

# Information on the 2012 Operating Expense Budget

\* Updated after the 17<sup>th</sup> FAC meeting to provide more information on staffing, non-staff expenses analysis and prior years history

# Overview

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- The 2012 Operating Expenses Budget has been developed taking into consideration the development of the Consolidated Transformation Plan (CTP), and the recommendation from the High Level Independent Review Panel that resources needed for implementing their recommendations could be found from within the existing budget.
- As the CTP and budget have been developed at the same time, and as the Secretariat will need to have sufficient flexibility to shift both budget and staff as required to deliver on the CTP, the 2012 budget amount will be an envelope from which the Secretariat must operate within. The Secretariat expects to report as required to the Finance and Operational Performance Committee on its use of funds to implement the CTP.
- The 2012 Operating Expenses Budget was prepared using the conventional zero-based, activity based budgeting across 81 teams in 6 clusters. Comprehensive work plans for all teams using standard activities and cost drivers have been developed in the process.
- The detailed budget (over 6,500 specific lines) has been further categorized as either non-discretionary, and therefore must be paid (e.g. Trustee Fees), and discretionary (with further ranking by priority), and therefore available for reallocation to support priority tasks such as implementation of the Consolidated Transformation Plan.

# Overview *(continued)*

- The budget process started on 18<sup>th</sup> July 2011. It has undergone formal rounds of discussions with EMT+ (all Directors), Finance, and the EMT. In between, Finance have had several budget meetings with respective cluster directors understanding their work plan and budget estimates to help them identify efficiency savings ensuring an overall zero growth.
- The FAC have been updated on budget preparations its 17<sup>th</sup> meeting in October. The FAC held a conference call with interested Board Constituencies on 4<sup>th</sup> November on the budget, and then discussed the budget in detail on the 7<sup>th</sup> November.
- The final objective is zero growth on the core Secretariat budget. Additional costs only focused on CTP items such as the full annual cost of US\$ 5m in 2012 for the temporary increase of 25 Full Time Equivalent Staff approved by the Board in July 2011 to support the Consolidated Reform Plan (now integrated in the CTP), plus a further Central Salary Reserve Provision for US\$ 5.5m to ensure that the Secretariat has flexibility to reassign staff to grant facing activities, and failing that to separate existing staff and replace them.
- It is important to note that the temporary increase in the Secretariat headcount approved by the Board in July 2011 will be reversed over the course of 2012 and 2013 to reach the levels originally approved for 2011.
- It is intended that the Secretariat Budget will flat line and possibly reduce in nominal terms from 2013 onwards as the exceptional costs of the CTP are no longer relevant, and as CTP related efficiencies and reduction in headcount offset any inflation related increases.

# 2012 Budget Overview

US\$ millions	2010	2010	2011	2012	Increase on 2011	% Increase
	Actual	Budget	Budget	Budget		
Secretariat	189.8	194.3	225.1	232.4	7.3	3.2%
In-country Oversight (LFA fees)	57.9	67.3	74.2	84.5	10.3	13.9%
Funding of CCMs	4.1	6.9	12.4	13.5	1.1	8.9%
TERG		1.1	1.1	0.9	(0.2)	-18.2%
Vice Chair of the Board				0.2	0.2	100%
<b>Sub Total</b>	<b>251.8</b>	<b>269.6</b>	<b>312.8</b>	<b>331.5</b>	<b>18.7</b>	<b>6.0%</b>
Office of the Inspector General	12.2	12.2	19.8	28.0	8.2	41.2%
<b>Total Operating Expenses</b>	<b>264.0</b>	<b>281.8</b>	<b>332.6</b>	<b>359.4</b>	<b>26.8</b>	<b>8.1%</b>
Possible Foreign Exchange effect (at 27th October 2011):				18.3		
<b>Amount of Board Decision Point:</b>				<b>377.7</b>		

<b>Staff Numbers</b>						
Full-Time Equivalents (FTE)	586	577	577	602	25	4.3%
Approved in 2011*			25			
<b>Secretariat</b>	<b>586</b>	<b>577</b>	<b>602</b>	<b>602</b>	<b>-</b>	<b>0.0%</b>
OIG	16	23	30	35	5	16.7%
TERG:	1	2	2	2	0	
CoB/VCoB:	1	1	1	2	1	
<b>Total Global Fund FTE</b>	<b>604</b>	<b>603</b>	<b>635</b>	<b>641</b>	<b>6</b>	<b>0.9%</b>
* Reform (CTP) positions approved in mid-2011						

# Overview *(continued)*

- The Secretariat budget has increased by 3.2%, this increase relates to the exceptional costs of the CTP (25 extra staff and Central Salary Reserve for separating staff that cannot be reassigned). It is partially offset by reductions in non-staffing costs, notably in Professional Fees. It is important to note that the temporary increase in Staffing levels of 25 will be reversed by 15 by the end of 2012 and a further 10 by the end of 2013 to return to the original 2011 approved headcount.
- The LFA budget has increased significantly (13.9%) caused by strengthening the calibration of LFA services to the main risks in each country implementation environment; and the higher number of PRs and grants in 2012 compared with 2011. The cost of implementing the CTP deliverables related to LFAs are captured in this budget.
- The CCM Funding budget increases by 8.9% based on an expected increase in the number of grants and requests for the expanded CCM funding.
- The OIG budget increases by 41%, however on a like for like basis with 2011, the increase is 35% (after excluding costs previously covered by the Secretariat budget) including 5 additional posts. As in 2011 there is a contingency of US\$ 3 million for professional fees which must be approved by the Audit and Ethics Committee before use. The OIG budget was not reviewed by the Secretariat but by the Chair and Vice-Chair of FAC. This process is designed to reinforce the independence of the OIG. As this review was finalized on 16<sup>th</sup> November, the detailed information has not yet been fully reflected in the Hyperion budgeting system.
- The Result is that the Total Operating Expenses Budget increases by 8.1% in 2012, before any adjustment for foreign exchange movements between the US Dollar and Swiss Franc.

# 2012 Operating Expense Budget

## Supplementary Details

\* Updated after the 17<sup>th</sup> FAC meeting to provide more information on staffing, non-staff expenses analysis and prior years history

# 2012 Budget Overview

- The total 2012 operating expense budget (including OIG, LFA, CCM and TERG) is US\$ 359.4 million, net 8.1% increase over 2011
- The total 2012 Secretariat budget (excluding OIG, LFA, CCM, TERG) is US\$ 232.4 million, 3.2% increase over 2011
- The headcount for the Secretariat includes the full year cost of the 25 positions for the Transformation Agenda in 2011. With the addition of 5 new positions in the OIG, the proposed staffing allocation in 2012 for 641 positions is Secretariat– 602; OIG- 35; TERG- 2, Chair of Board/Vice Chair of Board-2
- 602 Secretariat FTE require a projected 2012 staffing budget of US\$ 127 million; this includes 1% for cost of living adjustment (COLA) and 2% provision for performance incentives
- US\$ 105.4 million budgeted for 2012 non-staffing costs, a net decrease of US\$ 3.3 million on 2011
- Operating Expenses as % of Total Expenditure projected to increase from 7.3% in 2011 budget to 9.7% in 2012 due to a 21% reduction in the projected value of grant commitments.

# 2012 Budget Overview

\$m		2011	2012	Increase/	Increase
		Budget	Budget	(Decrease)	%
Staff (FTE)		602	602	0	0.0%
Staffing costs		116.4	127.0	10.6	9.1%
Non-Staffing costs		108.7	105.4	-3.3	-3.0%
Total		225.1	232.4	7.2	3.2%

- The OED asked all clusters to closely review their projections and reallocate budgetary resources to fund the CTP
- Re-alignment process started during 2011
- Objective is zero growth on Secretariat, excluding additional full year cost of 25 staff already approved in 2011
- Additional Central Salary Provision includes US\$5.5m for CTP (settlement and termination payments as part of staff re-alignment)



# 2012 Budget Overview: Staff

## Staffing budget:

- 2012 Staffing budget (US\$ 127 million) based on actual position costs including employers' costs
- 65 new positions created in grant-facing areas in the budget (being the 25 new positions approved in 2011 plus 40 staff to be re-aligned under CTP with the appropriate skill set to move across to Grant-facing tasks)

<b>Cluster</b>	<b>New Positions</b>
Project Management Office for CTP	3
Country Programs	21
Corporate Services	1
Finance	26
Strategy, Performance and Evaluation	14
External relations & Partnerships	0
<b>Total</b>	<b>65</b>

*The 40 posts to be re-aligned have primarily come from the non-grant facing areas of the Secretariat in Corporate Services, Strategy, Performance & Evaluations, and External Relations & Partnerships Clusters*

- 2012 contains full year costing for 25 extra FTEs approved in 2011 (to reduce by 15 FTEs by end December 2012 and by 10 FTEs by end 2013)

# 2012 Budget Overview: Staff

- Central provision is needed to budget for staffing costs where the value cannot be assigned to named positions now.
- Actual costs for the central provision will be administered by the Human Resources team under the guidance of Finance and the OED.

## Summary of reasons for Staff budget increases:

	Increase \$m
Analysis of increase of Staffing costs	
Full year cost of 25 extra FTEs already approved in 2011:	5.0
Central Salary reserve:	5.7
Other: e.g. known promotions:	0.3
	<b>11.0</b>

# 2012 Operating Expense Budget Overview

## Staff costs: US\$ 14.5 million central provision

<u>Salary Costs and Central Salary Reserve</u>				Sixth Draft 16th November 2011			
				FTE	USD'000	USD'000	USD'000
Salary costs from detailed costing per person, per team:				641		\$119,955	
Central Salary Reserve:							
Re-assignment grade adjustment: xx laterals assumed no extra cost					\$0		
						\$0	
Base for COLA and Performance pay:							\$119,955
COLA				1%	\$1,200		
Provision for performance incentives with option to use balance for Performance Incentive				2%	\$2,399		
						\$3,599	
Staff turnover replacement costs (relocation etc) % of turnover					\$2,773		
Additional New Education grant case 30% of new staff					\$320		
Additional New Education grant cases: existing staff					\$228		
Additional New Education grant cases:					\$0	\$3,321	
Reserve for Settlement agreements					\$1,000		
Reserve for Termination indemnities (xx)					\$4,500	\$5,500	
Temporary resource cover for:				rate:	Number:		
peak load work cover 6 months				\$129,190	0	\$0	
parental leave cover 6 months				\$129,190	16	\$1,034	
long term illness cover 6 months				\$129,190	4	\$258	
						\$1,292	\$1,292
Provision for potential promotion increases							\$758
Total Central Salary Reserve:							<b>\$14,470</b>
<b>Total Salary costs (inc. OIG):</b>							<b>\$134,425</b>

# 2012 Budget Overview: Staff

- 3 year Secretariat staffing overview:

Secretariat FTE	2011 Budget	2012 Budget	2013 Budget	2014 Budget
Secretariat FTE	577	602	587	577
Approved in 2011	25			
End of year 2011	602			
Reduction end 2012		-15		
End of year 2012		587		
reduction end 2013			-10	
End of year 2013			577	

# 2012 Budget Overview: Non-staff Costs

\$m		2011 Budget	2012 Budget	Increase/ (Decrease)	Increase %
Staff (FTE)		602	602	0	0.0%
Staffing costs		116.4	127	10.6	9.1%
<b>Non-Staffing costs</b>		<b>108.7</b>	<b>105.4</b>	<b>-3.3</b>	<b>-3.0%</b>
Total		225.1	232.4	7.2	3.2%
<b>Analysis of Non-Staffing costs:</b>					
Professional fees		58.0	54.7	-3.3	-5.7%
Travel		22.1	21.3	-0.8	-3.5%
Meetings		6.9	7.6	0.7	9.5%
Communications materials		3.1	3.3	0.2	6.9%
Office Infrastructure		19.7	18.9	-0.8	-3.9%
less TERG		-1.1	-0.4	0.7	-63.6%
<b>Total Non-staffing costs</b>		<b>108.7</b>	<b>105.4</b>	<b>-3.3</b>	<b>-3.0%</b>

- Given that staffing costs have increased, the objective is to decrease non-staffing costs

# 2012 Budget Overview: Non-staff Costs

- Main items are:
  - Professional fees are reduced by US\$ 3.3m being:
    - US\$ 1.1m for IT resulting from the IT strategy review
    - US\$ 1.8m as there is no Partnership Forum in 2012
    - US\$ 0.4m other net in SPE
  - Travel reduced by US\$ 0.8m due to no Partnership Forum
  - Meetings increased by US\$ 0.7m mostly in Pharmaceutical management
  - Communications materials increased by US\$ 0.2m mostly due to Country Proposals (+US\$ 0.9m)
  - Office Infrastructure reduced by US\$ 0.8m due to reduction in IT budget of US\$ 1.7m, also resulting from the IT Strategy review. (Rent increases take up the rest)

# 2012 Budget Overview: Non-staff Costs

Further details of non-staffing costs

Amounts in USD

Priority	Sum of Prof. Fees	Sum of Travel	Sum of Meetings	Sum of Comm. Material	Sum of Office Infra	Total	% of Total
Mandatory	17,538,060	3,849,780	1,628,583	1,282,784	18,179,574	42,478,781	40%
High Priority	32,439,947	15,667,273	5,079,917	1,544,762	663,500	55,395,399	52%
Medium Priority	4,196,441	1,426,579	759,696	498,000	86,500	6,967,217	7%
Low Priority	525,000	372,419	129,000	59,158	-	1,085,577	1%
<b>Grand Total</b>	<b>54,699,448</b>	<b>21,316,051</b>	<b>7,597,196</b>	<b>3,384,703</b>	<b>18,929,574</b>	<b>105,926,973</b>	<b>100%</b>
Less TERG	-210,000	-248,223	-75,000	0	0	-533,223	
<b>Total non staffing costs</b>	<b>54,489,448</b>	<b>21,067,828</b>	<b>7,522,196</b>	<b>3,384,703</b>	<b>18,929,574</b>	<b>105,393,750</b>	

- High, medium and low priority are available for allocation to CTP tasks
- Office Infrastructure costs include rent and maintenance of USD 12.4 million
- Further details of mandatory Professional fees follow on the next slide

# 2012 Budget Overview: Mandatory Professional fees

## page 1 of 2

Function	Mandatory Professional Fees description	Amount in USD
AMFm	AMFm Evaluation	2,984,786
Technical Review Panel processes	31 Rd 11 Screeners recruited, trained and supported	1,339,200
	TRP Review Meeting: Rd 11	408,300
	NSA/HSFP TRP Review meeting: recommended for funding	59,500
	Rd 11/HSFP/NSA proposals budgets screened (FAS) and docs prepared for TRP	374,000
	Others TRP support activities	98,700
	<b>Total:</b>	<b>2,279,700</b>
Financial Management functions	World Bank Trustee fees: Accurate and updated grant accounting and reporting	3,100,000
	External Audit fees: Accurate and timely published financial statements and statutory disclosure statements for Global Fund and Provident Fund	254,454
	Enhanced Financial Reporting: Ensure high compliance rate on EFR and proper nanlysis of historical data	237,734
	<b>Total:</b>	<b>3,592,188</b>
IT- Application Enhancements	Third line support and fixes for GFS	528,093
	Grant Finance	312,966
	Maintenance IM - Grant Information Store & Model	310,798
	<b>Total:</b>	<b>1,151,858</b>
IT- Support function	Helpdesk - GF Support	1,248,304
	GFS - Application Support	747,784
	Others	50,000
	<b>Total:</b>	<b>2,046,088</b>



# 2012 Budget Overview: Mandatory Professional fees

## page 2 of 2

Function	Mandatory Professional Fees description	Amount in USD
Human Resources	2 executive level searches. the rate of the provide used is higher from 100 to 130k (this includes cost of logistic and testing)	270,033
	Tax equalisation service	467,365
	Successful onboarding and settlement of new staff and their families in Geneva	474,116
	Ombudsman	104,540
	Others including recruitment costs, executive serach fees, Appeals Board costs, outplacement services, legal assistance and staff survey	435,344
	<b>Total:</b>	<b>1,751,398</b>
Office Administration, Travel and Security	Adequate safety and security are provided to all staff travelling on official TGF mission	729,090
	Adequate occupational health services are provided to all staff	516,698
	Adequate insurance coverages are provided to all staff and GF activities	425,822
	Obtain a construction permit, Conduct call of offers to investors (Stage 3)	301,191
	<b>Total:</b>	<b>1,972,800</b>
Board Constituency Funding	Disburse 800,000 in 2012 and ensure reporting for 2011	800,000
Quality Assurance & Data Management	2 ERP sets of review organized	405,000
Governance Support	Support to the Board, Chair, Vice Chair and Board Committees	177,241
TERG Support	Evaluation and support studies	150,000
Others	Consultancy support for other business function lower than USD 100k each	227,000
	<b>Total of Mandatory Professional Fees:</b>	<b>17,538,060</b>

# LFA Budget Overview

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- The LFA budget developed through a bottom-up process and a rigorous review of LFA service requirements.
- The increase in the budget is mainly driven by: strengthening the calibration of LFA services to the main risks in each country implementation environment; and the higher number of PRs and grants in 2012 compared with 2011.
- The budget responds to the Secretariat's enhanced risk management and information requirements for quality decision making in 2012.
- In particular, the 2012 LFA budget and service planning process emphasized tailoring of the scope of LFA services in each country to the specific risks at country, Principal Recipient (PR) and grant levels, and especially in 'extreme risk – high-burden' countries.
- The LFA budget responds to the requirements of the CTP.

# LFA Budget

- **LFA** - 2012 budget US\$ 84.5 million, 14% increase over 2011

Budget development 2007-2012	2007	2008	2009	2010	2011	2012
Budget US\$ million	32.9	50.2	58.0	67.3	74.2	84.5
% increase on previous year	-	53%	16%	16%	10%	14%
Expenditure	32.5	35.2	54.4	61.7	71.4 <sup>1</sup>	
% underspend	1%	30%	6%	8%	4%	
Cost drivers (year start values)						
No. PRs	189	204	212	242	307	337
% increase		8%	4%	14%	27%	10%
No. Active grants	368	436	459	503	570	603
% increase		18%	5%	10%	13%	6%
No. countries	121	126	128	131	137	141
% increase		4%	2%	2%	5%	3%
Volume of disbursement (US\$ million)	1,647	2,131	2,495	3,043	3,115	3,800 <sup>2</sup>
% increase		29%	17%	22%	2%	22%
LFA budget as % of disbursements	2.0%	2.4%	2.3%	2.2%	2.4%	2.2%

<sup>1</sup>Projected expenditure based on actual and additional expected financial commitments made for LFA services to be performed in 2011.

<sup>2</sup>LFA Management Team must take into consideration the cost implications of LFA Services required across all grants undergoing closure & consolidation throughout 2012. Hence, the number of grants (603) reflects the number of active grants at the start of 2012, whilst Finance adopts the number of active grants as an average for the year (570). Adopting the number of active grants at the start of the year is consistent with the definition adopted by the LFA Budgeting process in previous years.

<sup>3</sup>2012 figure stated for 'Volume of Disbursement' is a tentative and informal estimate, subject to change.

# LFA Budget Detail

In-country Oversight		2011 Budget		2012 Budget	
		#	\$ million	#	\$ million
1 Verification of Grant Implementation	# active grants	570	53.7	603	60.3
2 PR Surveys and verification of year-end programmatic results	# grants	570	0.8	603	0.3
	# Phase 2/				
3 Phase 2 Renewal Reviews	Periodic Reviews	139	5.4	204	6.0
4 Grant Closure reviews & Continuity of Services	# grants closed	87	1.5	145	1.9
5 Assessments of PRs	# of new grants	117	6.0	139	3.2
6 Assessments of SRs	# SR Assessments	87	1.7	117	2.6
7 LFA review of CCM funding requests (& Perf. Framework in 2012)	#countries	135	0.4	115	0.4
	# grants				
8 Grant Consolidation Reviews	consolidated	55	1.4	71	1.7
9 Independent Data Quality Audit	# grants	20	1.4	20	1.4
10 LFA costs for introduction of new requirements, support to OIG, training & LFA Handovers			4.4		4.0
11 LFA Travel Costs & CCT (prior to 2012, allocated across services above; centralised for 2012)					8.0
12 Savings generated in LFA-costs by CPU projects			-1.5		-1.8
13 Service Slippage			-1.0		-3.6
<b>Total Cost</b>			<b>74.2</b>		<b>84.5</b>
<b>Average cost per Active Grant</b>			<b>\$130K</b>		<b>\$140K</b>

Note: LFA Management Team must take into consideration the cost implications of LFA Services required across all grants undergoing closure & consolidation throughout 2012. Hence, the number of grants (603) reflects the number of active grants at the start of 2012, whilst Finance adopts the number of active grants as an average for the year (570). Adopting the number of active grants at the start of the year is consistent with the definition adopted by the LFA Budgeting process in previous years.

# LFA Budget – Drivers of Cost Reduction

- **Corporate Procurement action in 2011:** closer scrutiny of LFA Cost Proposals of high-impact countries e.g. Zambia, India, etc. and **deeper analysis** of Country Coordination Team (CCT) costs; **changing LFA contract conditions and structure** for high-impact countries; and **cost avoidance and negotiation**, resulting in reduced LFA costs.

## Budget adjusted for slippage:

- **50% of R11 Assessment** related work is forecast to slip into 2013 as a direct result of the later Board Approval scheduled (May 2012) (\$2.3m).
- Based on previous experience, budget includes a ‘saving’ of \$3.6m (**4.0%**) **across all LFA Services planned in 2012 which may slip to 2013** e.g. CCM delay in submitting documents for LFA Phase 2 review.

# LFA Budget – Tailoring to Risk (1 of 2)

- **Operational Risk Management Framework currently under development.**  
*Not possible at this stage to accurately predict how the Risk Framework will specifically impact LFA costs in 2012.*
- 75% of the LFA budget allocated to Country Level LFA Services is for either ‘Extreme Risk–High Burden’ or ‘High Risk – High Burden’ countries. A further 13% allocated for Country Level LFA Services in the remaining ‘High Burden’ countries (88% combined).
- Marked increase in health product procurement reviews (from 184 to 278 in 2012, additional \$1.5m)
- Significant increase in number of in-depth Sub-Recipient (SR) assessments as a result of risk associated: from 87 in 2011 to 117 in 2012. (additional \$0.8m)
- Additional focus sought on LFA assessment of Principal Recipient (PR) Training Plans (estimated cost of \$3.0m in 2012).

# LFA Budget – Tailoring to Risk (2 of 2)

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- Annual Principal Recipient and Country Risk assessments have now been introduced across all regions (additional \$1.0m ).
- Independent Reviews (‘mini-audits’) proposed for a number of High Risk countries to assess and prioritize key risks and verify financial flows at Principal Recipient and Sub-recipient levels (additional \$1.0m).
- Implementation of LFA Service Forecast requires expansion of team capacity and pool of Finance, Procurement & Supply Management and Monitoring & Evaluation expertise in many high-risk countries
- Additional reports and services required of LFAs will also require that Global Fund Country Teams and Country Programs are adequately staffed to manage and respond to issues/risks raised by LFAs.

# CCM, TERG Budgets

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## CCM

- 2012 budget US\$13.5 million, 8.9% increase over 2011.
- 2012 projections are based upon known recurring basic grants, fixed costs related to Year 2 Expanded funding, and new grants expected in 2012. 2012 projections based on direct CCM input, wherever possible, and concurrence with regional teams.

## TERG

- 2012 budget US\$ 0.9 million, 2011: US\$1.1 million
- TERG budget is shown outside of the Secretariat budget to support independent implementation



# 2012-2013 CCM Funding

CCM Funding Budget Actuals and Projections						
	2009 signed	2010 signed	2011 signed to date or under review	2011 estimated additional	2012 fixed (2nd disbursement)	2012 projected new grants
<b>Basic Grants</b>	49	72	30	19		29
Average Size	\$43,286	\$44,685	\$48,101	\$48,101		\$48,101
Total	\$2,121,010	\$3,217,336	\$1,443,042	\$913,926		\$1,394,940
<b>Expanded Grants</b>	0	11	43	12	55	30
Average Size	\$0	\$126,874	\$142,785	\$142,785	\$142,785	\$142,785
Total	\$0	\$1,395,609	\$6,139,751	\$1,713,419	\$7,853,170	\$4,283,547
<b>Totals</b>	<b>\$2,121,010</b>	<b>\$4,612,945</b>	<b>\$7,582,792</b>	<b>\$2,627,345</b>	<b>\$7,853,170</b>	<b>\$5,678,487</b>

**2012 Projected \$ 13,531,657**

Data prepared August 2011

# 2012-2013 CCM Funding

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- The data for 2009 and 2010 are historical, start-up years.
- 2010 introduced two CCM funding products: Basic (USD 50,000 ceiling; one-year funding) and Expanded (no ceiling; two-year funding, PBF).
- In the first seven months of 2011, 30 Basic Funding and 43 Expanded Funding applications have either been signed or currently under review. An additional 19 Basic Funding applications and 12 Expanded Funding new applications have been projected until 31 December 2012
- We are calculating the grant size for 2011 grants as the average of grant applications signed or being reviewed to date in 2011.
- 2012 projections are based upon fixed costs related to Year 2 Expanded funding and new basic and expanded funding grants expected in 2012. 2012 projections are based on direct CCM input, where ever possible, and concurrence with regional teams.

# 2012 Operating Expense Budget Overview

## Foreign Exchange Hedging Structure

	Contract Currency <u>CHF'000</u>	2012 budget rate	Reporting Currency <u>USD'000</u>
<u>2012 Budget amounts for:</u>			
Salaries	CHF 129,442	1.038589104	\$134,437
Professional fees IT	CHF 13,894	1.038589104	\$14,430
Professional fees HR	CHF 1,335	1.038589104	\$1,387
Professional Fees other	CHF 2,992	1.038589104	\$3,107
Travel	CHF 22,844	1.038589104	\$23,726
Communication	CHF 213	1.038589104	\$221
Rent	CHF 14,835	1.038589104	\$15,407
Office Infra (IT)	CHF 1,547	1.038589104	\$1,607
	<b>CHF 187,102</b>		<b>\$194,322</b>
		Oanda FX Rate	
		27th October 2011	
	<b>CHF 187,102</b>	1.13636	<b>\$212,615</b>
		9%	
	<b>Budget Increase in USD due to FX:</b>		<b>\$18,293</b>

- 2012 proposed budget does not yet include Board mandated provision for foreign exchange fluctuations due to changes in the CHF: USD rates

# 2012 Budget Overview

	Guideline		2007	2008	2009	2010	2011 Final	2012
<b>BUDGET FRAMEWORK RATIOS</b>	ceiling		Actual	Actual	Actual	Actual	Budget	Budget
<b>1. Operating Expenses as % of Total Expenditure</b>	<6%		4.1%	6.6%	5.3%	7.7%	7.3%	9.7%
<b>2. Grant Commitments per Secretariat Employee (FTE)</b>	<\$8.8m	\$m	8.0	6.1	7.2	5.4	7.0	5.5
<u>Operating Expenses ratios:</u>								
3. Operating Exps. as % of Value of Active Grants			1.5%	1.9%	2.2%	2.3%	2.5%	2.5%
4. Operating Expenses as % of Grant Disbursements			6.6%	7.3%	8.2%	8.7%	10.6%	9.5%
5. Operating Expenses per active grant		\$k	275	333	383	482	557	630
<u>Value-added per employee (FTE):</u>								
6. Grant Disbursements in Year per employee		\$m	5.2	5.9	5.0	5.2	5.2	6.3
7. Value of Active Grants per employee		\$m	23.5	22.4	18.4	19.7	21.8	24.0

# 2012 Budget Overview

<u>Source Data:</u>			2007	2008	2009	2010	2011 Final	2012 Budget
<b>Budget Totals:</b>		unit	Actual	Actual	Actual	Actual	Budget	Budget
Operating Expenses (\$m)	(a)	\$m	115	165	226	264	333	359
Secretariat FTE		#	333	383	556	586	602	602
Staff FTE		#	337	392	569	604	635	641
<b>Key Numbers:</b>			Actual	Actual	Actual	Actual	Budget	Budget
Grant Commitments entered into in year	(b)	\$m	2,677	2,322	4,010	3,147	4,200	3,331
Total Expenditure in year	(a+b)	\$m	2,792	2,487	4,236	3,411	4,533	3,690
Grant Disbursements in year		\$m	1,724	2,254	2,755	3,050	3,138	3,800
Value of Active Grants		\$m	7,826	8,594	10,204	11,568	13,100	14,470
Number of Active Grants (average for year)		#	417	495	590	548	597	570
Number of new grants signed		#	64	92	146	157	125	15

# Operating Budget: Three-year view




in US\$ million	2011		2012		2013		2014	
	Budget	Change 1	Budget	Change 2	Projection	Change 3	Projection	
Secretariat - Staff costs	116.4	10.6	127.0	(8.0)	119.0	(2.0)	117.0	
Secretariat - non-Staffing costs	108.7	(3.3)	105.4		105.4		105.4	
<b>Secretariat total costs</b>	<b>225.1</b>	<b>7.3</b>	<b>232.4</b>	<b>(8.0)</b>	<b>224.4</b>	<b>(2.0)</b>	<b>222.4</b>	
In-country Oversight (LFA fees)	74.2		84.5		84.5		84.5	
Funding of CCMs	12.4		13.5		13.3		13.4	
TERG	1.1		0.9		0.9		0.9	
Vice Chair of the Board			0.2		0.2		0.2	
Office of the Inspector General	19.8		28.0		28.0		28.0	
<b>Total before FX effect:</b>	<b>332.6</b>		<b>359.4</b>	→	<b>351.3</b>	→	<b>349.4</b>	
Possible FX effect for 2012:			18.3		no FX		no FX	
			<b>377.73</b>		assumed		assumed	
<u>Notes re Changes:</u>	<u>Change 1:</u>		<u>Change 2:</u>		<u>Change 3:</u>			
Inflation assumed to be offset by efficiencies.	Full year cost of 25 extra staff agreed in 2011 \$5.0m		15 FTEs less at year end (\$3.0m)		10 FTEs less at year end (\$2.0m)			
	Central Sal. Reserve \$5.7m		\$5m less CSR (\$5.0m)					
	Other \$0.3m							

# Operating Budget: Three-year view

- Secretariat budget assumes extended zero-growth rate over 2012-14.
- Allowance has been made to decrease staffing in 2013 and 2014
- Inflation increases are planned to be covered by efficiency gains
- No increase reflected in the LFA services budget since the inflationary increase is assumed to be compensated by the expected efficiency savings resulting from grant architecture and rate negotiations.
- CCM Funding estimates for 2012 – 2014 are based upon known recurring costs, new expected grants, and a direct assessment of CCM demand assuming no changes made in the CCM funding policy.
- OIG budget in 2012-13 includes no provision for inflation. Numbers not final until after November FAC meeting

# 2012 Budget: Next Steps

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- Final presentation distributed to FAC 
- Final consultations with other Board members Friday 4<sup>th</sup> November 
- FAC recommendation to Board during 7<sup>th</sup> November FAC meeting 
- Board approval of 2012 budget
- Secretariat allocates the 2012 budget in accordance with the priorities of the CTP