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Financing the African Union ON MINDSETS AND MONEY

POLITICAL ECONOMY DYNAMICS OF REGIONAL ORGANISATIONS IN AFRICA

PEDRO

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SUMMARY

With 55 member countries, an elaborate institutional architecture, a broad policy agenda, and a high dependency rate on its former colonisers and main donors, the African Union (AU) is probably the world's largest and most complex regional partnership configuration. Until 2017, repeated efforts at reducing dependency on foreign funding and increasing the yearly contributions from the member states of the AU had largely failed. Unpredictability and unreliability of funding by both African member states and by external funders led to wider management and staffing challenges. Due to a financial crisis of the AU around 2016, a renewed and joint push at different levels of the AU resulted in hands-on institutional reforms, piloted by Rwanda's charismatic President Paul Kagame.

This paper analyses the margins of manoeuvre for reformers and their external supporters to resolve money and governance matters within the wider context of institutional reforms of the AU. It has introduced a levy on eligible imported goods into the continent and has established systems to instill more discipline in planning, monitoring and implementing of budgets. A handful of donors are doing some soul searching as past promises to harmonise aid and align it with priorities and management systems of the AU have not effectively reduced the unintended burden of their fragmented, earmarked and overly ambitious support.

Clearly, this paper is about money, and about the difficulties of financing the African Union. But as Paul Kagame, the Rwandan President and former Chairperson of the African Union argued, more than about money, these challenges are about "the right mindsets". The attempts to improve the quality of the partnership in support of AU institutional reforms illustrate his point.

The paper draws on the findings on reform efforts of the African Union and partnership experiences as part of a larger study on the Political Economy Dynamics of Regional Organisations.

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Acronyms

AU	African Union
AUC	African Union Commission
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
ECDPM	European Centre for Development Policy Management
EU	European Union
GDP	Gross domestic product
PEDRO	Political Economy Dynamics of Regional Organisations
PERIA	Political Economy of Regional Integration in Africa
UK	United Kingdom
UN	United Nations
USAID	United States Agency for International Development

1. Introduction

“We need to mobilise the right mindsets rather than more funding”. This call by the Rwandan President and Chairperson of the African Union (AU), Paul Kagame, set the tone for a conference in Kigali on the financing of Africa’s transformation (Mwai, 3 August 2018). It is a strong reminder that funding of the continental organisation is but one component of a much bigger institutional transformation process, and that it should not dominate all others. This paper draws on the findings on reform efforts of the African Union as part of a larger study on the Political Economy Dynamics of Regional Organisations.¹ It also integrates lessons and insights from other political economy studies of regional organisations.² The paper does not deal with the whole reform package of the AU as launched in 2017.

The AU relies mainly on two sources of funding, yearly contributions of African member states and aid from donors.³ Therefore, this paper analyses the margins of manoeuvre for reformers and donors to resolve money and governance matters in the broader context of ongoing institutional reforms of the AU. It deals with a particular group of donors, those that are at the *core*⁴ of purposefully cooperating to improve the partnership with the AU.

There are the ten main findings:

1. With 55 member countries, an elaborate institutional architecture, an impressive policy agenda - including everything from child marriage, to climate change and peace operations - and a high dependency rate on its former colonisers and current main donors, the AU is probably the world’s largest and most complex regional partnership configuration.
2. Until 2017, repeated efforts at reducing dependency on foreign funding and increasing the yearly contributions from the member states of the AU had largely failed - underfunding by member states remains problematic. While there have been improvements in getting a clearer picture of the degree of dependence there is still a lack of comprehensive and consistent data on aid and AU budgets.
3. Further, there is a substantial gap between what is planned for (income and expenditures) and what is actually received or spent by the AU budget (execution rate). Planned budgets are consistently higher than what is received. And spent budgets are persistently lower than what was planned for and actually received, pointing to a problem of absorption capacity by the AU.
4. It is not clear how much funding donors provide: a substantial but unknown amount of aid is simply not captured in the AU budget. Or as one interviewee summed it up: “no one knows the real budget of the AU” (Interviews, Addis Ababa, June 2018).
5. Previous efforts at wholesale reform of the AU and at generating more funding from member states for the continental organisations have disappointed (African Union, 2017). Yet, due to a financial crisis of the AU around 2016, a renewed and joint push at different levels of the AU resulted in hands-on institutional reforms, piloted by Rwanda’s charismatic President Paul Kagame. Some of these reforms sought to beef up the financing of the AU budget, others addressed the problem of poor governance of budget planning, of accountability and transparency arrangements and results orientation.

¹ This paper is made possible by the cooperation between ECDPM and BMZ Germany sponsored a study of 17 regional organisations as well as sector specific reports, the Political Economy Dynamics of Regional Organisations (PEDRO). This Discussion Paper draws on these reports and on a working visit to Addis Ababa in June 2018 during which we interviewed senior representatives of the AUC and three main donors, and participated in two meetings of the AU Partner Group.

² The major findings of the political economy study of five of the eight African Regional Economic Communities and the African Union ([PERIA, 2016](#)) are synthesised in [Vanheukelom et al. 2016](#).

³ *Donors* is not used in a pejorative way, but rather as a shortcut for *developing partners*.

⁴ This core group includes all donors who purposefully try to improve on the quality of the aid related partnership with the AUC, and therefore excludes emerging donors such as China, Switzerland, but also the UN and the World Bank, with efforts by Turkey and Spain to be align with these partnership efforts.

6. Unlike previous attempts, this reform package hit the ground running. Measures being implemented include a levy on eligible imported goods into the continent to enable member states to pay their full yearly contributions on time. Systems have been put in place to instil more discipline in planning, monitoring and implementing of budgets, potentially creating positive knock-ons for the African member states, other African stakeholders and its external supporters alike.
7. These reforms will take time to mature, with uncertainties as to how the main African stakeholders such as AU member states will respond in case of too little too slow. Other uncertainties relate to the question how external partners will continue, adapt or divert their support.
8. Therefore, this paper analyses the partnership relations between a core group⁵ of donors and the AU against the background of these institutional reforms. Indeed, the quality of these relations matters for the future of the reform agenda. As President Paul Kagame proposes, the funding challenges are dealt with in this broader perspective.
9. In the recent past the relations between AU stakeholders and donors soured. Some AU stakeholders felt that donors had become too close for comfort, even intrusive. Moreover, the way almost thirty donors distributed aid to the AU created a lot of bureaucratic overload for the limited administrative capabilities of the African Union Commission (AUC)⁶. Despite promises to harmonise aid and align it with priorities and management systems of the AUC, an unknown part of donor money continues to be distributed in fragmented ways, through earmarked projects, and in ways that burden AUC staff and increase transaction costs.
10. The recent AU reform package stands to benefit from donors that improve the quality of their partnership. Therefore, they have to work together, and they have to cooperate with the AUC. A core group of about ten donors have found some common ground with the AUC and partner in joint programming and joint financing as of 2010. To adapt and improve their cooperation modalities, the AUC and this group of donors have embarked on a learning process of their almost ten-year-old experience of working together. Effective reforms of AU institutions and organisations are also likely to enable donors to collectively support AU programmes and the maturation of continental institutions more effectively.

Two caveats

Firstly: following the money trail is a trying task as there is a lack of reliable, comparable, comprehensive and publicly available data on how much African member states contribute to the AU, on what donors exactly provide to whom, on what gets spent on-budget and what remains outside of the AU budget. All this may partly explain why the problematique of the financing of Africa's regional organisations has not been diagnosed and discussed more widely and more comprehensively. And that also helps understand why some of the figures in this paper need to be taken with a pinch of salt. Yet, in July 2018, the AUC made its external financial audits publicly available for the years 2014-2017. This was a first ever, and a concrete step to enhanced transparency. So, we have been able to integrate data from this useful and more reliable data source.

⁵ The reference to "core donors" is used to distinguish within the larger group of donors those who have indicated a concern about the negative effects of poorly administered aid on partner bureaucracies, governance systems and institutional growth path. Since the 2010s they work together in purposeful and structured ways. They have formed five Joint Programming and Financing Arrangements. Five groups of donors collaborate with the AUC on the five pillars of the AU Commission Strategic Plan for 2014-2017. One example is Pillar V ("institutions, capacity building and communication"). The following donors support Pillar V in a Joint Programme and Financing Arrangement: Australia, Canada, Denmark, the European Union, Germany, the Netherlands, Norway, Sweden, UK and USAID; with an *inner core* consisting of the EU, Germany, Sweden, the Netherlands and the UK.

⁶ The AU Commission operates at the centre of the AU and acts as its secretariat. This paper refers to the AUC when it refers to the bureaucratic apparatus servicing the AU organs.

Secondly: this paper is somewhat thick on details about budget matters, and may seem overly technocratic and narrowly bureaucratic. We try to argue, though, that public finance management and aid practices have political undertones that matter for insights into the potential to deliver continental policies and for pointers for more effective partnerships.

Structure of the paper

The remainder of this paper is organised as follows: Section 2 paints the fractured and incomplete financial picture of the two main sources of AU funding: from AU member states and from donors. Section 3 explains why these sources of funding are problematic. Their fragile balance contributed to a financial crisis that created the impetus for a round of renewed institutional reforms. Some reforms tackle the lack of sustainable and reliable funding of the AU budget by African member states. The other side of the reform coin are the efforts to improve core governance functions needed for delivering results that matter for AU stakeholders. How donors calibrate their aid and invest in moving away from fractured to collective aid delivery will shape these reform dynamics and outcomes. Section 4 concludes and looks ahead.

2. Trying to follow the money

The volume of financing of the AU institutions, operations and programmes is crucial to the degree to which the AU manages to implement its agenda. What tends to be ignored, however, is the *quality* of funding: predictability, reliability and the quality of public finance systems are as decisive in what parts of the AU agenda are prioritised, what gets implemented and how. The two major sources of funding of the AU are African member states and donors. Both sources are problematic in distinct ways. The ways in which the funding sources are governed partly shape what gets prioritised on the rapidly expanding AU agenda and what gets spent. There is a persistent and widely recognised gap between what is planned for and what is actually spent. This section deals with the quality and the quantity of the AU funding, as this helps explain some of the dominant interests at play, the incentive environment, and the nature of the implementation gap.

2.1. Two problematic sources of AU funding

The AU relies on the yearly contributions from 55 member countries and support from bilateral and multilateral donors to finance its operational costs, programmes and peace support operations. Each source of funding is problematic in different ways. Though African member states have agreed to resource the AU in a reliable and a predictable manner since its creation, they only contributed approximately 27% of the spent budget in 2017. Donors, for a variety of reasons and in a variety of ways, have increased their contributions to an ever-increasing volume of projects, programmes and pan-African organisations. Problems with the funding of the AU result in governance problems with the spending and implementation, but also affect the reliability and volume of future funding.

Limited financing from AU member states

Unearmarked, annual, so-called ‘assessed contributions’ from African member states to the AU budget constitute one source of AU funding.⁷ These *planned* contributions are calculated on the basis of three-yearly assessments and are meant to be paid upfront, at the start of each budget year (1 January - 31 December).

⁷ The AU budget covers spending and income for a range of organisations comprising dozens of entities, including the African Union Commission (with 8 Commission Directorates, 31 departments and offices), 11 AU Organs (including the Assembly of African Heads of State and Government, The Executive Council of Ministers of Foreign Affairs, the Pan African Parliament, the Permanent Representatives’ Committee with permanent ambassadors from the member states to the AU headquarters in Addis Ababa, the Pan-African Court of Justice, etc.) and a host of specialised technical agencies.

The criteria for such country assessments, related to a country's share of the continental GDP, aim to combine the principles of fairness and solidarity.⁸ There are three categories or tiers of countries. In 2005, AU member states decided that the first tier of the five bigger economies (Algeria, Egypt, Libya, Nigeria and South Africa) should contribute 75% of total assessed contributions. With the Arab Spring, the overthrow of the Gaddafi regime and major unrest in Egypt, two main backers dropped out of this top league. Meanwhile, there have been revisions of the basic algorithm for the 2016-2018 period: Egypt has rejoined the group of five, and Morocco rejoined the AU in 2017.⁹

A bone of contention and a source of concern has always been this extreme degree of dependence on external sources of funding. Though the AU has a sanctions regime in place for non-paying members, actual payments of the assessed contributions have consistently fallen short of set targets. Until 2015, the AU collected on average 67% of the assessed contributions, with about 30 member states fully or partially defaulting each financial year (AU, 2016b). Only a few countries pay their yearly contributions (including the big five) and on time, at the start of each financial year (1 January - 31 December).¹⁰ When Nkosazana Dlamini-Zuma assumed office as AUC Chairperson in 2012, one of her outspoken ambitions was to improve the contributions from member states as she was shocked by the high degree of dependency on donors.

After previous attempts to reduce this dependence on donors by beefing up member states' contributions, the AU Assembly decided in January 2015 to shift gear. By 2020 the AU member states were to fully cover the operational budget, 75% of the programme budget and 25% of the Peace Support Operations budget (see further). Yet by the end of 2017, the end of Dlamini-Zuma's term as AUC chair, the member states had only provided two thirds of the total assessed contributions for that year (AU, 2018a). So, there was slow progress in mobilising resources from member states. Nonetheless, a novelty for the AU was that for the first time it had managed to receive funding through assessed contributions (US\$32 million of a total assessed amount of US\$65 million) for its Africa Peace Fund, which should function as a reserve facility from which to tap in times of crisis. Peace operations have been the biggest burden on the AU budget, and previously have been funded entirely by donors - though one has to add that African countries provide peacekeepers.

What explains this slow progress and the lack of collective action, or the freeriding by a substantial number of member states? The AUC management "attributed the low performance to the emergent challenges that most Member States are experiencing e.g. insecurity including food insecurity due to prolonged drought, and emergent conflicts which affect the distribution of national resources" (AU, 2018a). Others claim that the current sanction regime against non-paying members, while somewhat strengthened in November 2018, is weakly applied. Compliance mechanisms include "frequent quarterly reminders, designing of payment plans and the review of the current sanction regime", which appear too soft to be effective (*idem*). Simple transparency measures, such as publicising the data on individual member state payments, are not in place. One plausible explanation for this absence of peer pressure - or sanctions more broadly - may be that a number of member states perceive such country specific listings as a name and shame game that goes against the pan-African ethos of solidarity and non-interference.

⁸ These criteria are based on a country's Gross Domestic Product (GDP) as a share of Africa's total Gross Domestic Product, and also features a more subjective element of capacity to pay. Another principle is that no single country bears a disproportionate share of the budget.

⁹ Currently, the new group of five - Egypt, South Africa, Morocco, Algeria and Nigeria - is assessed to contribute 48% of total assessed contributions. The second tier of 12 countries is assessed to contribute 37% and the third tier of 37 countries 15%.

¹⁰ Egypt, South Africa, Morocco, Algeria and Nigeria.

Dependency on donor funding

Aid is the second, but arguably the largest, source of AU funding. Almost thirty traditional and *emerging* donors¹¹ provide money, technical assistance, and in-kind donations. The EU is the biggest donor, and has the most comprehensive package of aid modalities or tools and programmes. Together with a few European member states, it is the prime funder and backer of the peace support operations and of the AUC's programme budget.

The AU has to follow different planning, budgeting and governance procedures for donor contributions than for assessed contributions by member states. The AUC first assesses the funding requirements of the AU organs. It then presents this overview to the main donors to obtain pledges about planned donor contributions. Three difficulties make it hard to rely on figures from this process. First, the dialogue with donors on their indicative support does not always happen in a disciplined and timely manner, with wishful thinking sometimes taking over from sound planning (Interviews, Addis Ababa, June 2018). Another difficulty relates to donor procedures and practices, as their funding is tied to a range of conditionalities including fiduciary constraints that each can interpret and apply in discretionary ways, creating other types of uncertainty. Third, donors differ in how they deal with these shortcomings in the planning process and in their efforts to reduce the negative knock-on effects. These difficulties affect the timing and volumes of fragmented donor funding, turning it into a rather difficult and unpredictable category for AUC budget planning.

For example, the imprecise timing of donor funding imposes burdens on effective cash flow management and programme implementation. Furthermore, it remains hard to find out how much donors effectively contribute to the AU. The amount that the AU budget reflects as donor funding is in reality an unknown portion of the total funding that donors provide.¹² The amounts that remain outside the budget (or off-budget) usually relate to specific ad-hoc requests to donors from different AUC departments, often at director or commissioner level. Usually this involves smaller amounts, except for off-budget support to technical assistance projects.

Since 2010, a number of donors and the AUC have started to gradually bring these amounts on budget (Interview donor representative, Addis Ababa, June 2018). One major budget item that the AUC has brought on-budget since 2017 relates to the spending on peace support operations, the biggest single budget item of the AU. But still, the combination of fragmented, unpredictable, and at times erratic sources of funding continues to have negative effects on planning, programme implementation, financial accountability as well as staffing. Budget planning, for example, becomes problematic as the AUC planners have to manage multiple uncertainties in the funding. The same applies for budget execution. Together these create a poor incentive environment for improved performance. Directors of departments can hardly be held accountable for poor performance as they can pass on the blame to unpredictable and unreliable funding systems.

Furthermore, lack of transparency about aid that is not brought on-budget has raised concerns among some AU member states. They are the main African *shareholders* of the continental body. One African permanent representative wondered whether the budget truly reflected AU priorities or whether it concealed donor preferences (Vanheukelom, 2016). Given that an unknown amount of aid remains outside the AU budget, it is hard to dispel such concerns.

¹¹ Emerging donors such as South Korea, China, India, Turkey illustrate the growing interest in the continental and global player that the AU has become.

¹² A highly placed AUC representative stated rather categorically that no off-budget spending was allowed.

2.2. The spending or implementation side of the budget

Moving beyond the sources of AU funding, this subsection completes the budget picture by analysing the three main spending categories of the AU budget: the operational budget, the programme budget and the budget for peace support operations. One striking feature in budget implementation is the gap between the budget that is planned and the budget that is spent. This gap indicates the limited absorption or implementation capacity within the AU. As with the income side of the budget, a distinction needs to be made between what is planned for and what parts of the budget plans are implemented or spent.

What is planned for?

Budget planning in the three major budget categories differs substantially. The operational budget is the smallest component of the AU budget and largely covers wages and operational costs of AU personnel. The AU has proposed that the contributions by its member states entirely cover these operational expenditures, as it is too politically sensitive to expose the financing of the day-to-day operations and salaries of permanent and contractual staff to the uncertainties of donor funding. The slow increase in member state contributions to the AU budget explains partly why the operational budget is only allowed to grow accordingly.

Member states' partial compliance with their AU funding obligations creates all sorts of negative knock-on effects. One such negative effect is the open vacancies for permanent staff within the AUC. Filling these vacancies would incur a drastic rise in operational costs. Already in 2006, the AU agreed on a staff structure with 1,165 approved positions.¹³ The external financial audit for 2017 noted that only 653 permanent staff positions were filled by the end of 2017, or 56% of the total foreseen more than a decade ago (African Union, 2018a). This has resulted in recruitments of personnel on short term contracts.

This substantial staff category has limited long-term employment prospects within the AUC and hence poor career prospects with arguable implications for human resources management. Hundreds of seconded experts and technical assistants - an unknown number off-budget and funded by donors - have been mobilised to assist with project and programme implementation, but also with supporting core departmental functions within the AUC. While such ad-hocism and fragmented human resource management may resolve short-term needs, it inevitably constrains the mid-term AU processes for strengthening bureaucratic capabilities, and the systems and institutional arrangements needed for improving performance.

The second largest budget category covers AU programmes. Donors largely finance this part of the budget, from which parts of the above short-term project or programme staff are financed. The programme budget has been allowed to expand more rapidly than the operational budget, though the AUC itself had pointed to the "alarming downward trend" in the actual disbursements of funds received from donors (African Union, 2016b: 7).

The budget for peace operations is the largest and fastest growing budget category. One recent institutional improvement has been the introduction in 2017 of financial data on peace support operations into the AU budget. Peace and security related challenges are the most demanding activities on AUC staff time and on budgets. Especially in violent conflicts where the interests of ruling elites of influential states converge or partially overlap with those of key donors, there is a higher plausibility that funding will match a commitment to restore peace by peace support interventions, especially when inaction threatens to bear too heavy financial and political spillover costs in the sub-region. Previous ECDPM research and other PEDRO reports confirm this finding (Vanheukelom et al., 2016; Desmidt and Vanheukelom, 2018).

¹³ This figure does no longer reflect the needs and staff composition required, but we use it as a rough benchmark.

And what is implemented?

As with data on the income budget there is a persistent gap between the *approved implementation budget* and what is effectively *executed*. While the highest decision-making body of the AU, the Assembly of Heads of State and Government, may approve a particular budget, what matters in the end is what gets executed. And what the AU budgets for is continuously higher than what is implemented. The approved total budget for 2017, for example, was US\$850.8 million. However, realised expenditures that year stood at US\$545.4 million, or 64% of what was planned (see Table 1).

Table 1: Comparing planned and realised expenditures of three budget categories (in US\$ million)

	2014	2015	2016	2017
Operating budget AUC - Planned	78	80.2	84.6	111.5
Operational budget AUC - Executed As % of planned	68.8 (88%)	55.7 (69%)	59.6 (70%)	67.6 (61%)
Programmes - Planned¹⁴	109.2	224.2	275.8	303
Programmes - Executed As % of planned	61.1 (56%)	110.6 (49%)	69.1 (25%)	83.1 (27%)
Peace Support Operations - Planned	434.2	372	354.5	336
Peace Support Operations - Executed As % of planned	390 (88%)	290 (78%)	244 (69%)	254.4 (76%)
TOTAL Planned for the AUC	621.4	676.5	714.9	751.3
TOTAL Executed for the AUC As % of total planned	519.9 (84%)	456.5 (67%)	372.6 (52%)	404.9 (54%)
TOTAL Planned for the whole of the AU (or budgeted revenue)¹⁵	--	--	--	850.8
TOTAL Executed for the whole of the AU	--	--	--	545.4 (64%)

Sources: own calculations based on figures from the Financial Reports and Audited Statements (2014-2017)

Table 1 shows that the total planned budget has been considerably higher than the executed budget, except for the financial year 2014. This reflects a poor absorption capacity by the AUC in its three main budget categories of the AUC: the operating budget¹⁶, the programme budget and the budget for peace support operations. In 2016 and 2017, budget implementation barely stood at half of what was planned for and agreed by the AU. Over a four-year period, even the implementation of the operating budget of the AUC - which includes many of the recurrent costs such as wages - deteriorated from a high of 88% (2014) to a low of 61% (2017). The external auditors explain this underspending by referring to the reluctance of donors “to release

¹⁴ These programmes consist of the five “pillars” of the AUC strategy for 2013-2017: Peace and Security; Development, cooperation, regional integration; Shared values; Institutional Capacity Building; Social, Economic and Humanitarian

¹⁵ Including the budgets of other AU Organs than the AUC.

¹⁶ So, the AUC figures don't include the operational costs of the other AU Organs.

more funding due to the slow implementation of projects/programmes. Furthermore, member states were not fully paying up on their assessed contributions (..)” (African Union, 2018a: 5).

The planning process for the 2019 budget, in contrast, reflected a more disciplined course of action (see further). For the first time, the AU Assembly decided to no longer ignore this lack of absorption capacity, and agreed to cut the budget of 2018 by 12%. It is hoped that the planned budget will be more realistic and credible, and will demonstrate a better degree of performance once implemented. Yet, some also fear that since the cuts mechanistically affect all departments, including the horizontal departments dealing with planning, budgeting, monitoring etc., that these savings might curtail some of essential administrative capabilities.

3. Not merely a matter of money - drivers of institutional reforms

The two problematic sources of funding and subsequent budget execution challenges have proven to be of growing concern for major AU stakeholders and a core group of donors. Volumes of funding for the AU in all three budget categories have steadily risen since its establishment in 2002, while the agenda has expanded considerably.

However, the balance between the two unstable sources of funding and the maturity of the systems to manage and spend it have proven to be fragile. In 2016 the shaky balance tilted into a financial crisis due to a confluence of developments, including poor resource mobilisation from member states, an unforeseen rise in expenditures in expensive peace support operations and a temporary suspension of payments by its largest donor, the EU. All this pushed the AU into virtual bankruptcy.

A silver lining to this crisis was the high-level push it triggered within the AU for a package of institutional reforms. Unlike previous, stalled attempts at *holistic* reforms, the new reform package and implementation arrangements - as spearheaded by the Rwandan President Paul Kagame - have had some traction and have shown initial results, as this section explains.

We are talking about two different types of reforms: one relates to beefing up the contributions from the member states and to reducing the AU's over-reliance on donor funding. A second cluster is about broader reforms, including creating systems and incentives for proper budget planning and management. This section ends with some developments in the partnership between the AU and its main donors. Despite tensions, both sides are exploring ways to re-shape partnership arrangements in such ways as to back, rather than undermine, the recent reform package of the AU.

3.1. A deep crisis as trigger for institutional reforms

Reform plans without traction

When Nkosazana Dlamini-Zuma took office as chair of the AUC at the end of 2012, she acted as locomotive for a comprehensive package of public sector reforms. A range of ideal-type institutional shapes and forms were introduced in the AUC such as results-based management systems, performance orientation in human resources, and a stricter system to ensure compliance by member states to pay their yearly assessed contributions to the AU budget for an ever-widening continental agenda. On the latter, the dominant inter-governmental culture within the AU - with emphasis on sovereignty and solidarity - worked against the attempts to introduce stronger formal compliance mechanisms. By the end of her term, the former

Chairperson of the AUC could witness that many reforms looked good on paper, but that the numerous best practice institutional shapes and forms they took did not function as intended.¹⁷

More specifically, the AU Assembly adopted a declaration on financial self-reliance in June 2015. Member states committed to reduce the financial dependence of the AU on donors. Jointly, all those member states that contributed to the AU were already fully funding the operational budget. This might be qualified as donors pay numerous operational costs such as financing of experts in technical areas of expertise (Interview, Addis Ababa, June 2018). Government leaders also committed to finance 75% of the programme budget, and 25% of the peace support operations budget by 2020. But by 2015, these targets had not been met, the reform drive seemed to have lost steam, and it would take a financial crisis of the AU to change the reform dynamics.

In the absence of sufficient member state contributions, a series of donor decisions created a perfect financial storm. In January 2016, the EU decided to alter spending priorities in its peace support to Somalia, forcing the AU to find additional money for African peacekeepers (Desmidt and Vanheukelom, 2018). Moreover, within the EU and among some of its member states there were doubts about their future funding of regional organisations in Africa (Herrero et al., 2015). Pressures have also continually built up to shift aid to other funding priorities such as the migration crisis.¹⁸ All this coincided with the negative response to findings of a critical external audit of the AUC's finance management systems resulting in a temporary halt of EU funding besides the EU induced pressures on the AU to fill the gap in the funding of peacekeepers in Somalia

The financial crisis in the AU that resulted helps explain why the AU Assembly of July 2016 took some forceful decisions. Firstly, the highest AU body decided on a financing package, which included a concrete continental measure to reduce the strain on the treasuries of the member states while still filling the AU treasury. A 0.2% levy on eligible imported goods to the continent would predictably increase the payments by member states of their assessed contributions, and simultaneously improve their timely payments to the AU. This decision would also help secure sustainable funding up to 25% for peace support operations. Secondly, the AU mandated President Paul Kagame to prepare a report on the wider institutional reform agenda of the African Union.

This way, the centre of gravity behind reforms began to shift from the AUC to the AU Assembly. Kagame had gained prestige in Africa for his leadership role in donor coordination in his country, his no-nonsense approach to external partners, and the developmental results at home. While his forceful style at the AU was not welcomed by everyone, his political and reputational stamina enabled him to push things through, the more so as he would serve in 2018 as the Chairperson of the AU. His efforts and those of a high-powered panel of pan-African experts, resulted in a unique report of a mere 16 pages of critical findings and hard-hitting recommendations in an unusually straightforward language. The Kagame report - as the output document of this panel was referred to - struck a chord.

The Kagame report confronted the “crisis of implementation” within the AU head-on. According to the Kagame report, the AU leadership has voted more than 1,500 resolutions in its almost two decades of existence, yet “there is no easy way to determine how many of those have actually been implemented” (African Union, 2017a: 6). There is a lack of “accountability for performance at all levels”. And there is a lack

¹⁷ As previous work on the political economy of regional integration in Africa (PERIA) highlighted, unrealistic expectations and the conflation of institutional forms with institutional function results in lost opportunities for reform processes that generate the needed administrative capabilities over time. (See also Vanheukelom et al. 2016). For a more developed argument on the conflation of institutional forms and functions, and the underlying phenomena of *premature loadbearing* and *isomorphic mimicry*, see also: Pritchett et al. 2012.

¹⁸ In the preparations of the next multiannual financial framework of the EU, the EU Commission wants to allocate EUR30.8 billion for migration and border management for the period 2021-2027, breaking with Europe's traditional approach in which the Union was proud to be seen as the world's largest donor to developing nations” (Valero, August 2018). This is around EUR 2.5 billion more that funds earmarked for sub-Saharan Africa.

of action due to “limited managerial capacity” and “inefficient working methods in both the Commission and the Assembly”. Still according to the Kagame report, all this results in the image of the AU as a “dysfunctional organisation in which member states see limited value, global partners find little credibility and our citizens have no trust” (idem). This then points to the underlying incentives and disincentives faced by member states in funding the AU, as most have their own domestic political priorities and concerns that often override those of a distant continental body.

The message sounded unambiguous: “it is time to look for a different mechanism that formally and legally binds us to act without delay and holds us accountable for outcomes”. The diagnosis was clear: “the level of dependence on external funds¹⁹ raises a fundamental question: How can member states own the African Union if they do not set its agenda?”. And the recommendations were sufficiently concrete for action (idem: 16). In January 2017 the AU Assembly approved these recommendations in four mutually reinforcing action areas: the AU had to prioritise actions with a continental scope, realign its institutions to deliver against those priorities, manage the AU efficiently at political and operational level, and work towards the sustainable and accountable financing by member states of the AU.

From recommendations to action - traction for implementation

President Kagame was under no illusion that “previous recommendations have remained largely unimplemented” (idem). If the AU wanted to “be made fit for purpose” effective measures had to be put in place to ensure the implementation of agreed recommendations and their effective monitoring. One such measure was to assign clear responsibility for delivering on the whole of the reform agenda to a *Reform Implementation Unit*. This unit operates under the AUC Chairperson and reports to the Chairperson of the AU, and the rest of the AU Troikas, and therefore seems to have some traction on the reform agenda.

Still, this reform agenda is broad, ranging from typical public sector reforms to the highly complex relationships between the continental and sub-regional organisations on the continent in numerous policy domains. This paper only deals with funding related reforms though, arguing that small but concrete steps are beginning to make a difference.

The financial crisis within the AU drew the attention to the structural deficit of raising financial resources among the key stakeholders of the continental body, its 55 member states. But some AU stakeholders and core donors were also concerned about the governance and accountability dysfunctions underpinning this crisis. These included poor planning and budgeting discipline, loose reporting to different governance actors (as highlighted time and again by donors), low absorption capacity and an ever-inflating agenda with concerns over the growing implementation gap and lack of performance.

Some novelties in the reform package aimed to strengthen budget preparation, monitoring, reporting and evaluation, measures that could reinforce ownership by member states over AU policy making and implementation. Other concrete steps to enhance transparency included publicising the externally audited financial accounts on the web. To reinforce the budget preparation process, the AUC started to provide more data in a timely manner as of 2015 through the yearly Budget Framework Paper.

The direct involvement of member states in the budget planning was reinforced through the creation of a Committee of Ten Ministers of Finance, later to be expanded to 15 - also called *the F15* - to make it more representative of the five African regions. The F15 complements the roles and functions of the two sub-

¹⁹ The budget figures for 2017, the year of the release of the Kagame report, were alarming as they predicted an upswing of dependence on donor funding of 74%, with only 25 out of 54 member states having paid their assessed contributions by 31 December 2016. (Kagame Report, 2017: 16).

committees of the permanent ambassadors²⁰ to the AU that examine and monitor the AUC budget estimates and proposals. Since 2015, permanent representatives had started to assume more assertive roles in budget and finance matters, but they are less equipped with the expertise - nor do they have the vested authority and political clout of the F15 (Interviews Addis Ababa, June 2018; African Union, 2018c).

The reinvigorated planning and oversight arrangement²¹ have already been applied for the budget preparations for the 2019 financial year. Expenditure rates for the last three years of various AUC departments were scrutinised, directors were called on to personally present and explain levels of performance. Budget ceilings were applied in cases of poor performance. All this resulted in July 2018 - for the first time ever - in the AU scaling down its budget (a cut of 12 % for the budget year 2019). President Kagame, as Chairperson of the AU, qualified this budget as “the most credible and transparent in our history” (African Union, 2018d).

A start has also been made with implementing the 0.2% import levy. The initial opposition to this continental policy has waned, and by November 2018, 24 member states were at various stages of implementing the Kigali financing decision: 14 member states are collecting the 0.2% levy, 4 are implementing the financing decision with modalities and 6 are in the process of starting implementation. Some of the opposition appeared to have been directed at the leadership style of the AU Chairperson. Some pointed to potential objections by the World Trade Organisation to the application of the 0.2% levy, and some member states – especially the *big five* – raising concerns about what will happen with surpluses generated (Apiko and Aggad, 2018; Interview, December 2018). The politics and mechanics around this policy have been clarified since, allowing for a differentiated implementation by member states. This raises the prospect of increasing the annual funding of the AU operational and programme budget over time. By the end of 2018, the AU Peace Fund was endowed with \$56 million, allowing for swift financial responses to calls for launching peace support operations or mediation initiatives (Institute for Security Studies, December 2018).

Senior AUC officials hold somewhat different views about the speed and depth of these reforms. One suggested that there is speedy progress towards drastically reducing aid dependency from donors. A less euphoric view by one senior AUC official at the retreat of the AU Partners' Group²² summarised that “little by little our structures are being improved” (Interviews, Addis Ababa, June 2018).²³ At the end of 2018, only half of member states had paid their yearly dues. While sanctions against non-paying members, exist - and have been sharpened at an extraordinary summit on AU reforms in November 2018 - they are not applied (idem). The special AU summit in November 2018 that was supposed to give the institutional reform process further impetus, could not satisfy the AU Commission Chair, who felt that “the pace at which we're doing things is not sufficient” (Institute for Security Studies, 2018).

Some scepticism is also voiced around the prospects for maintaining reform momentum. Egypt takes over the Chair of the AU from the dynamic and highly visible President Kagame as of February 2019. Kagame had outspoken views on the shared responsibilities at both sides of the partnership between AU and donors. So, his criticism of donors was matched with his reminders to the AU to take the lead in reducing its over-reliance on donors. Egypt has developed a different attitude from President Kagame to its main donors and

²⁰ The Permanent Representatives' Committee of all African permanent ambassadors to the AU in Addis Ababa features ten subcommittees, two of which deal with financial and budgetary matters: the Advisory Sub-Committee on Administrative, Budgetary and Financial matters (composed of all member states, with largely advisory functions) and the Sub-Committee on Contributions.

²¹ This planning and oversight arrangement is also referred to as the *Golden Rules*, a set of rules to realise a credible budget, strong financial management, improved budget performance and reliable accounting processes.

²² The AU Partners Group is the forum in which all donors (old and new) meet with the AU.

²³ Still, some member states resist the speed and the level at which certain measures have been pushed through. Regional Economic Communities such as the Southern African Development Community have raised objections against some of the planned reforms.

to the AU on matters such as the 0.2% levy, or to the other flagship programme, the African Continental Free Trade Agreement. Some feel that even if the tone under Egyptian President Sisi changes, the systems may be in place for continuity (*idem*).

3.2. The partnership paradox - the changing context and dynamics of development partnerships

Partnership relations between unequals are rarely easy. The ones between Africa and Europe go back a long way, and intrinsically relate to the episodes of decolonisation, Cold War and liberation struggles. Since the establishment of the Organisation for African Unity in 1963 and later the AU, their main donors - primarily Africa's former colonisers and the European Union - had a dominant position in providing external financial and other support to the pan-African and sub-regional organisations such as the Regional Economic Communities. Despite these levels of persistent aid dependency, there has always been a strong degree of *agency* among the African partners; *even push-back* on many occasions. Assertive African political leaders and high-level AUC officials pushed back on some of their biggest donors, often on different policy preferences or the sense that donors came too close for comfort. This relationship of donor dependency and AU push back presents a *partnership paradox*.

As of 2016, perhaps even sooner, relations between the AUC and core donors soured drastically. This section briefly deals with the post-crisis surge in "agency" within the AU during that period. It also argues that despite AU attempts to keep core donors at arms-length, it appears that there remain sufficiently strong partnership relations that seem to offer potential for stepwise support for the AU reform agenda. This subsection briefly looks back at a well-documented but failed attempt at modernising the multi-stakeholder partnership in a wholesale manner. This attempt offers a good lead-in at appreciating here and now efforts of core donors and the AUC at improving their partnership.

Failed attempts at modernising the partnership

In 2009, with support from reform-minded donors, the AUC Deputy Chairperson called on two experts to draw up a roadmap to facilitate a process of modernising the basic partnership model between the AUC and its main donors.²⁴ The purpose was to create *Joint Partnership Arrangements*, modelled on the globally agreed principles of *development effectiveness*.²⁵ In a basic Joint Partnership Arrangement, participating donors merely agree to harmonise programming and reporting, monitoring, evaluation and information sharing requirements.

The AUC was more ambitious and aimed to gradually combine this basic partnership model with a *pooled funding* arrangement (see also Lawson and Kamaray, 2010: 12). The potential advantages of such arrangements are thought to be considerable. In such an aid modality, donors pool their financing within a common fund in support of a jointly agreed set of AUC activities or programmes. This modality requires donors to harmonise their efforts with one another, and reduce aid-related transaction costs, as such costs tend to overburden relatively weak AUC management systems. It would also simplify reporting by the AUC. If the benefits for the AUC were substantial enough, it could even create incentives for discouraging donors to continue with earmarked and off-budget funding.

²⁴ This reform episode offers an appropriate reality check and some rare insights into the paradoxical push and pulls of the AU-donor partnership. The experts involved in developing a roadmap for reforms wrote a well-documented report on the positions of both sides of the equation (Lawson and Kamaray, 2010; see also Vanheukelom, 2019 forthcoming).

²⁵ These global principles of development effectiveness date back to international agreements in Paris (2005), Accra (2008) and Busan (2011). The AU, together with practically half of its member states, were among the first to sign up. All donors also agreed to these principles for effective development partnerships, calling for enhanced mutual accountability among all partners (not just donors), results orientation, harmonisation of aid systems and practices among donors, and donor alignment with policies and developing partner systems.

So, the stakes were high. But was there sufficient commitment and common ground on both sides of the partnership to move in this direction? Was the AUC ready for *programme funding*?²⁶ And are donors ready for *programme funding*? The answers provided to these questions in 2010 were not reassuring. Donors understood the question of *readiness for reforms* as an “an exclusive problem of the AUC” (idem: 20). However, this seemed disingenuous as donors shared responsibilities for weak financial management systems through weaknesses in their own administration of aid. In particular, political and bureaucratic incentives in donor capitals pushed their staff to favour visible projects within a supply-driven and risk averse way of working, which could undermine pooled funding approaches.

Moreover, blaming the AUC for the lack of progress towards improved partnerships was not constructive, as it “does not acknowledge the interdependence of the AUC with its Development Partners and their chosen modalities of assistance. If the Peace and Security Department is forced to report against 110 separate project accounts, each with specific requirements, then it is inevitable that there is less time for careful procurement planning or for following up on audit recommendations” (idem). Ultimately, the roadmap was never finalised as there wasn’t sufficient common ground to take the ambitious partnership agenda forward.

Still, during the following years, a group of like-minded donors continued to cooperate with a few key departments of the AUC. Over time, they established five *Joint Programme Arrangements* and *Joint Financing Arrangements*. These joint arrangements usually consist of AUC sector representatives and six to ten donors who commit to a basic form of partnership around harmonised approaches to planning, reporting and financing. The five arrangements were organised around the five thematic pillars of the 2013-2017 strategy of the AUC. An inner core of donors went further by jointly pooling their funding through a common account, which transformed the Joint Programming Arrangement into a Joint Financing Arrangement.

One can conclude that no big-bang reforms in the partnership emerged from the 2010 efforts. Neither was there a complete stand-still of efforts to improve the quality of certain aspects of the partnership relations. The mechanisms of the Joint Programme and Joint Financing Arrangements have survived, though the quality and results of the five partnership arrangements have been mixed (Interviews, Addis Ababa, June 2018).

Whatever the energy put in to discipline donor behaviour, only a portion of aid is managed and disbursed through the channels of the common pool funds. Domestic political and bureaucratic constraints seem to partially explain why donors refrain from engaging in a wholesale way in such harmonised arrangements and why they remain locked in - in varying degrees - into earmarked and fragmented funding (Lawson and Kamaray, 2010). This forces the AUC to mobilise a substantial part of its scarce human resource pool to service two demanding external funding tracks. In the course of 2018, attempts have been undertaken to revive efforts at improving the partnership between AU and core donors.

Fast-forward - mutually reinforcing dynamics

This is a good moment to look back and forward on the donor-AU partnership. In June 2018, at the invitation of the co-chairs of the African Union Partners’ Group,²⁷ the AU and donor representatives met to discuss two relevant matters for the future of the partnership relations. In the morning, the AUC presented the new five-year strategy of the AU, the *Medium-Term Plan 2018-2023* (African Union 2018c).

In the afternoon the co-chairs presented the outline of a backward-looking exercise: an “evaluative assessment” of the five joint partnership arrangements that the AU had established with its donors. The purpose was to draw out lessons to inform ways to improve the partnership and shift it in a higher gear. Both

²⁶ “Programme funding” in this paper refers to the aid modality to be applied in the advanced Joint Partnership Agreement.

²⁷ The AU Partners’ Group is the main dialogue platform for AU stakeholders and their external partners.

interactive and open discussions provided a useful reminder of strategic and operational concerns from the various stakeholders in the AU Partners' Group.

At the broader, strategic level, the donor concerns can be summarised as follows: as long as we are funding the bulk of the AU budget, we should have regular dialogues in early stages on the main directions and managerial approaches taken. Donors complain, however, that the space for a meaningful policy and operational dialogue is shrinking within the AU and with the AUC. In donor eyes, the AUC did not provide opportunities for dialogue in the run up to the new five-year strategy. Moreover, avenues for high-level contacts had diminished due to a closed-door policy at AU Assembly meetings. Donors complained that they had not been involved in providing inputs for the 2018 budget process. They requested, as a minimum, to be involved in the future reviews of the strategy and yearly action plans that guide the implementation of the five-year strategy. In this line of thinking, this would enable donors to play a more "meaningful role in the Medium-Term Strategy process as it would allow to have some frank and honest discussions on milestones and targets" (Interviews, Addis Ababa, June 2018). African partners dryly remarked that the donor presence at high level events reduces the space for inter-African dialogue. This highlights the fine line needed between seeking autonomy and engaging with financing partners.

At a more operational level, donor representatives in Addis Ababa persist in requesting regular exchanges to ensure the consistency of data, to obtain better and regular reporting, to enable alignment in a timely manner with AU priorities, and to discuss donor priorities as well. In the absence of such exchanges "there is a risk that funding will not be approved by lack of capacity to align our strategies with yours".²⁸ There was also a risk that if the donor requirements for financial reporting and the standards applied at the AU level drifted too far apart, donor capitals would reduce aid flows to the AUC. However, one highly placed source within the donor community also pointed to the risk of *moral hazard*.²⁹ Somehow key AU stakeholders or actors do not contemplate that its main donors will halt their funding as the AU is the only continental actor that can engage its major donors on global and continental programmes of interest to one or both sides of the partnership. "We need the AU" (Interviews, June 2018, Addis Ababa). The concern with moral hazard is that such continued external financial support may weaken the incentives of the AU to generate alternative resources and pursue reforms needed to consolidate AU effectiveness.

The AUC reply to these concerns can be summarised with one quote: "We can benefit from discussions, but partners cannot set priorities for the AU" (Interviews Addis Ababa, June 2018). Some AUC participants at the AU Partners' Group workshop voiced some empathy for the difficulties that donors face when they have to convince colleagues in capitals with "late reports, missing reports, forgotten reports, or even childish reports", as one donor intervention summed it up bluntly. But the AUC was equally concerned about its own obligation to be accountable to its stakeholders. Some member states had become very vocal and objected to the question to free more space for policy dialogue with donors due to a fear that donors may shift from supporting the AU to driving its agenda. As one high-level AUC interview stated, donors should not move too close for comfort, and certainly "should not decide on policies". Again, the paradox of donor dependency and the need for agency to ensure legitimacy is at play in donor-AU relations.

Some within the AUC have confirmed the above concerns by pointing to African political leaders who fear that the AUC may have become more responsive to donors than to AU member states. Some member states openly raise questions about skewed accountability relations towards donors. In fact, when an AUC strategic advisor intended to discuss the medium-term strategy with donors, a few African permanent ambassadors

²⁸ All quotes in this subsection from both (Chatham House ruled) meetings in Addis Ababa, June 2018.

²⁹ Moral hazard exists where individuals "are guaranteed a benefit or protected against loss once an initial contract has been entered, regardless of whether they take the proper level of effort to realise the benefit or avoid the loss. Governments (or communities) receiving donor financial aid may make solemn promises to reform their own institutions, but may avoid following through" (Ostrom et al. 2002: xviii).

told him in no uncertain terms not to do so and to keep some distance from donors. This new-found assertiveness coincided with the financial crisis of 2016, or rather, as one senior AUC official indicated, this crisis “made member states more conscious” and assertive.

The subtext to these concerns cannot be mistaken: donors should not be under any illusion about their relative weight and real roles. As summarised by one senior AUC interlocutor: the assistance from donors - though voluminous - “cannot be transformative. Fundamental things need to be pushed and agreed by member states. The discussion with partners on adjustments will come, but we haven’t reached that point yet” (Interviews Addis Ababa, June 2018).

Nevertheless, the June meeting of the AU Partners’ Group opened perspectives on the need to manage these tensions and fault-lines in future joint programming and joint financing partnerships. This meeting also kickstarted the evaluation process of the five Joint Programming and Financing Arrangements established to support the AU Strategic Plan 2013-2017. It is hoped that the evaluation will provide pointers for improved cooperation between AU and donors. Already, the no-nonsense reform agenda presented in the Kagame report resonates well with core donors, who see an opportunity and a solid framework to contribute to making the AU more fit for purpose.

4. Summing up and looking ahead

“We need to mobilise the right mindsets, rather than more funding”. President Paul Kagame wrapped up the funding challenge of the African Union rather pointedly.³⁰ Money matters, for sure. But there is much more to the AU reform agenda that meets the eye. After a financial crisis in 2016, the highest decision-making body in the AU asked him to kickstart an institutional reform process. One of the reform pillars was about sustainable funding of the AU.³¹ This paper addresses that challenge, and in doing so touches on other aspects of the reform dynamics.

Donors and the AU member states are the main sources of AU funding. However, these sources are problematic in different ways: funding by member states is erratic and so far, covers a smaller portion of the total financial resources mobilised by the AU. Donor funding comes in fragmented, unknown quantities, often with strings attached, thereby creating managerial overload and constraining scarce administrative capabilities. This then has further negative knock-on effects on institutional development and organisational performance. While both sources of funding have grown and allowed the AU organs to work on an ever-expanding agenda, the degree of continental added value and effectiveness is called into question by in- and outsiders.

The paper deals with two sets of minds, so to speak. First, there are Africa’s leaders “who must set the right expectations and tempo” for this reform agenda in the words of Paul Kagame. To resolve the collective action problem of member states that freeride by not paying their membership fees, the AU introduced two broad sets of measures. One measure gave member states an option to make use of a mechanism to levy 0.2% of eligible imports in Africa with which to finance their yearly assessed contributions to the AU budget. Another set of AU Commission measures aimed to make the budget process more reliable and credible.

³⁰ President Paul Kagame at the African Leadership Forum in Kigali, on 2 August 2018.

³¹ “Focus on key priorities with continental scope; realign African Union institutions to deliver against those priorities; manage the African Union efficiently at both political and operational levels; finance the African Union ourselves and sustainably” (African Union, 2017 a: 6).

Secondly, there is the set of minds - and interests - of the main donors, still the largest source of AU funding. Together with the AU Commission, a core group of donors has cooperated over the last decade in joint programming and joint financing. They tried to minimise the harmful effects on the AU partners of fragmented and earmarked aid, and to maximise the potential for effective programme implementation and organisational strengthening. However, in 2010 there was not enough readiness for a decisive push to substantially modernise the partnership.

Despite hiccups between these partners, even a temporary interruption of policy dialogue, the Kagame report (2017) and the first actions taken seem to have renewed the impetus for tackling some of the partnership fault lines. In the second half of 2018, a core group of donors and the AUC started a dialogue on an evaluative assessment of the post-2010 efforts of joint programming and financing. The purpose of this exercise is to inform the design of future partnership arrangements. Partnership challenges at both sides of the equation are currently being addressed.

For donors this includes a concern to reduce earmarking (often resulting from failures of collective action, or political interests in visibility in donor capitals), to bring more aid on the AU-budget, and to explore ways of partnering with donors such as South Korea, Spain, Turkey, China but also the World Bank. These concerns also transpire in an EU commissioned study on all aid provided by European member states to find out how much is on and off budget. The EU intends to bring its own aid as much as possible on the AU budget at a time that it is revising multi-annual financing and support strategies with the AU. Enhancing transparency on donor practices may help lower the bar or increase the peer pressure for external actors - in and outside of the partnership, old and new - to abandon earmarked pet projects and engage more purposefully in collective action in support of the institutional reforms of the AU. As one highly placed donor official summarised it: "Our own intention is the maturation of the African institutions" (Interviews, Addis Ababa, June 2018).

For the AU, more particularly the AU Commission, these partnership challenges centre on improving planning, financial management, reporting and broader accountability functions, while ensuring that such institutional reforms may become mutually beneficial for AU stakeholders and donors. Credible financial and budget governance may gradually reinforce the ownership by African member states at the core of the AU, as they may reinforce upward accountability pressures. Moreover, when member states contribute more to the AU budget, they may take a stronger interest in the performance of *their* continental organisations. This may alter the incentives faced within the bureaucracy to deliver on decisions taken, and potentially improve feedback loops to decision makers on what works and what doesn't in terms of continental added value.

In other words, as the AU's financial and budget systems improve the AU policy agenda may become more prioritised on issues where the continental organisation adds value. Other AU stakeholders - including sub-regional organisations and African non-state actors - as well as donors may benefit from this lifting tide of transparency and accountability. Such trends may, furthermore, reassure donors and encourage them to reduce the administrative overload by harmonising their approaches and by aligning them with AU systems and policies, as donors can rely on improved reporting and accountability systems, arguing with their capitals to move from overly hands-on strategies to hands-off approaches.

There are a lot of "mays" above, pointing to various plausible scenarios. There is little certainty given the numerous *moving parts* in these multi stakeholder partnerships, including the political dynamics in donor capitals. This discussion paper dealt with only two layers of complexity. First, there are the political economy features of between-country politics and national level power plays across 55 African countries that make or break continental agenda-setting and implementation. A second layer of complexity is about having to maintain energy sapping partnerships with fragmented donors. This partly distracts and overloads weak bureaucratic systems, thereby potentially weakening the accountability relations between AU and member

states. Questions also remain as to whether the current champions of improved partnerships and institutional reforms within the AU bureaucracy, with African stakeholders and among a core group of donors are sufficiently strong to keep the reform momentum going.

There is more certainty that the degree of AU dependence on donors will only diminish slowly. Hence, the implication would be to caution against overambitious, best-practice reform models. In the past, announcements of comprehensive AU reforms and experiences from failed efforts to implement them have put reformers and their supporters on the wrong footing. Such experiences confirm lessons from political economy literature on complex, institutional reforms and the tendency to overload the reform boat. Rather than pursue avenues without ownership, Andrews et al. (2016; see also Pritchett et al., 2012) propose step-by-step reforms, adaptive approaches and support programmes that build on political traction from AU champions or specific reform coalitions, within a longer-term, patient partnership.

The recent attempts by AU and a handful of donors to up the partnership game and cooperate on parts of the AU institutional reform agenda seem to point in that direction.

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