch increment (recommendations of the Job Evaluation and Salary Review exercises as approved by the Executive Committee at its meeting on 12<sup>th</sup> and 13<sup>th</sup> November 2021). Included in this amount is a provision of N\$80,000 per annum for contribution to the employee Death Benefits Scheme with Old Mutual for two times the Annual Salary.

5.3.2. The following is worth noting:

- (i) For the financial year 2023/2024, as per pre-condition to the Agreement with Sida, the Forum committed to henceforth take over the salaries for the two positions, namely Director Corporate Governance and Committee Secretary & Programme Manager amounting to N\$ 3.1million per annum. These will be catered for under the SADC PF Main budget. Fortunately, the positions were also budgeted in the year 2022/2023 due to the uncertainty of the external funding at the time of budgeting, meaning that the net increase in the salary bill for the 2023/2024 financial year is only N\$1.4 million.
- (ii) The net increase of N\$1.4 million also takes into account the addition of one Committee Secretary & Programme Manager for the TIFI Programme, while the provision for secondments has been removed. The provision for secondments is now allocated to same. The choice of TIFI is of necessity in view of the priorities put forth by the SADC Summit on the regional integration agenda.
- (iii) Also included in the salaries bill is a provision for outsourcing of the functions of Human Resources Expert, Media Expert, and 2 ICT

Interns at N\$18,000 per month each (in the case of ICT Interns, the rate is N\$9,000 per ICT Intern times 2 Interns). The Plenary Assembly is advised that these positions were previously funded from Sida funds.

(iv) *All contracts entered into for full-time positions can only be for one five-year term in view of the financial constraints and uncertainty of future funding.*

5.3.3. The budget for 2023/2024 therefore caters for a total of 20 positions, 16 of which are full-time employees, 2 are outsourced and 2 are interns. Although there is need for more staff, especially under the Parliamentary Business & Programmes Department, the vacant positions cannot be filled as the financial position is such that contracts for any additional staff beyond those already provided for cannot be guaranteed for the required minimum five-year term. This is in view of the Plenary Assembly decision not to increase Mandatory Member Contributions in the next few years.

5.3.4. With the current staffing levels, including one more Committee Secretary & Programme Manager, the following is the projected trend which shows that, in the event that contributions are not increased, the salaries bill will take up 99% of Member Contributions by 2026. The increase is estimated at 7% per annum based on the average CPI of 5% for the period January to September 2022 and the notch increment of 2%. The percentage of salaries to Member Contributions is currently at 81%. This means that, in the absence of increments in Member Contributions, and with no external funding, the activities of the Forum will be greatly and negatively impacted.

Current Staff	YR 1 .2023/2024	YR 2 .2024.2025	YR 3 .2025/2026	YR 4 .2026/2027	YR 5 .2027/2028
	17,037,848	18,230,498	19,506,633	20,872,097	22,333,144
<b>TOTAL SALARIES BILL</b>	<b>17,037,848</b>	<b>18,230,498</b>	<b>19,506,633</b>	<b>20,872,097</b>	<b>22,333,144</b>
<b>Salaries as % of Total Member Contributions</b>	<b>81%</b>	<b>86%</b>	<b>92%</b>	<b>99%</b>	<b>106%</b>

#### **5.4. Administrative Overheads: N\$3,897,615**

5.4.1. The budget provides for Administrative Overheads of N\$3,897,615 compared to N\$2,705,558 in the previous year's budget representing a 44% increase.

5.4.2. The Administrative Overhead expenses are for the operations of the Secretariat and include general office expenses, communication costs,

motor vehicle running expenses, travel and subsistence allowance expenses, audit and insurance expenses.

5.4.3. The significant increase in this proposed budget of N\$1.19 million is caused by the addition of costs pertaining to the strengthening of key systems, procedures & key processes such as the automation of the HR & Performance Management System and benchmarking with the IPU. There is also an increase in relocation costs and provision of recruitment costs. These are once-off costs that may fall off in the next budget.

5.4.4. Audit fees allocation is increased from N\$150,000 to N\$303,000, an increase of N\$153,000 (102%) as a provision has been made for secondment of an Internal Auditor at US\$500 a month. In addition, the External Audit Fees are increased to N\$195,000 based on the fees charged for the year ended 31<sup>st</sup> March 2022.

5.4.5. Financial expenses have also increased considerably by N\$266,178 (67%) from N\$396,000 to N\$662,178 based on the actual interest charged for the Mortgage and Motor Vehicle loans.

#### **5.5. Direct Operational Expenses: N\$ 6,460,200**

5.5.1. The Direct Operational Expenses represent the core business of the Forum and include the statutory meetings.

5.5.2. The total budget has increased by N\$2,158,600 from N\$4,301,600 in 2022/2023 to N\$6,460,200, representing a 50% increase. The major increase in the budget arises from the fact that both the 53<sup>rd</sup> and 54<sup>th</sup> Plenary Assemblies are proposed to be held face-to-face. In addition, two Executive Committee meetings will be held face-to-face, with any additional to be held virtually. All EXCO Sub-Committee meetings, Standing Committee meetings and statutory meetings of other organs will be held virtually. This budget, therefore, provides for both physical and virtual meetings of the statutory organs of the Forum as detailed at 2.4 above:

In view of the above:

5.5.3. The Plenary Assembly budget has been increased by 42% from N\$2,164,600 to N\$3,068,000.

5.5.4. Standing Committee meetings budget has significantly increased by N\$534,000 (110%) from N\$486,000 to N\$1,020,000 while the budget for Other Policy Organs (specifically RWPC, RPMLOC and COC) has increased by N\$556,500 (643%) from N\$86,500 to N\$643,000.

5.5.5. Translation costs budget line appears reduced from N\$250,000 to N\$48,000 because translation costs have been allocated under each

activity that requires translation services, with the N48,000 being provided for any other translation only.

5.5.6. Programme Support budget is increased by 13% only from N\$301,500 to N\$341,000 as most of the funds have been allocated to Standing Committees which in itself is programme support. Transformation of the SADC PF into a Regional Parliament continues to rank high in priority and hence the amount of N\$100,000 under Programme Support is allocated to this activity. Attendance of meetings of other regional/global parliamentary bodies in pursuit of this agenda will also be charged to Programme Support.

#### 5.5.7. Election Observation Missions budget

5.5.7.1. The budget for Election Observation Missions has been maintained at N\$300,000. Further details regarding proposed contributions from Member Parliaments towards EOMs are contained at 4.3.3. above.

5.5.7.2. Activities pertaining to the promotion of electoral reforms across Member States through the domestication of the SADC Model Law on Elections and participation in any reform opportunities in pre-elections and post-election phases of the election cycles of selected Member States based on the SADC election calendar will be conducted by virtual means. In order to remain at the pulse of the democratisation processes in the SADC region in spite of the financial constraints, the Secretariat will deploy various ICT-based solutions such as virtual consultations, electronic surveys and electronic tracker for electoral reforms. The Secretariat will also leverage on existing partnerships across its programmes to maximise its presence and visibility in championing the domestication of the SADC Model Law on Elections.

5.5.8. The table below shows the Expenditure budget for Direct Operational Expenses for 2023/2024 and compares with the 2022/2023 approved provisions.

		A	B	C	D
ITEM NO.	EXPENDITURE/INCOME CATEGORY	CURRENT APPROVED BUDGET 2022-2023 N\$	PROPOSED BUDGET 2023-2024 N\$	INCREASE/ (DECREASE) N\$	INCREASE/ (DECREASE) %
	<b>DIRECT OPERATIONAL EXPENSES</b>	<b>4,301,600</b>	<b>6,460,200</b>	<b>2,158,600</b>	<b>50%</b>
10	Plenary Assembly Meetings	2,164,600	3,068,000	903,400	42%
11	Executive Committee Meetings	453,200	804,600	351,400	78%
12	Parliamentary Business/ EXCO Sub-Com Meetings	259,800	235,600	- 24,200	-9%

13	Standing Committees	486,000	1,020,000	534,000	110%
14	Other Policy Organs/RWPC, RPMLOC, COC	86,500	643,000	556,500	643%
15	Language Translation Costs	250,000	48,000	- 202,000	-81%
16	Programme Support	301,500	341,000	39,500	13%
17	Election Observation Missions	300,000	300,000	-	0%

## 5.6. Capital Expenses: N\$145,000

5.6.1. Capital expenditure in respect of office furniture and equipment was adequately catered for in the past year's budget. The provision is yet to be fully utilised. In this regard, the 2023/2024 budget provides a minimal amount for residential furniture and some office furniture and equipment.

## 5.7. Contingency Amount N\$60,000

A minimal contingency amount of N\$60,000) is provided for any unforeseen circumstances that may arise.

## 5.8. Mortgage Repayment N\$456,242

The principal amount on mortgage repayments to Nedbank in respect of the Official Residence of the Secretary General amounts to N\$456,242 in 2023/2024. The interest payable per annum is provided for under the budget line for Finance Charges.

## 5.9. Motor Vehicle Loan Repayment N\$205,983

An annual loan repayment amount of N\$205,983 on the principal amount for the vehicle for the Secretary General has been provided. The interest payable per annum is provided for under the budget line for Finance Charges.

## 6.0. KEY CONSIDERATIONS

### 6.1. Prioritisation of Activities

6.1.1. During the financial year 2023/2024, the Forum will continue to restructure its operations in order to become more cost-efficient and effective in the delivery of its statutory and programme activities. It is important that statutory activities such as the Plenary Assemblies, EXCO and Standing Committee meetings are held *without fail*.

6.1.2. Key considerations include ensuring that other priority activities such as those towards the accomplishment of the transformation of the SADC PF into a Regional Parliament are also implemented.

6.1.3. A motivated staff compliment is also key to achieving the objectives of the Forum. In this regard, it is important that the salary structure

continues to be competitive and aligned to other institutions of similar standing.

6.1.4. Resource Mobilisation: Implementation of the Resource Mobilisation Strategy may involve meetings with various stakeholders in order to strengthen efforts and ensure results. Unfortunately, donor funding is necessary as the Forum cannot depend entirely on Member Contributions for its programme related activities. This has been clearly demonstrated in the budget for 2023/2024 which has a minimal surplus.

## **6.2. Cash flow: Importance of timely payment of Contributions**

6.2.1 Timely payments of Annual Mandatory Contributions is of utmost importance. Fortunately, the current year has seen an improvement in the timing of payments and settlement of outstanding balances, a trend which is encouraging and which is envisaged to continue.

6.2.2 Those Parliaments with outstanding balances are urged to settle them as a matter of priority to facilitate a healthy cashflow. The EXCO has been kindly requested to play a mediation role in this regard.

## **7.0. DECISION FOR THE CONSIDERATION OF THE PLENARY ASSEMBLY**

**The Plenary Assembly is requested to consider and approve the Budget for the Financial Year 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024.**

### Attachments:

- Annexure BOO1: Budget Summary
- Annexure B002: Projected Cashflow Statement 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024
- Schedules A to C and 1 to 20: Detailed Budget schedules