



**REPORT OF THE EXECUTIVE COMMITTEE TO THE 56TH PLENARY
ASSEMBLY ON FINANCIAL MATTERS (TREASURER'S REPORT)
11TH DECEMBER 2024**

PAPER 3

**PROPOSAL FOR THE INCREMENT OF MANDATORY MEMBER
CONTRIBUTIONS**

1.0. PREAMBLE

The Executive Committee, at its meeting on 24th November 2024, having considered the Report of the Finance Sub-Committee on the financial situation of the Forum, resolved to submit a proposal for the increment of Mandatory Member Contributions for the urgent consideration of the Plenary Assembly.

2.0. PROPOSED INCREASE

- 2.1. It is proposed that Mandatory Member Contributions be increased by 50% effective 1st April 2026.
- 2.2. The effective date is proposed to be 1st April 2026 in order to ensure that Member Parliaments have enough time to consider and factor the increment into their national level budgets.
- 2.3. Paper 3 serves to provide more information regarding the viability of various percentage increases, and, therefore, the reasoning behind the 50% recommendation.
- 2.4. The Treasurer's Report as contained in Papers 1 and 2 has ably made the case for the urgent need to increase Mandatory Member Contributions. The following points are emphasised:
 - i. The need for the Forum to reduce dependence on external funding and to be able to implement statutory activities and support core operations, including human resources, within the funding from Mandatory Member Contributions;
 - ii. Recognising that Retained Earnings have been utilised in the budget since the Financial Year 2022/2023 and will soon be depleted following further allocation to the budget for the 2025/2026 Financial Year, the need to ensure that adequate financial resources are available outside

of retained earnings and that retained earnings are, henceforth, multiplied rather than depleted, in order to secure the going concern;

- iii. The need to ensure that any increase in contributions is not misconceived to be a result of the transformation of the SADC PF into a Regional Parliament but rather a necessary adjustment arising from the increase in costs due to inflation and depreciation of currencies within the region, without a corresponding increase in contributions;
- iv. The acknowledgment that increases have been few and far apart with, increases made at intervals of five years after 2015, with a 10% increase in 2015/2016 and a 5% increase in 2020/2021. This has not been inline with the inflationary trends. The table below shows contributions over a period of 12 years from 2013 to 2024.

12 Years Comparative Figures				
	YEAR	INCREASE %	INCREASE N\$	CONTRIBUTION N\$
1	2013/14			1,200,000
2	2014/15	8%	100,000	1,300,000
3	2015/16	10%	130,000	1,430,000
4	2016/17	0%	-	1,430,000
5	2017/18	0%	-	1,430,000
6	2018/19	0%	-	1,430,000
7	2019/20	0%	-	1,430,000
8	2020/21	5%	71,500	1,501,500
9	2021/22	0%	-	1,501,500
10	2022/23	0%	-	1,501,500
11	2023/24	0%	-	1,501,500
12	2024/25	0%	-	1,501,500

3.0. CURRENT FINANCIAL SITUATION (Extract from Executive Summary in Treasurer’s Report to EXCO November 2024)

- 3.1. The going concern of the institution is under threat given the current level of contributions, due to the fact that the institution has now resorted to the use of Retained Earnings to ensure a minimal surplus budget and continues to depend heavily on external funding and collaborations, including to ensure adequate staffing of some core positions and towards the implementation of various operational, statutory and programme activities. In addition, some of the cost management measures, such as the conduct of meetings through virtual means, have negatively impacted the effectiveness of the institution’s interventions.
- 3.2. The budget for 2024/2025 had a minimal projected surplus of only N\$24,032. This, despite funds amounting to N\$5,500,000 having been

allocated from retained earnings to meet the cost of operations, a situation which is not sustainable at the current level of funding, given that the reserves will be depleted in the budget for the next Financial Year.

- 3.3. Furthermore, while the SADC PF budget for 2024/2025 Financial Year allocated N\$17.45 million for personal emoluments, five core positions were not provided for and are instead financed by the Sida SRHR HIV and AIDS Project at an annual bill of N\$7.0 million. Should the Sida funding terminate, the SADC PF budget which has a surplus of only N\$24,032 would be far inadequate to cover the additional salaries bill of N\$7.0 million.
- 3.4. In this regard, with the current level of contributions, the financial sustainability of the institution beyond October 2026 when the Sida project terminates is a matter of concern, especially given the fact that, in addition to the salaries, many programme activities are also financed by the Swedish funding. Furthermore, this situation puts the organisation in a predicament to seek programme assistance from other donors, since the sustainability of the organisation appears to depend at least partly on Swedish funding and partners.

4.0. PROJECTED FINANCIAL SITUATION AS AT 31ST MARCH 2026 AND BEYOND (Extract from Executive Summary for the Budget Proposal 2025/2026)

- 4.1. The Balance Sheet as at 31st March 2024 (unaudited) records that the Retained Earnings now stand at N\$13.28 million. This amount is likely to be depleted in the next financial year as already N\$5.5 million was allocated to the 2024/2025 Budget and it is proposed that N\$6.5 million be allocated to the budget for the 2025/2026 financial year.
- 4.2. The Membership is advised that, at the current level of contributions, the Salaries Budget alone equals N\$18.34 million, which is 87% of Mandatory Member Contributions which total N\$21,148,050. In the absence of alternative income and allocation from Retained Earnings (Reserves), this means that there is only N\$2.7 million (13%) available for the core business and operations. For the Membership's further appreciation of the dire situation, Members may wish to note that the total cost for **one** Plenary Assembly is more than N\$1.5million and is, therefore, the bare minimum budget allocated under SADC PF funding, with alternative funding sought from donors.
- 4.3. As the Membership is aware, the Forum has also been affected by the dwindling donor universe which has made it very difficult to secure external funding. Already, the external funding that is currently available and which covers, in full, the Salaries bill for five senior core positions, is available only up to October 2026. In addition, external

funding should not normally cover the statutory core activities of the Forum, such as the Plenary Assembly, EXCO and Standing Committee meetings; neither should it cater for the running of the Secretariat.

5.0. HISTORY: MOST RECENT PREVIOUS PROPOSED INCREASE THAT WAS NOT APPROVED BY EXCO (FEBRUARY 2023)

5.5.1. EXCO, at its orientation on 28th February 2023, in Windhoek, Namibia, was appraised of the financial position, which included a five-year projection that showed that by year 5 (2028), the percentage of salaries to Mandatory Member Contributions would be at 99% with only 1% available for operations. At that time, the following options to increase Contributions were analysed with amounts and resulting implications:

- i. Option 1 – No Increment
- ii. Options 2 to 5 - Increase only in 2023 by either 5%, 10%, 15%, or 20%.
- iii. Options 6 – increase by 5% Per Annum
- iv. Option 7 - 10% Increase in 2023, and thereafter 5% increase per Annum

5.5.2. The recommendation made by the Secretariat in February 2023 was Option 7, to increase by 10% in 2023 and thereafter increase by 5% per Annum. It was also proposed that the increase be subject to review after 5 years. This was the only viable solution given that options 1 to 6 resulted in budget deficits after the first year of increment.

5.5.3. The proposed Option was not approved. EXCO did not offer alternative options but resolved to defer increment until further notice.

6.0 PROPOSED MINIMUM CONSIDERATION – NOVEMBER 2024

6.1. The budget for the 2025/2026 Financial Year requires an allocation from Retained Earnings of N\$6.5 million to be added to the income from Mandatory Member Contributions in order to meet the cost of statutory meetings, core operations and salaries. In addition, an amount of N\$480,000 is projected from investments which is not guaranteed given the cashflow challenges. Furthermore salaries amounting to N\$7.0 million are catered for by the SRHR Project which terminates in October 2026, meaning that the capacity of the Secretariat will be negatively impacted should those positions become vacant as a result of lack of financial resources. *These project funded positions are, however, not included in this proposal and may be treated separately.*

- 6.2. In view of the above, the minimum required increase to Mandatory Member Contributions would be N\$6,980,000 from the Financial Year beginning 1st April 2026 (N\$6.5 million plus N\$480,000). The N\$6,980,000 translates to **N\$495,576** per Member Parliament per annum (N\$41,936 Seychelles), which would entail a minimum of **33%** increase to the current Member Contributions before factoring in inflation. Please note that with this minimal increase, the total funds raised from Member Contributions would only be able to cater for the minimum interim legal financial obligations of the Forum (Secretariat Headquarter costs, statutory meetings and payments to staff as per contractual obligations).
- 6.3. The 33% is based on the budget figures for the financial year 2025/2026. This option also assumes that, in the absence of further increments, the institution will maintain total expenditure at a maximum of N\$28,128,050 which will be the total revenue following the increment. This means that the budget for operations will be reduced each subsequent year according to funds available after providing for Personal Emoluments. This situation is not viable as it threatens the going concern of the institution; the Forum would become increasingly less able to meet its statutory and legal financial obligations which would eventually lead to the collapse of the institution.

7.0. CONSIDERATIONS TO SUPPORT 50% INCREMENT

- 7.1. The Plenary Assembly is requested to take note of the following considerations for the 50% proposed increase:
- i. That Retained Earnings will no longer be available after year ending 31st March 2026 and income from investments cannot be guaranteed;
 - ii. Option 7 which recommended a 10% increase in 2023 with 5% annual increments thereafter, has since been overtaken by the fact that cumulative inflation from 2023 to date entails a higher percentage increase in order to meet the obligations of the institution;
 - iii. Options 1 to 7 analysed in November 2024 and detailed at 7.2 below serve to enhance the appreciation of the Plenary Assembly regarding the consequences of various percentage increases; and
 - iv. The proposed effective date is 1st April 2026, which gives enough time for Parliaments to consider and factor any increment into its national budget.

7.2. ANALYSIS OF OPTIONS

7.2.1. Below is a schedule showing an analysis of options 1 to 7 with increments in 2026 as follows:

OPTION	INCREMENT	RESULTS	RECOMMENDATION
Option 1	No increment - 0%	No increment (0%) results in a deficit of N\$6.9 million in 2025 which is covered by retained earnings of N\$6.5 million and estimated income from investments of N\$480,000 in the proposed budget for 2025/2026. Beyond 2025, the deficit increases due to increases in the salary bill and inflation of 5%, with no alternative funding to cover the deficit.	Not viable after 31st March 2026 as Retained Earnings will have been depleted
Option 2	20% increment in 2026 (with inflation & operational costs adequately provided for)	Budget deficits continue to be incurred from year beginning 1st April 2026 even after the increment of 20%.	Threatens the going concern. Not viable.
Option 3	33% increment in 2026 (with reducing operational budget)	The budget for operations will be reduced each subsequent year according to funds available after providing for Personal Emoluments.	Threatens the going concern. Not viable.

Option 4	33% increment in 2026 (with inflation & operational costs adequately provided for)	Budget deficits continue to be incurred from year beginning 1st April 2026 even after the increment of 33%.	Threatens the going concern. Not viable.
Option 5	40% increment in 2026 (with inflation & operational costs adequately provided for)	Budget deficits continue to be incurred from year beginning 1st April 2026 even after the increment of 40%.	Threatens the going concern. Not viable.
Option 6	50% increment in 2026 (with inflation & operational costs adequately provided for)	Budget surplus of N\$1.8 million in 2026 and minimal surplus in 2027 and then goes into a deficit in 2028, assuming no further increments in between.	Need for further increment in 2028.
Option 7	60% increment in 2026 (with inflation & operational costs adequately provided for)	Reasonable Budget surplus of N\$4.0 million in 2026, and minimal surpluses in 2027 and 2028 and then goes into a deficit in 2029, assuming no further increments in between.	Need for further increment in 2029.

Note: The above options incorporate cost increments due to inflation (CPI) and other considerations.

7.2.2. EXCO may wish to further consider factoring in annual increments equivalent to the average annual inflation rate in order to maintain contributions at adequate levels.

7.2.3. Schedule of Analysis of Options 1 to 7 in figures

ANALYSIS OF PROPOSED INCREASE IN MEMBER CONTRIBUTIONS: 5 YEAR PROJECTION

NOTE: YEAR 1 IS YEAR BEGINNING 1ST APRIL 2025

OPTIONS	DETAILS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
		2025	2026	2027	2028	2029
	YEAR BEGINNING 1ST APRIL					
1	NO INCREMENT (0%) IN 2026 WITH COST INCREASES INCORPORATED AND OPERATIONS PROVIDED FOR ACCORDINGLY					
A	CURRENT MEMBER CONTRIBUTIONS	21,148,050	21,148,050	21,148,050	21,148,050	21,148,050
C	TOTAL SALARIES BILL	18,341,020	19,624,891	20,998,634	22,468,538	24,041,336
D	PERCENTAGE OF SALARIES	87%	93%	99%	106%	114%
E	BALANCE FOR OPERATIONS	2,807,030	1,523,159	149,416	- 1,320,488	- 2,893,286
F	ESTIMATE FOR OPERATIONS	9,722,994	10,209,144	10,719,601	11,255,581	11,818,360
G	SURPLUS/DEFICIT	- 6,915,964	- 8,685,985	- 10,570,185	- 12,576,069	- 14,711,646
	NOTES	RESERVES USED	NO SIDA FUNDS			
2	20% INCREMENT IN 2026 WITH COST INCREASES INCORPORATED AND OPERATIONS PROVIDED FOR ACCORDINGLY					
A	MEMBER CONTRIBUTIONS	21,148,050	25,377,660	25,377,660	25,377,660	25,377,660
B	TOTAL SALARIES BILL	18,341,020	19,624,891	20,998,634	22,468,538	24,041,336
C	PERCENTAGE OF SALARIES	87%	77%	83%	89%	95%
D	BALANCE FOR OPERATIONS	2,807,030	5,752,769	4,379,026	2,909,122	1,336,324
E	ESTIMATE FOR OPERATIONS	9,722,994	10,209,144	10,719,601	11,255,581	11,818,360
F	SURPLUS/DEFICIT	- 6,915,964	- 4,456,375	- 6,340,575	- 8,346,459	- 10,482,036
3	33% INCREMENT IN 2026 WITH EXPENDITURE ON OPERATIONS REDUCED ACCORDING TO FUNDS AVAILABLE					
A	MEMBER CONTRIBUTIONS	21,148,050	28,126,907	28,126,907	28,126,907	28,126,907
B	TOTAL SALARIES BILL	18,341,020	19,624,891	20,998,634	22,468,538	24,041,336
C	PERCENTAGE OF SALARIES	87%	70%	75%	80%	85%
D	BALANCE FOR OPERATIONS	2,807,030	8,502,015	7,128,273	5,658,368	4,085,571
E	ESTIMATE FOR OPERATIONS	9,722,994	8,502,015	7,128,273	5,658,368	4,085,571
F	SURPLUS/DEFICIT	- 6,915,964	0.00	0.00	0.00	0.00
4	33% INCREMENT IN 2026 WITH COST INCREASES INCORPORATED AND OPERATIONS PROVIDED FOR ACCORDINGLY					
A	MEMBER CONTRIBUTIONS	21,148,050	28,126,907	28,126,907	28,126,907	28,126,907
B	TOTAL SALARIES BILL	18,341,020	19,624,891	20,998,634	22,468,538	24,041,336
C	PERCENTAGE OF SALARIES	87%	70%	75%	80%	85%
D	BALANCE FOR OPERATIONS	2,807,030	8,502,015	7,128,273	5,658,368	4,085,571
E	ESTIMATE FOR OPERATIONS	9,722,994	10,209,144	10,719,601	11,255,581	11,818,360
F	SURPLUS/DEFICIT	- 6,915,964	- 1,707,129	- 3,591,328	- 5,597,213	- 7,732,790
5	40% INCREMENT IN 2026 WITH COST INCREASES INCORPORATED AND OPERATIONS PROVIDED FOR ACCORDINGLY					
A	MEMBER CONTRIBUTIONS	21,148,050	29,607,270	29,607,270	29,607,270	29,607,270
B	TOTAL SALARIES BILL	18,341,020	19,624,891	20,998,634	22,468,538	24,041,336
C	PERCENTAGE OF SALARIES	87%	66%	71%	76%	81%
D	BALANCE FOR OPERATIONS	2,807,030	9,982,379	8,608,636	7,138,732	5,565,934
E	ESTIMATE FOR OPERATIONS	9,722,994	10,209,144	10,719,601	11,255,581	11,818,360
F	SURPLUS/DEFICIT	- 6,915,964	- 226,765	- 2,110,965	- 4,116,849	- 6,252,426
6	50% INCREMENT IN 2026 WITH COST INCREASES INCORPORATED AND OPERATIONS PROVIDED FOR ACCORDINGLY					
A	MEMBER CONTRIBUTIONS	21,148,050	31,722,075	31,722,075	31,722,075	31,722,075
B	TOTAL SALARIES BILL	18,341,020	19,624,891	20,998,634	22,468,538	24,041,336
C	PERCENTAGE OF SALARIES	87%	62%	66%	71%	76%
D	BALANCE FOR OPERATIONS	2,807,030	12,097,184	10,723,441	9,253,537	7,680,739
E	ESTIMATE FOR OPERATIONS	9,722,994	10,209,144	10,719,601	11,255,581	11,818,360
F	SURPLUS/DEFICIT	- 6,915,964	1,888,040	3,840	- 2,002,044	- 4,137,621
7	60% INCREMENT IN 2026 WITH COST INCREASES INCORPORATED AND OPERATIONS PROVIDED FOR ACCORDINGLY					
A	MEMBER CONTRIBUTIONS	21,148,050	33,836,880	33,836,880	33,836,880	33,836,880
B	TOTAL SALARIES BILL	18,341,020	19,624,891	20,998,634	22,468,538	24,041,336
C	PERCENTAGE OF SALARIES	87%	58%	62%	66%	71%
D	BALANCE FOR OPERATIONS	2,807,030	14,211,989	12,838,246	11,368,342	9,795,544
E	ESTIMATE FOR OPERATIONS	9,722,994	10,209,144	10,719,601	11,255,581	11,818,360
F	SURPLUS/DEFICIT	- 6,915,964	4,002,845	2,118,645	112,761	- 2,022,816