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## **50TH PLENARY ASSEMBLY VIRTUAL SESSION 10TH TO 12TH DECEMBER 2021**

### **EXECUTIVE COMMITTEE REPORT ON FINANCIAL MATTERS (TREASURER'S REPORT)**

#### **PAPER 2: BUDGET PROPOSAL FOR THE FINANCIAL YEAR 1<sup>ST</sup> APRIL 2022 TO 31<sup>ST</sup> MARCH 2023**

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#### **PREAMBLE**

In line with its Strategic Plan (2019-2023), the Forum has poised itself as the leading inter-parliamentary organisation of the SADC region in view of spearheading democratisation and socio-economic development. This Vision had been arrived at following benchmarking with the objectives of other inter-parliamentary organisations around the world and across Africa (such as PAP, EALA, ECOWAS) whereby national parliaments gather around 1 regional parliamentary organisation as a stepping stone to build capacity for nurturing parliamentary democracy, respect for human rights, correct parliamentary procedure, among others. The Forum is furthermore a regional grouping within the institutional framework of the SADC, and it promotes the SADC identity and the SADC economic integration process. Within this paradigm, the Forum has no other choice than to evolve to meet the contemporary demands of the 300 million citizens of the SADC region, whilst it covers the diverse interests of 3 island states and 12 continental states.

Against this background, the budget of the Forum needs to take into consideration the prevailing competing priorities, the need for the Forum to adapt to emerging challenges, and the imperative need to continue making strides in the developmental agenda.

It is within this context that the Plenary Assembly is requested to consider the budget of the SADC Parliamentary Forum for the forthcoming Financial Year 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.

## 1.0. EXECUTIVE SUMMARY

The Plenary Assembly is requested to consider and approve the Budget Proposal for the financial year 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.

- 1.1. This budget covers the financial year 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023, and provides for all known sources of finance for the financial year.
- 1.2. Detailed budgets for the donor funding are provided at Programme level and are not contained in this budget proposal. This proposal, however, recognises the total revenue receivable from donors and the corresponding total budgeted expenditure.
- 1.3. Over the years, the membership has continued to express concern that the statutory meetings of the Organs of the Forum, specifically the Standing Committees, which form part of the core business, are not provided for in the core budget but rely on funding raised from co-operating partners. Furthermore, the COVID-19 pandemic has resulted in a shift in priorities of Member countries and also at the global level, with financial resources expected to become more scarce from 2021 and beyond. *The current global trends have warranted a rethinking on the way the Forum structures its budget so that it progressively becomes less reliant on donor funding, while at the same time using donor funding as a safety net for thematic projects only, rather than for running its core operations.*
- 1.4. The budget for the 2022/2023 Financial Year ensures that the business of the Forum is conducted within the funds raised from Annual Mandatory Contributions with minimal additional costs on the part of Member Parliaments.
- 1.5. The COVID19 pandemic has influenced the way business is conducted. During the period January 2020 to date, all the statutory and other meetings of the SADC PF have been successfully held through the virtual platforms Zoom and Microsoft Teams. It has become apparent that this mode of hosting meetings virtually is quite effective and yields, the same results as from physical meetings. In this regard, and due to the uncertainty of the COVID19 restrictions beyond 2021, the budget assumes that the SADC PF will continue to host most of its meetings by virtual means, unless alternative funding is raised for face-to-face meetings. The main costs to the Forum for virtual meetings are interpretation, translation and ICT Support costs. Also budgeted are costs pertaining to resource persons/experts who will be required to provide expert support on thematic issues, especially for Standing Committees.
- 1.6. ***It is, therefore, proposed that in the next financial year, all statutory meetings of the institution be held virtually, within the funds available in the budget, with the exception that one Plenary Assembly Meeting, between the 51<sup>st</sup> and 52<sup>nd</sup> be held face-to-face.*** In

addition, one Executive Committee meeting will be held face-to face. This budget, therefore, provides for **virtual** meetings of the statutory organs of the Forum, mainly one Plenary Assembly, Standing Committee Meetings and meetings of the Executive Committee and its Sub-Committees, and one face-to-face Plenary Assembly and EXCO Meeting. As per SADC PF policy, ***the costs of participation of the membership in the face-to-face Plenary Assembly and EXCO meeting are to be borne by Member Parliaments.***

- 1.7. Pursuant to the resolution of the Executive Committee, at its meeting on 13<sup>th</sup> November 2021, in Johannesburg, South Africa, this hybrid system will apply for all the future financial years until and unless the Plenary Assembly resolves otherwise.***
- 1.8.** For indicative purposes, it would be apposite to note that the total cost of the statutory meetings (budgeted under Direct Operational Expenses), where all the meetings, with the exception of one Plenary Assembly and one Executive Committee meeting, are held virtually is estimated at N\$4.3 million. On the other hand, if the meetings were held face to face (physical meetings), the total cost would be in excess of N\$8.0 million, which would result in additional costs of at least N\$3.7 million. In other words, the hybrid system will enable the Forum to continue to make some savings on operational costs.
- 1.9.** It should be highlighted that the budget of the meetings of the Human and Social Development and Special Programmes Committee is covered under the Swedish-funded SRHR Project (2019-2023) due to the strong linkages of the Committee with SRHR implementation across the SADC region. In addition, meetings of the Regional Model Law Oversight Committee (RPMLOC), and the Committee of Clerks of Member Parliaments, are also fully budgeted for under the SRHR Project. There is also a budget for Joint Sessions which can be used to cater for meetings of the HSDSP Committee with 1 or 2 other Standing Committees.
- 1.10.** Meetings of the Regional Women's Parliamentary Caucus (RWPC) are budgeted under Other Policy Organs and are proposed to be held virtually unless funding outside the budget is raised for physical meetings.
- 1.11.** 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 2022/2023 caters for the human resource and addresses some of the concerns regarding Staff emoluments that have arisen in the past few years. In this regard, due to innovations by the Secretariat, a total of eleven key positions have been filled through secondments by Member Parliaments which has enabled the efficient and expert delivery of support to the membership without any major increase in the salary bill. The total staff compliment stands

at 28, with the 11 seconded staff, 2 donor funded positions (up to March 2023) and 15 full time positions which are paid from Member Contributions.

- 1.12. 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. Figurewise, 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 as the Forum has fewer core staff. Additionally, the proportion of the salary Bill with regards to the overall revenue of the organisation, including donor funding, is 30% in the budget for 2022/2023. 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 donors.
- 1.13. Pursuant to the resolution of the Executive Committee at its meeting held on 12<sup>th</sup> and 13<sup>th</sup> November 2021, in Johannesburg, South Africa, the Personal Emoluments budget has been increased to cater for the implementation of the Job Evaluation and Salary Review recommendations in respect of existing staff only, at **70% benchmark of the industry average**.
- 1.14. ***The proposed Salaries Budget for 2022/2023, amounts to N\$15,659,084. In this regard, there is an increase in the salaries budget of N\$ 3.7 million (31%), which is proposed to be catered for from accumulated reserves. There is also a contribution from Sida towards two specific positions which has been taken into account. This is submitted by the EXCO for further consideration by the Plenary Assembly.***
- 1.15. With regard to seconded staff, it is envisaged that additional two key positions, namely Director of Programmes and one Programme Manager will be seconded by Member Parliaments on a full-time basis. It is also important to note that, although the seconded staff enable significant savings to be made, those seconded on part-time basis understandably prioritise their national Parliaments before the Forum, and hence the need for full-time secondments in respect of key positions.
- 1.16. Moreover, to maintain the performance of our ICT system, the Secretariat continues to rely on the ICT expertise offered by the IPU Hub, hosted in Southern Africa by the Parliament of Zambia. This resource has been key in facilitating the successful hosting of virtual meetings

and will continue to be at the disposal of SADC PF. Also the website has been reviewed and upgraded to facilitate more efficient and effective sharing of information within and outside SADC PF and also to enhance the visibility of the institution.

**1.17.** 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 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, mostly virtually, 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.

**1.18. Cost Drivers and Context**

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.

**1.19.** As was the case with the 2021/2022 Budget proposal, the approach in preparing the 2022/2023 Budget Proposal has been a cautious one. As demonstrated above, 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.

**1.20. Going Concern:** There is no question arising on the going concern as the cashflow is projected to be healthy throughout the coming financial year and the years to come. The proposed budget for 2022/2023 is a surplus budget, with a surplus of **N\$1,281,264** which is 77% of the previous year's budget surplus. The Projected Cashflow Statement shows excess of cash inflows over cash outflows of N\$10 million. Refer attached **Annexure B002**.

**2.0. BUDGET PROPOSAL 2022/2023**

The proposed Budget for the financial year 2022/2023 is attached hereto as **Annexure B001 with support schedules A to D, 1 to 19, and 21.**

**3.0. NOTES TO THE BUDGET: BUDGETED INCOME**

**3.1.** 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.

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

The Mandatory Member Contributions stand at N\$21,148,050 in the Financial Year 2022/2023, 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.

### **3.3. Other Income N\$ 4,213,104**

Included under Other Income is an amount of N\$1,495,104 from the accumulated reserves and N\$2,383,800.00 contribution from Sida towards salaries. In addition, an amount of N\$334,200 has been raised from Administrative fees charged to co-operating partners.

### **3.4. Income from Donor Funding: N\$ 25,881,788**

The total contributions from donors/co-operating partners amount to N\$ 25,881,788, an increase of 11% from 2021/2022. This represents an amount of N\$23,220,330 (US\$1,548,022) from Sida, N\$1,021,740 (US\$68,116) from ACTIONAID and N\$1,639,718 (Euro 96,454) from GIZ. (Exchange rates: 1US\$=N\$15; 1EURO=N\$17).

### **3.5. Total Revenue: N\$51,422,942**

The total Consolidated Budget for 2022/2023 therefore anticipates a total revenue of N\$51,422,942 compared to N\$45,005,078 for the financial year 2021/2022. This is an increase in the total Revenue of N\$6,417,864 representing 14%. A total of 50% in the amount of **N\$25,881,788** is from donor funds, while N\$21,148,050 representing 41% is from Mandatory Member Contributions. An amount of N\$1,495,104.30 is from Accumulated Reserves now allocated towards salaries. Sida contribution towards salaries amounting to N\$2,383,800 is also captured as Other Income, while N\$334,200 is Administrative Fees raised from donors.

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

##### **4.1. Total budgeted expenditure: N\$ 50,141,678**

Total budgeted Expenditure is **N\$50,141,678** compared to N\$43,343,851 for 2021/2022. Excess of budgeted Revenue over Expenditure totals **N\$1,281,264** after providing for a Contingency of N\$70,000. Out of the total expenditure, N\$25,881,788 is for donor funded activities whose details are contained in the respective donor budgets. The total expenditure attributable to Mandatory Contributions and other income is therefore N\$24,259,890.

##### **4.2. Staff Emoluments: N\$ 15,659,084**

4.2.1. The proposed total budget for Staff Emoluments amounts to N\$15,659,084 representing an increase of 31% from the financial year 2021/2022 budget which amounted to N\$11,954,005. This is a result of the review of the salaries in line with the 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\$66,500 per annum for contribution to the employee Death Benefits Scheme with Old Mutual for two times the Annual Salary.

4.2.2. The budget for 2022/2023 caters for a total of 26 positions, 15 of which are full-time employees and 11 are seconded professional staff. The 11 seconded staff include 8 Committee Clerks/Programme Managers, 1 Human Resources Expert, 1 Media and Communications Expert, and 1 Internal Auditor who are still full-time employees of the seconding Parliaments pursuant to the Secondment Policy. The seconded staff are paid a stipend for their contribution to SADC PF. This does not include donor funded staff. The contribution from Sida of N\$2,383,200 towards two key positions, namely Director Corporate Services and Programme Manager DGHR is also taken into account.

4.2.3. Nonetheless, beyond March 2023, the Forum will need to fully fund the two donor funded positions which are key to maintaining the operational structure of the Secretariat in order to remain competitive at the international level.

4.2.4. It is important that in measuring the cost of the Secretariat staff against the benefits to the institution, care is taken to ensure that resources mobilised by the Secretariat from various co-operating partners that have ensured the success of its programmes and activities, are taken into account. In this regard, the percentage of salaries measured against total revenue, including donor funds, amounts to 30%. Members may also wish to note that the span of responsibility of the Secretariat in terms of staff support spreads beyond the Headquarters and seconded

staff to include SADC PF Desk Officers and SRHR Researchers/other staff stationed at national level.

#### **4.3. Administrative Overheads: N\$2,705,558**

- 4.3.1. The budget provides for Administrative Overheads of N\$2,705,558 compared to N\$2,445,858 in the previous year's budget representing a 11% increase only.
- 4.3.2. 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.
- 4.3.3. The slight increase in this proposed budget is caused by an increase in Motor Vehicle running expenses as the Forum will have two vehicles after the procurement of the Secretary General's new vehicle. Also the budget provides for Risk Management software of N\$52,500. Also Audit fees allocation is increased by N\$20,000 based on the fees charged for the year ended 31<sup>st</sup> March 2021. In addition, contributing to the increase is the maintenance costs for the official residence of the Secretary General.

#### **4.4. Direct Operational Expenses: N\$4,301,600**

- 4.4.1. The Direct Operational Expenses represent the core business of the Forum and include the statutory meetings.
- 4.4.2. The total budget has increased from N\$3,699,000 representing a 16% increase.
- 4.4.3. The major increase in the budget arises from the Executive Committee meetings budget which has increased from N\$118,200 to N\$453,200 in order to cater for one face-to-face meeting as requested by EXCO. EXCO Sub-Committees budget has remained the same.
- 4.4.4. Translation costs have increased from N\$100,000 to N\$250,000 based on the trend during the current financial year.
- 4.4.5. The Plenary Assembly budget has not been increased as the provision is deemed adequate. Out of the amount of N\$2,164,600, an amount of at least N\$1.6 million will be for a face-to-face Plenary Assembly.
- 4.4.6. Standing Committee meetings budget has increased slightly by 4% from N\$468,400 to N\$486,000. This caters for 4 Standing Committees meeting virtually for 1 day each, twice in the year for the 51<sup>st</sup> and 52<sup>nd</sup> Sessions. The budget includes 1 resource person to cater for any thematic matters the committee may wish to discuss. Any physical



meetings will have to be catered for under donor funding. The HSDSP Standing Committee is funded by Sida under the SRHR Programme.

4.4.7. Other Policy Organs: This budget caters for meetings of the RWPC. It is proposed that these also be held virtually. The budget remains at N\$86,500 as the amount is deemed to be adequate.

4.4.8. Programme Support budget is increased by 50% from N\$201,500 to N\$301,500 to provide bridging funds while resources are being mobilised. Meetings of the Standing Committees are, however, provided for under the Standing Committees budget. It is assumed that Programmes will continue to resource mobilise for their activities as has been the tradition in the past years.

4.4.9. Transformation of the SADC PF into a Regional Parliament continues to rank high in priority and hence the amount of N\$125,000 under Programme Support is allocated to this activity. Attendance of meetings of other regional/global parliamentary bodies in pursuit of this agenda will be charged to this budget line.

**4.4.10. Election Observation Missions budget of N\$300,000**

The amount is allocated to support one of the flagship programmes of the SADC PF, namely the promotion of electoral reforms across Member States through the domestication of the SADC Model Law on Elections. The Secretariat will roll out activities focused on taking full advantage of reform opportunities in pre-elections and post-election phases of the election cycles of selected Member States based on the SADC election calendar. 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. The allocation will also serve as seed money to incentivise partners to consider investing in the promotion of democratic elections in the SADC region.

**4.5. Programme activities N\$25,881,788**

4.5.1. The bulk of this expenditure is for the SRHR and HIV/AIDS Project under the grant from Sida, amounting to N\$23,220,330.

4.5.2. It is anticipated that more funds will be raised during the year for the various programmes, as has been the case over the years. Some donors/co-operating partners prefer to pay directly for goods and services and their contribution may not always be captured in the books of the Forum.

#### **4.6. Capital Expenses: N\$539,648**

4.6.1. Due to budgetary constraints, the Forum has not been able to purchase adequate new office furniture or ICT equipment for many years.

4.6.2. In this proposal, there is a provision for ICT equipment which is now urgently required to cater for the hosting of virtual meetings and the effective participation of Secretariat staff in the same. A number of staff have laptops that are older than 4 years and which are due for replacement. The provision for ICT equipment is N\$250,448.

4.6.3. The capital budget also includes an amount of N\$180,000 for the purchase of furniture for the Official Residence of the Secretary General.

4.6.4. An amount of N\$109,200 has been included for office furniture which includes office chairs, desks, and some kitchen equipment.

#### **4.7. Contingency Amount N\$70,000**

A minimal contingency amount (N\$70,000) is provided for any unforeseen circumstances that may arise.

#### **4.8. Mortgage Repayment N\$624,000**

The principal amount on mortgage repayments to Nedbank in respect of the Official Residence of the Secretary General amounts to N\$624,000 per annum. The interest of N\$265,000 per annum is provided for under the budget line for Finance Charges.

#### **4.9. Motor Vehicle Loan Repayment N\$360,000**

An annual loan repayment amount of N\$360,000 on the principal amount for the vehicle for the Secretary General has been provided. The interest of N\$65,000 per annum is provided for under the budget line for Finance Charges.

### **5.0. KEY CONSIDERATIONS**

#### **5.1. Prioritisation of Activities**

5.1.1. During the financial year 2022/2023, 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*.

5.1.2. 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.

5.1.3. A motivated staff compliment is also key to achieving the objectives of the Forum. In this regard, implementation of the findings of the Salary

Review and Job Evaluation exercises are a priority in the financial year 2022/2023.

5.1.4. 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.

**5.2. Cash flow: Importance of timely payment of Contributions**

5.2.1. 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.

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

**6.0. DECISION FOR THE CONSIDERATION OF THE EXCO**

**The Plenary Assembly is requested to consider and approve the Budget for the Financial Year 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.**

Attachments:

- Annexure BOO1: Budget Summary
- Annexure B002: Projected Cashflow Statement 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023
- Schedules A to D and 1 to 20: Detailed Budget schedules