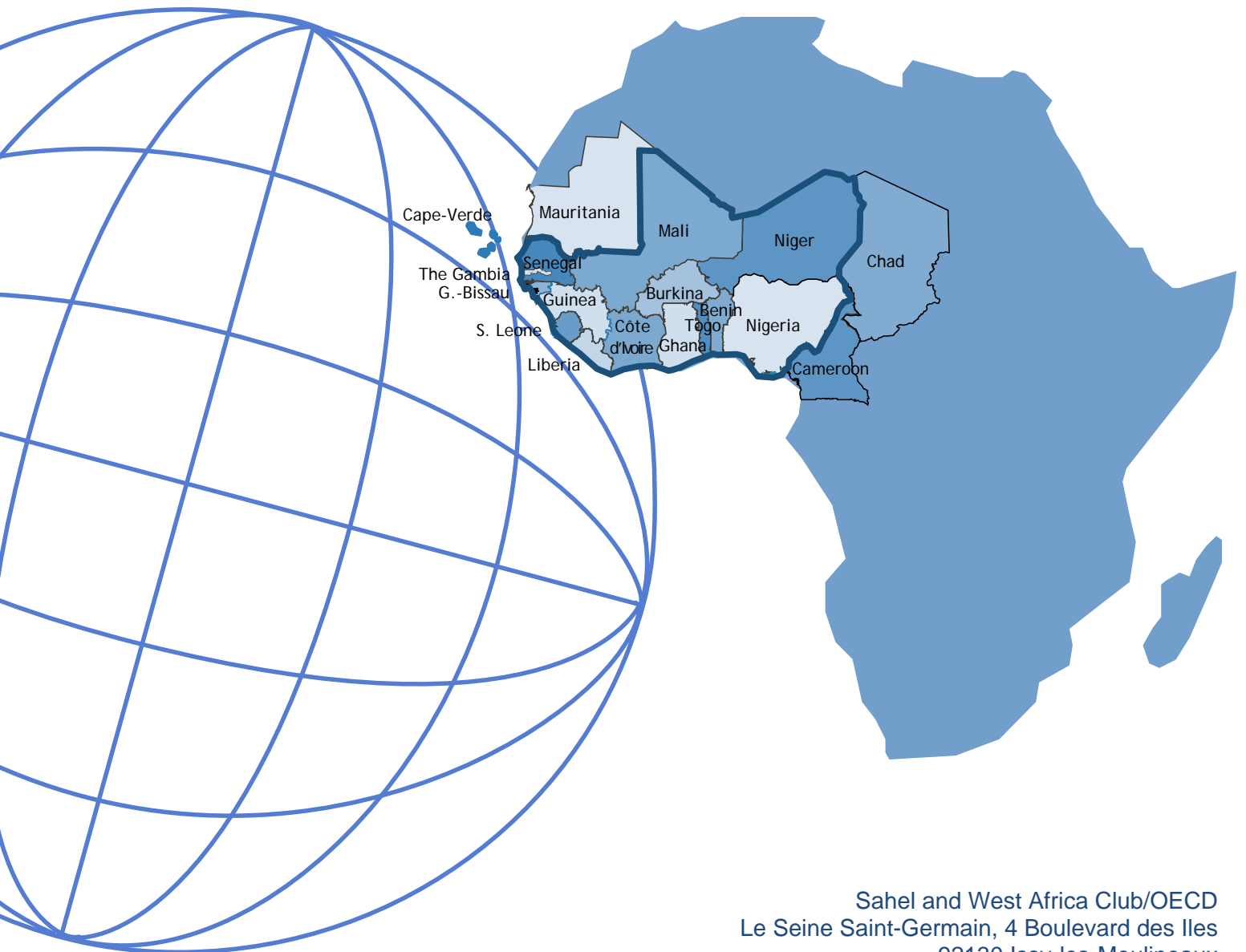


*Contribution to discussions on
the financial future and role of the SWAC*



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INTRODUCTION

During the SPG budgetary session of 1 February 2008, contributing members asked the Secretariat to produce a document setting out the efforts undertaken to stabilise and improve the SWAC's financial situation. The Secretariat's actions, initiatives and proposals are summarised below.

The mobilisation of supplementary general resources has proven more difficult than envisaged (points 1.1. and 1.2) and the SWAC's financial situation has become more precarious. On the other hand, significant progress has been made in the mobilisation of additional programme-specific resources, notably with the involvement of the ECOWAS Commission. These efforts will be pursued and new promising paths are emerging (point 1.3). Furthermore, clear hypotheses must be developed concerning the financing of structural costs in light of SPG recommendations (1.4).

As was demonstrated in SPG discussions, strategic thinking regarding the SWAC's financing goes hand in hand with the need to clarify its identity, its partnerships and its position within the OECD (see point II.).

While capitalising on achievements in order to further operational strategic thinking, this endeavour should assist the SWAC in adjusting to the changes in the international and West African contexts. It is accompanied by working hypotheses that take into account previous SPG debates, in particular those that took place on 31 January/1 February 2008. This SPG indeed raised some essential questions to which responses are provided hereto. This strategic thinking also refers to the document entitled, "2008-2012 Work Plan" presented to SPG members in January 2008. Reviewing this document will be useful in SPG discussions on the SWAC's future in terms of its role and objectives.

The financial situation has restricted the implementation of the SWAC's 2008 work programme. The SPG meeting in June 2008 will be an opportunity to demonstrate that the Secretariat will however produce substantial results by the end of the year.

Finally, the results achieved within the framework of the SWAC's 2005-2007 Work Plan will not be reiterated as they were set out in the Progress Report on the implementation of the SWAC's 2005-2007 Work Plan, although if so desired, they can be discussed. The 2008-2012 Orientations and the 2008 Work Plan were also presented to SPG members.

I. THE 2008 BUDGETARY SITUATION AND FUTURE PROSPECTS

The three great challenges which the Secretariat should address in the short-term are:

- The reduction of its general resources.
- The optimisation of specific resources.
- The management of structural and operating costs.

1.1 General Resources

Despite significant efforts undertaken, general resources for 2008 will most likely be less than those presented to the SPG at the beginning of February due to:

- The expected contribution by Austria was withdrawn from the provisional resources table as, at this stage, the SWAC Secretariat does not have sufficient guarantee at this stage.
- The amount received in Euros from Canadian, American and Swiss contributions was reviewed and adjusted (lowered) due to changes in the exchange rate.

In total, the Secretariat estimates its general resources in 2008 to be 2 241 000 € compared to 2 309 000 € in 2007.

General Resources 2008 (*1000€)

	Projections		Observations
	March-08	May-08	
Germany	220	220	
Belgium	125	125	
Canada	667	621	Change in the Euro exchange rate
Switzerland	221	215	Change in the Euro exchange rate
The Netherlands	300	300	
Luxembourg	200	200	
United States	165	160	Change in the Euro exchange rate
Total confirmed	1898	1841	
France	400	400	
Austria	40		
Total expected	440	400	
TOTAL	2338	2241	

The Secretariat was informed that France would soon announce its contribution. Expenditure foreseen on the 2008 general budget will eventually be adjusted in accordance with this announcement.

However that may be, the increasing of 2008 general resources by 200 000 € compared to 2007 (or reaching 2 500 000 €), has been difficult to achieve.

Prospects for 2009 are as follows:

- Canada with an ongoing five-year contract: 520 000 €. This decrease compared to 2008 is stipulated in the contract.¹
- The Netherlands: 300 000 € with a five year commitment announced at the SPG meeting in January 2008.
- Multi-year contracts of Switzerland (three years) and Germany (two years) expire in 2008. Negotiating these contracts is a priority.
- Luxembourg has made significant efforts in 2008 doubling its contribution (200 000 € in 2008 from 100 000 € in 2007). The Secretariat is unsure as to whether this could be repeated in 2009.
- Announcements from Belgium, France and the USA are expected.

¹ The first two years (2006 and 2007), the Canadian contribution was set at 975 000 Canadian dollars (including a contribution of 175 000 Canadian dollars to communications within the Secretariat), the three following years, the contribution has been set at 800 000 Canadian dollars.

1.2 General Resources Expenditure

General resources expenditure (structural and operating costs) were reduced to a strict minimum with regard to the Secretariat's current configuration. They are estimated at 1 915 000 € (table below). As indicated above, they will be adjusted in accordance with the definitive contribution by France for 2008.

General Resource Expenditure

(*1000€)

Salaries	1371
Rent	217
OECD Overheads	186
OECD Information Technology fees	40
Structural costs sub-total	1814
Telecommunications	20
various operating costs	35
SPG	20
Ambassador meetings	7
Official travel/missions	40
Miscellaneous	20
Operating costs sub-total	142
Total	1956

If the SWAC receives the 400 000 € contribution from France, the Secretariat's theoretical financial room for manoeuvre would be slightly less than 300 000 €. This margin is extremely slim considering:

1. The financial requirements, as set out within the framework of the work programme, of the four units and communications, even taking into account received specific financing (see point 1.3).
2. The uncertainty of 2009 contributions which requires very prudent management of available resources.

1.3 Specific Resources

1.3.1 A sharp increase has already been confirmed

The table below indicates that confirmed specific resources as of 20 May 2008 for 2008 activities would reach 1.5 million €, or an increase of 232% compared to March 2008. These specific contributions finance 78% of the SWAC Secretariat's activities (studies, meetings and missions).

This sharp increase is exclusively due to the ECOWAS Commission which is thus providing 56% of the SWAC's specific financing. ECOWAS resoundly confirms its desire to strengthen its partnership with the SWAC.

2008 Specific Financing confirmed 20 May 2008 (*1000 €)

I. Externally financed personnel		
Head of MLTDP Unit	Luxembourg	173
Livestock professional	Switzerland	92
Advisor MLTDP half-time	France	75
Sub-total I		340
II. Programmes		
Migration (1)	Italy	60
Migration (2)	France	125
Atlas on Regional Integration (3)	Switz Lux UNDP	65
Atlas on Regional Integration (4)	FAO	15
Cross-border cooperation (5)	EU Niamey	35
Cross-border cooperation (6)	Various balances	15
Governance (7)	AFD (balance)	7
Regional Post-conflict Policy (8)	ECOWAS	60
Regional Land Charter (9)	ECOWAS	200
Food Security (10)	ECOWAS	350
PRIA (11)	ECOWAS	149
West Africa Report (12)	ECOWAS	100
Sub- total II		1181
General Total		1521
Externally financed personnel		22%
Programmes		78%

- (1) *Analysis of Migratory Policies of OECD countries (published book)*
- (2) *Regional Stakes of West African Migration (published book)*
- (3) *Publication of chapters underway and general compilation*
- (4) *Diffusion, dissemination of chapter on climate change*
- (5) *K²M feasibility study/ cross-border cooperation and food security*
- (6) *Three issues of the "Border Diaries" magazine*
- (7) *Validation of the Saly Action Plan*
- (8) *Regional Workshop*
- (9) *Phase I: Regional Workshop*
- (10) *RPCA website/ Non-Sahelian country food security profiles / Restitution Workshops*
- (11) *Assessment of the situation of shared agricultural resources*
- (12) *Mock up, reproduction, restitution workshop*

However, these contributions raise two issues:

- They are applied to specific actions with a length of time usually not exceeding several weeks (organisation of a workshop) or several months (study/report).
- Even with agreement from high-level authorities, mobilisation of such funds is generally long and arduous. Transaction costs are high.

1.3.2 Prospects with ECOWAS

Financing of other joint initiatives with the ECOWAS Commission is being finalised, notably regarding livestock, agriculture's future, and the follow-up to post-conflict.

The SWAC Director plans to go to Abuja at the beginning of June to meet with high level ECOWAS Commission authorities to agree on ways in which to finance joint initiatives.

The aim would be to structure this procedure through a Memorandum of Understanding (M.O.U) based on the broad orientations of the ECOWAS 2007-2010 Strategic Plan and ECOWAS 2020 Vision. It would also be founded on the specificities and value added of the work carried out within the SWAC framework. This MOU, which should be validated by the legal services of the ECOWAS Commission and OECD would highlight:

- Specific cooperation could be carried out in various domains: co-organisation of a workshop or forum; joint undertaking of a study, etc. The procedures for fund transfers would be clearly defined enabling the transfers to be carried out more rapidly than they are today (as *ad hoc* cooperation requires repeating a long administrative process).
- Multi-annual cooperation as well as financing or co-financing modalities such as the implementation of the "West Africa" information portal as well as the second issue of the "West Africa" Report.

As already stated, this process should receive specific support from cooperation agencies financing both ECOWAS and the SWAC: referring to the SWAC in cooperation agreements between cooperation agencies and the ECOWAS Commission to include specific "SWAC" budget lines for certain projects, notifying cooperation agency representatives in Abuja, etc. This procedure would also facilitate in-depth strategic thinking on SWAC/regional organisations complementarities, the SWAC's value added in supporting Club members' efforts to strengthen the effectiveness of their aid in the region, individually and collectively.

1.3.3 Prospects of multi-year programmes at the initiative of SWAC members

Taking into account the SWAC's identity and its mandate, some SWAC members could decide to address an issue together, for a fixed period of time, within the framework of the SWAC as this framework is more appropriate than any other.

Belgium is currently exploring this hypothesis with certain SWAC members who may potentially be interested in the issue involving forced child labour on West African cocoa plantations. Political pressure from consumer countries (United States Senate, European Parliament) is intensifying and threatens West Africa (calls for a boycott, in one form or another), the top cocoa production region in the world. Approaching this issue within the SWAC framework would have the following advantages:

- Addressing this situation via the *regional dimension* (the largest West African cocoa basin is located in a cross-border area) by placing it in a broader context (links to regional mobility issues, the sub-sector's future, etc.).
- Sharing experiences / programmes /strategic thinking; “who does what”?
- Sharing best practices on the ground, understanding why in some zones pilot projects were able to curb the shocking exploitation of children.
- Enabling calm political dialogue as no country or group of actors is singled out and thus:
 - Facilitating dialogue with West African operator associations and NGOs
 - Facilitating involvement (including financial) of private cocoa businesses within a neutral and multilateral framework.

Strategic thinking regarding programmes raises again the issue of the SWAC's identity (see Part II of this document).

Other topics could be addressed within the SWAC framework. For example, providing support to synergise West African IGOs has been raised several times by SPG members (see 2.2).

1.3.4 Prospects of multi-year programmes with regard to calls for proposals

Again, with respect to the SWAC's identity, mandate and orientations, the Secretariat thus proposes, in agreement with the SPG, to respond to calls for proposals (notably those of the European Commission).

In February 2008, the Secretariat submitted a proposal, in partnership with a Franco-African NGO and a Spanish foundation, for a three-year programme regarding the sharing of knowledge in order to strengthen dialogue capacities and develop migratory policies. This proposal passed the first important selection stage. SPG members will be informed of the final result before the end of the year.

This type of financing, which can take into account structure and staff costs, is largely employed by international organisations. This does not involve a call for tender system. This system is based on the applicant's capacity to provide proposals and thus submit programmes which are in accordance with their mandate. European Funds provide numerous opportunities notably in the areas of food security and governance.

1.4 Issues Regarding Structural and Operating Costs

1.4.1 A rapid and significant increase in general resources is unfortunately not foreseeable

Financial prospects in terms of general resources indicate that in all probability maintaining the Secretariat's current organisation and financing is not foreseeable as from 2009.

In 2009, structural and operating costs should be approximately 2 million €. Current projections indicate that general resources will not attain this amount.

While the Secretariat must continue to mobilise funds for general resources, based on SPG members' recommendations, it must also set up another approach to its financial and budgetary management.

1.4.2 Complementary tools for a more prudent scenario

In 2008, in its best case scenario, the SWAC will have devoted 87% of its general resources to structural and operating costs compared to 13% spent on its activities. A large part of structural costs (salaries) is devoted to implementing programmes (see analytical budget submitted to SPG members in March 2008).

However, realistically this situation cannot continue in terms of management. The SWAC must abide by the same standards as those of international institutions.

A reduction in the imputation of structural and operating costs from general resources should be envisaged. This would provide 25% more to operational activities, or for example 500 000 € of a 2 million € budget. The implementation of this approach can, at the same time, set in motion several mechanisms:

- i. Reduce the number of activities implemented by the Secretariat from its general budget. This request was also clearly expressed by SPG members in January 2008. This requires distinguishing between permanent functions providing services to members and on the other hand programmes with well-defined objectives with a set time limit.
- ii. Appropriate part of the structural and operating costs in budgets financed by specific contributions. SPG members have insisted several times on this approach which is moreover applied in other OECD Directorates and in all international organisations (see 1.4.3 below).
- iii. Adopt the practice, previously employed by the SWAC until 1999, of clearly distinguishing between a “Secretariat” budget and a “Programme” budget. This has several attributes and advantages:
 - a. Budgetary posts exclusively devoted to programme implementation are appropriated to a “Programme” budget; the “Secretariat” budget being limited to the Secretariat’s core functions.
 - b. The “Programme” budget can be financed by general or specific contributions without making a distinction. A member wanting to support a specific initiative could provide financing within the framework of this budget including through a general contribution.
 - c. A “Programme” budget enables grants to be grouped together facilitating the management of possible co-financing of specific initiatives.
- iv. Reduce structural costs (see . infra points 1.4.4 and 1.4.5).

1.4.3 Imputation of structural and operating costs to specific contributions

Currently, specific contributions do not contribute to structural or operating costs with the exception of contributions by Switzerland and Luxembourg². The SPG has asked the Secretariat to ensure that general contributions no longer subsidise specific contributions. Hence, it is preferable that:

- Concerning specific contributions to particular activities (all specific financing currently managed by the Secretariat falls into this category – again, with the exception of the financing of posts), a “SWAC expertise and coordination” budget line of 15% of the total amount be included in the budgets.
- With regard to multi-year specific financing, a “SWAC expertise and coordination” post be calculated on the basis of a precise evaluation of the Secretariat staff’s working time.

² Switzerland and Luxembourg are each financing one post within the Secretariat.

1.4.4 Reduction of office space rental costs

In accordance with commitments made by the SPG in January 2008, the Secretariat has explored moving to another location as it is the most accessible way to reduce costs. Smaller offices costing less per square metre have been found. However, moving in 2008 would be costly (significant penalty costs related to breaking the lease). It is thus foreseen that the Secretariat move offices in mid-May 2009. This would reduce rental costs by approximately 30 000 € in 2009 and more than 60 000 € as from 2010.

1.4.5 Is it possible to reduce OECD overheads?

This sensitive issue goes along with strategic thinking on the advantage of the SWAC Secretariat's placement within the OECD (see Part II of this document). The Secretariat is currently exploring a certain number of alternatives with appropriate OECD services:

- Overheads were 186 000 € in 2008 and will increase to 229 000 € in 2009. The scheduled increase has not been adjusted despite a 25% reduction of Secretariat personnel between 2007 and 2008. A reasonable solution should be found.
- OECD distinguishes between "Part II structures" (SWAC's current status) and a "Programme". The Part II structure is subject to overheads whereas a "Programme" is only responsible for 4.5% of the fees. Thus it could be that the "Programme" part of the budget might not be affected by overheads. The impact on structural costs could be significant.

1.5 The Next Step

As set out above, over the last months the Secretariat has carried out operational strategic thinking based on SPG recommendations. Concrete ways forward have been identified. The 16 June SPG meeting should enable to further, validate and possibly identify new courses. On this basis, the SPG could mandate the Secretariat to implement these new endeavours.

