

TDR financial management report 2020 and outlook 2021–2023

Agenda item: 5.

Action / Information: JCB is invited to review and endorse the report

Purpose: This document presents the financial management information for TDR. It outlines budget, funding and implementation for the biennium 2020–2021, along with budget scenarios and revenue forecasts for 2022–2023.

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2020–2021 Financial update

Two budget scenarios for 2020–2021 were approved by the Joint Coordinating Board in 2019 (figure 1)

- A lower scenario at US\$ 40 million (US\$ 28 million undesignated funds; US\$ 12 million designated funds)
- A higher scenario at US\$ 50 million (US\$ 34 million undesignated funds; US\$ 16 million designated funds)
- The two-scenario model was developed to manage the uncertainty of funding and to allow a confident start to implementation. The scenarios were to be implemented in a stepped approach as funds became available.
- In January 2020, implementation of the lower (US\$ 40 million) budget scenario was initiated in line with the revenue forecast at that time.

In January 2021, resources available allowed TDR to move cautiously towards the US\$ 50 million budget scenario (figures 2 and 3)

- Forecast funds available include revenue recognized in the current biennium (signed agreements), funds carried over from the previous biennium and forecast revenue streams.
- Forecast revenue is reviewed continuously and estimated in a conservative way to reflect the uncertainty of contributions and foreign exchange rates. It is based on historical contribution levels as well as ongoing discussions with donors.
- In June 2020, the Joint Coordinating Board (JCB) approved the use of the 2018–2019 carry-over as indicated below:
 - Carry-over amounted to US\$ 13.6 million (US\$ 7.9 million undesignated funds and US\$ 5.7 million designated funds).
 - US\$ 4 million undesignated funds to top up TDR's working capital account, responding to WHO's request to set aside the equivalent of 2-year's salary costs for personnel liability. The total amount of the working capital is now US\$ 12 million.
 - US\$ 3.9 million remaining undesignated to fund US\$ 0.6 million encumbrances from the last biennium and US\$ 3.3 million for 2020–2021 operational activities.
- The level of carry-over enabled TDR to confidently begin implementation of the lower budget scenario in January 2020, despite the risks imposed by COVID-19.
- As per JCB recommendations, in the context of the uncertainty of forecast revenue streams (COVID-19 pandemic implications on funding, fluctuating foreign exchange rates, etc.), a forecast range was established.

- In January 2021, the forecast funds available ranged from US\$ 46.5 million to US\$ 49.7 million (including secured funds of US\$ 41.4 million). See figure 2 for undesignated / designated breakdown).
- Following the internal biannual portfolio review meeting in February 2021, planned costs for 2020–2021 were revised at a level of US\$ 44 million, including a US\$ 1.5 million reduction in staff cost offset by increased levels of both UD and DF operations.

Despite the COVID-19 pandemic, we effectively implemented planned activities (figures 4 and 5)

- Financial implementation is monitored monthly in order to identify potential issues and to allow redistribution of funds as necessary.
- As at 31 December 2020, US\$ 17.8 million had been spent or committed (US\$ 3.5 million commitments). This represents 41% of the US\$ 44 million revised planned costs.
- Travel costs were lower than the previous biennium due to the COVID-19 situation. These savings have been redeployed into other operations activities, such as online solutions and scaling up training grants.
- As at 30 April 2021, US\$ 26 million had been spent or committed (US\$ 4.7 million commitments). This represents 59% of the US\$ 44 million revised planned costs.
- Savings in staff costs against budget were made in the sixteen months to April 2021 at a level of US\$ 1.4 million. This was due to lower actual costs than the WHO standard costs planned (includes benefits which vary depending on the staff member's personal situation) as well as vacant positions. In addition, a higher proportion of staff costs was covered by designated funds.

We have addressed the decrease in contribution from one of TDR's main donors (figure 6)

- In May 2021, the revenue forecast was revised due to a reduction in core funding from the United Kingdom.
- Thanks to effective planning and financial management system, the 2020–2021 workplan can be implemented as planned:
 - a conservative income forecast had taken potential contribution reductions into consideration
 - 2020–2021 planned costs were lower than revenue forecast to mitigate risks (as per JCB recommendations)
- If pending contributions come in as planned, there will be in excess of US\$ 2 million undesignated funds to carry forward to next biennium.

2022–2023 outlook

Development of a detailed programme budget and workplan for 2022–2023 (figures 7 to 10)

- Two budget scenario levels for 2022–2023 were approved by the Joint Coordinating Board in June 2020 based on the revenue forecast at that time.
 - A lower scenario at US\$ 40 million (US\$ 28 million undesignated funds; US\$ 12 million designated funds).
 - A higher scenario at US\$ 50 million (US\$ 34 million undesignated funds; US\$ 16 million designated funds).
- Since then, TDR has developed a detailed Programme Budget and Workplan for 2022–2023, in consultation with stakeholders. The budget was reviewed by the Scientific Working Groups in October 2020, the Scientific and Technical Advisory Committee in March 2021 and the Standing Committee in April 2021, and is now submitted to the JCB for approval, together with a contingency plan to mitigate a decrease of key core donor contributions as explained below.

Revenue projections and funding (figures 11 to 15)

- Due to the potential significant decrease in the United Kingdom’s core funding, a potential funding gap of US\$ 4 million UD has been identified for 2022–2023.
- The revenue forecast is now US\$ 24 million undesignated funds and US\$ 12 million designated funds (based on contributions equivalent to those in previous biennia from other donors).

Developing a contingency plan (figures 16 to 17)

- A contingency plan is proposed to address this funding gap, with measures that have a potential longer-term impact (freezing of vacant posts).
- The contingency plan, together with fundraising efforts, will help mitigate risks and manage the situation.
- The contingency plan will be implemented in January 2022, if other funding sources are not identified.
- Fundraising efforts will focus on the following approaches:
 - Discussions with existing core donors to best anticipate any impact of COVID-19 on contributions.
 - Reaching out to new core donors to diversify contribution sources.
 - Discussion with existing donors of project specific funding regarding continuation of projects.
 - Submission of new specific project proposals to new donors (e.g. global emergencies, One Health, etc.).

Figures and tables

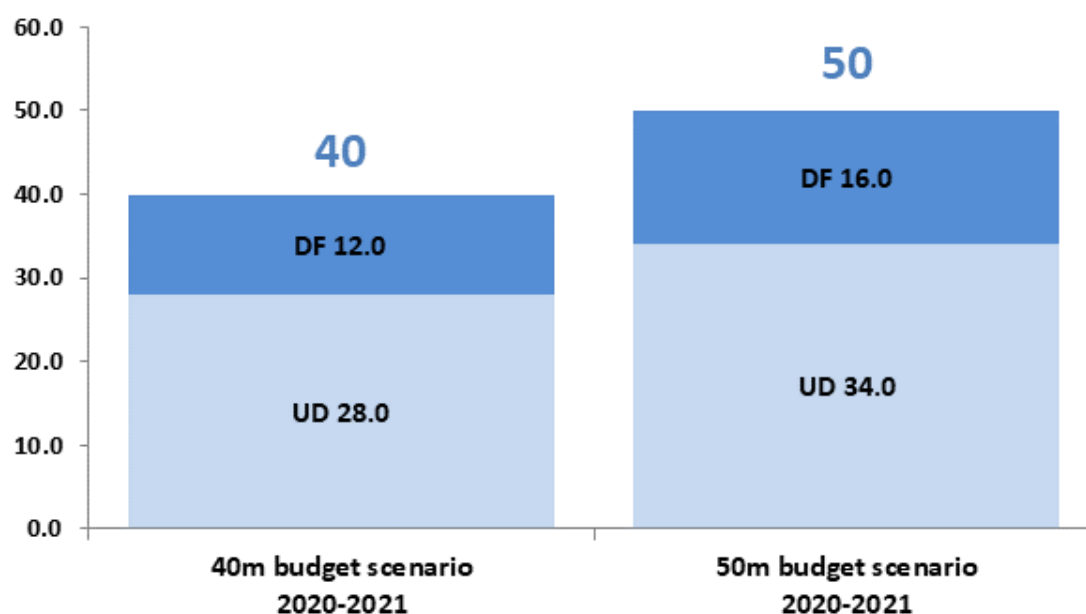


Figure 1: Approved 2020–2021 programme budget scenarios by funding type (US\$ millions)

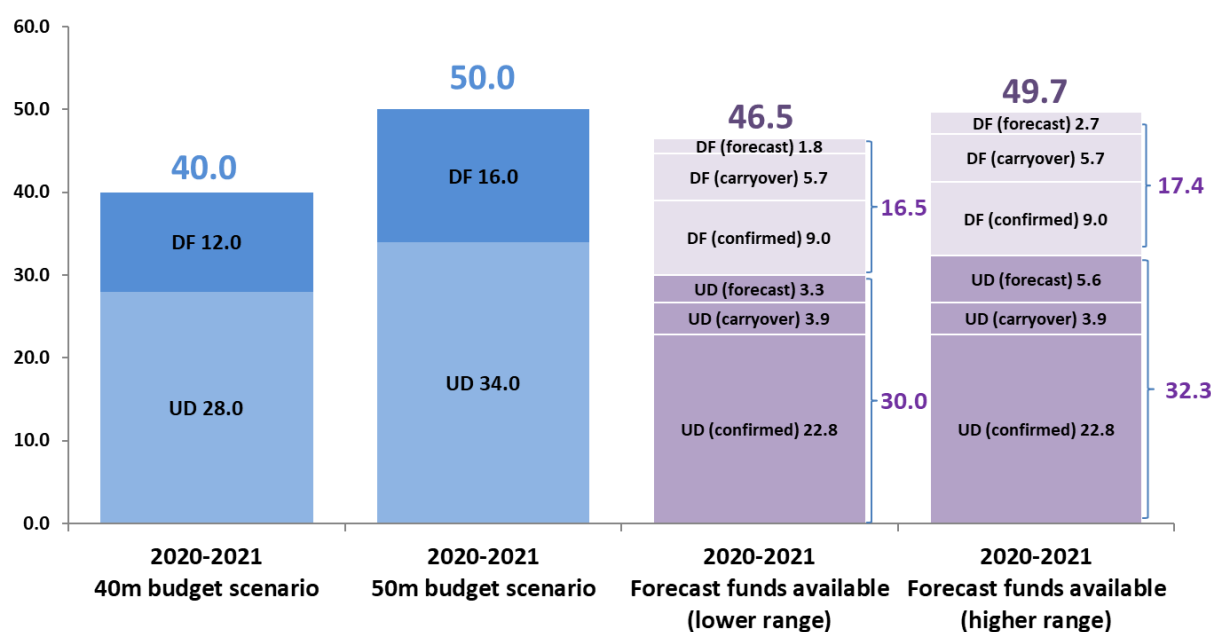


Figure 2: Range of forecast funds available at January 2021 to implement the 2020–2021 programme budget scenarios (US\$ millions)

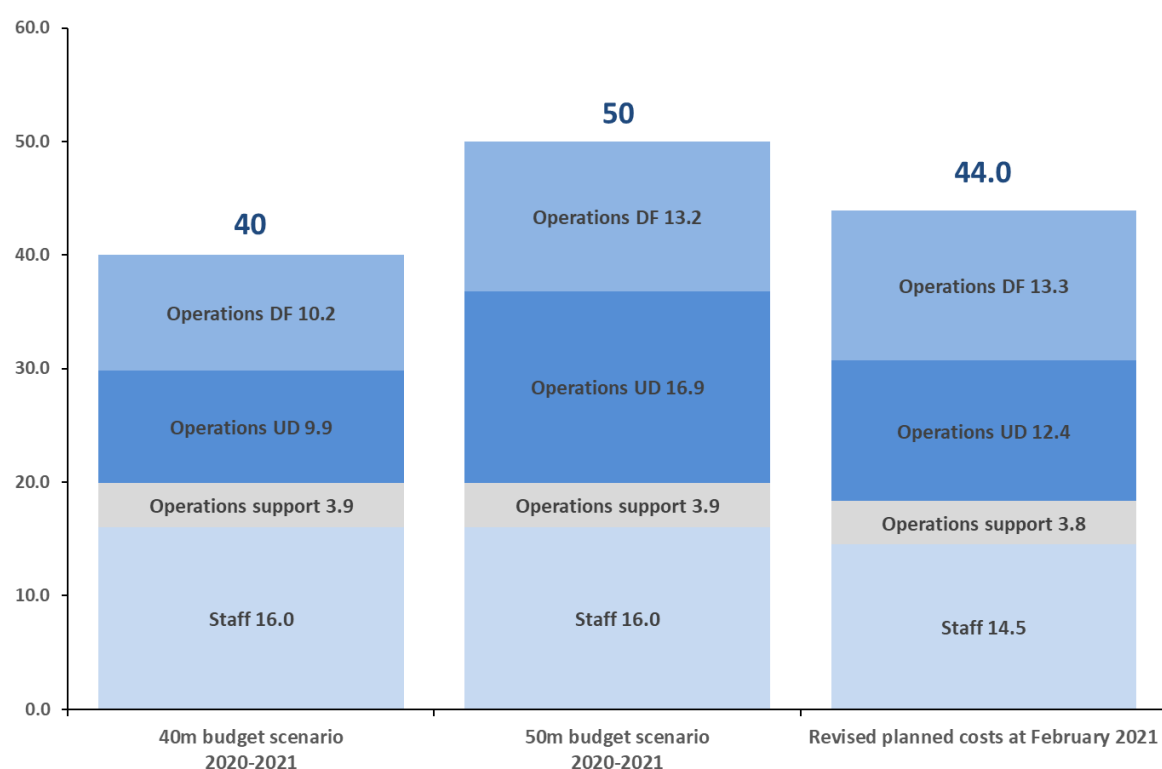


Figure 3: 2020–2021 programme budget scenarios and revised planned costs by expenditure category (US\$ millions)

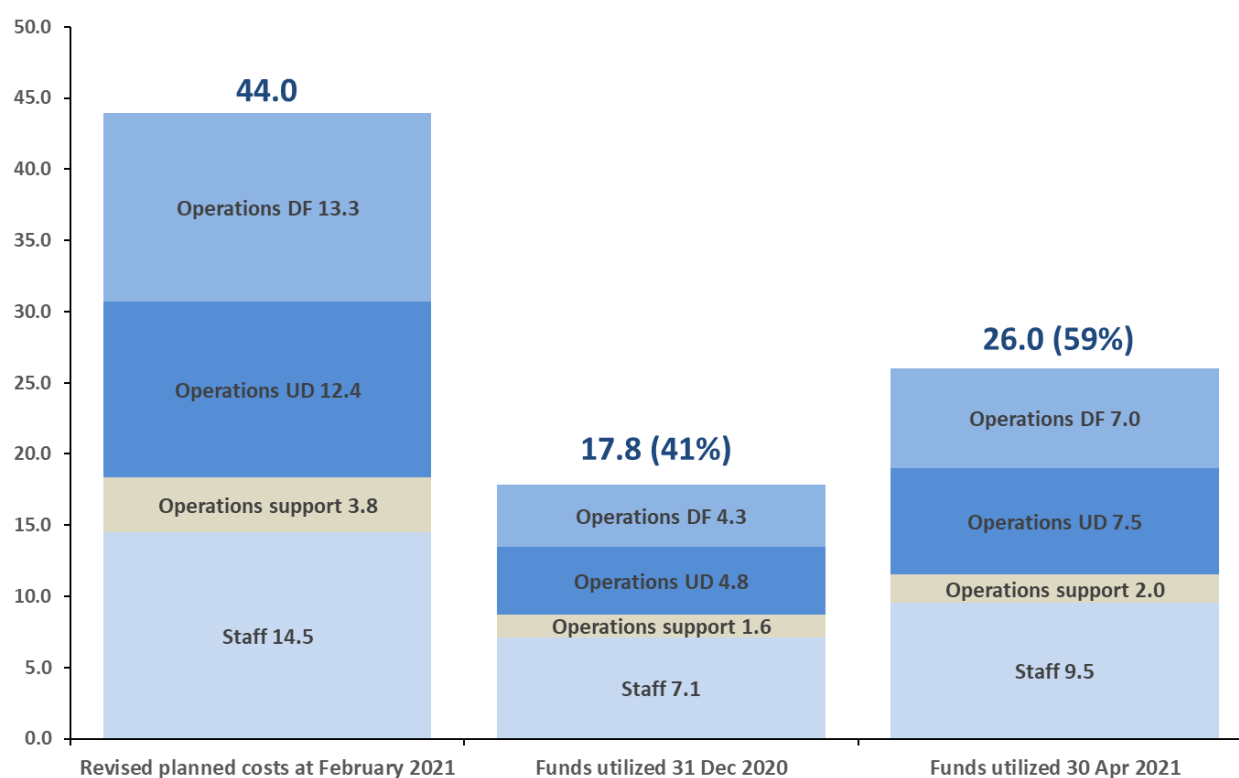


Figure 4: 2020–2021 revised planned costs and funds utilized by expenditure category (US\$ millions)

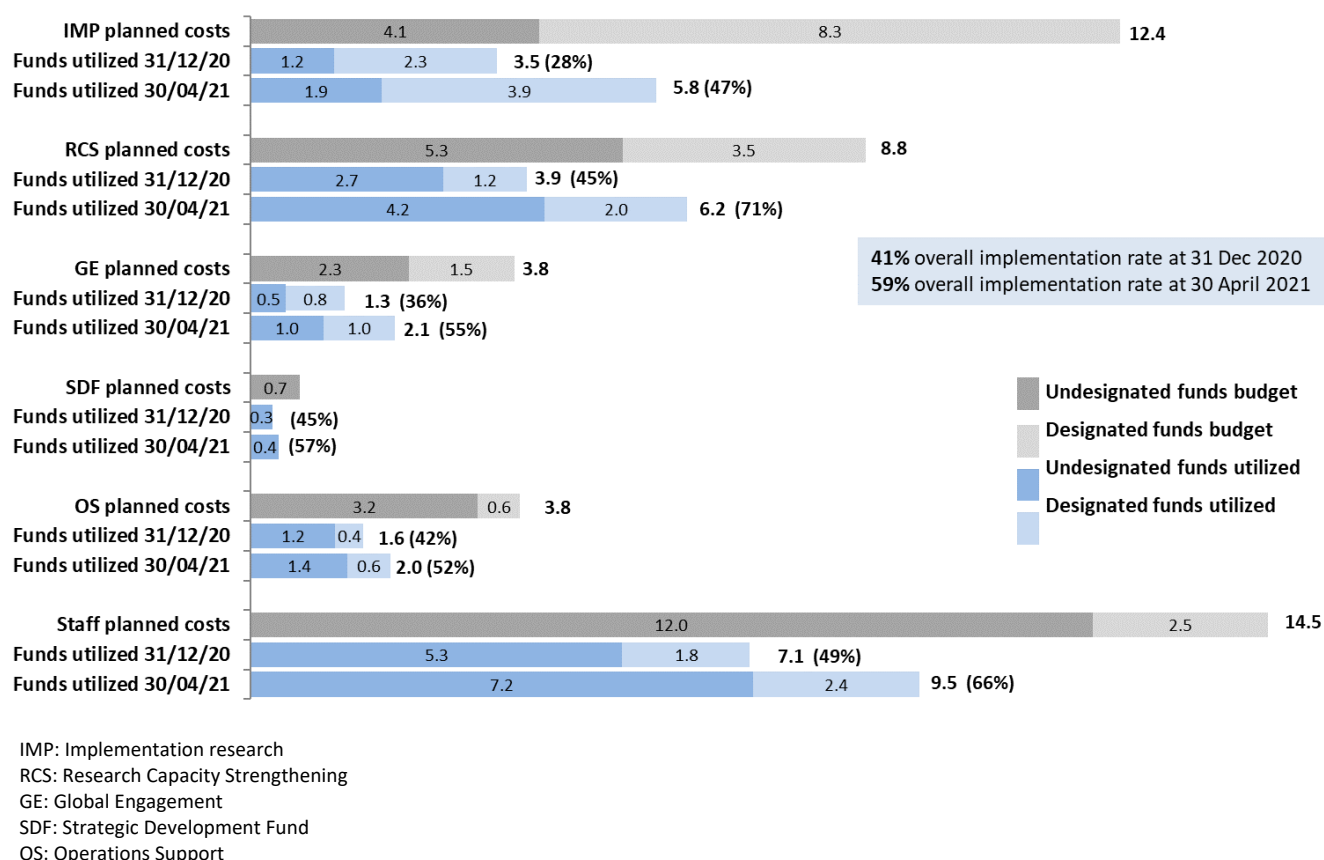


Figure 5: 2020–2021 revised planned costs and funds utilized by TDR strategic priority and other areas (US\$ millions)

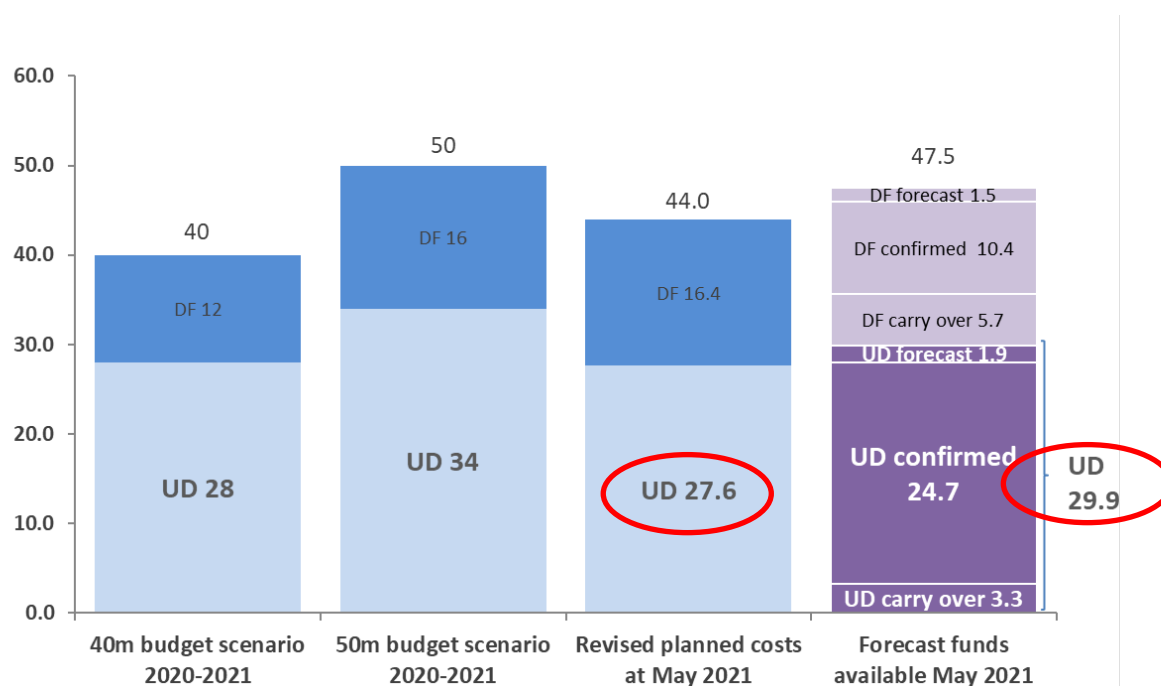


Figure 6: 2020–2021 revised planned costs and forecast funds available at May 2021 (US\$ millions): UD level is sufficient to allow implementation of the revised planned costs as planned.

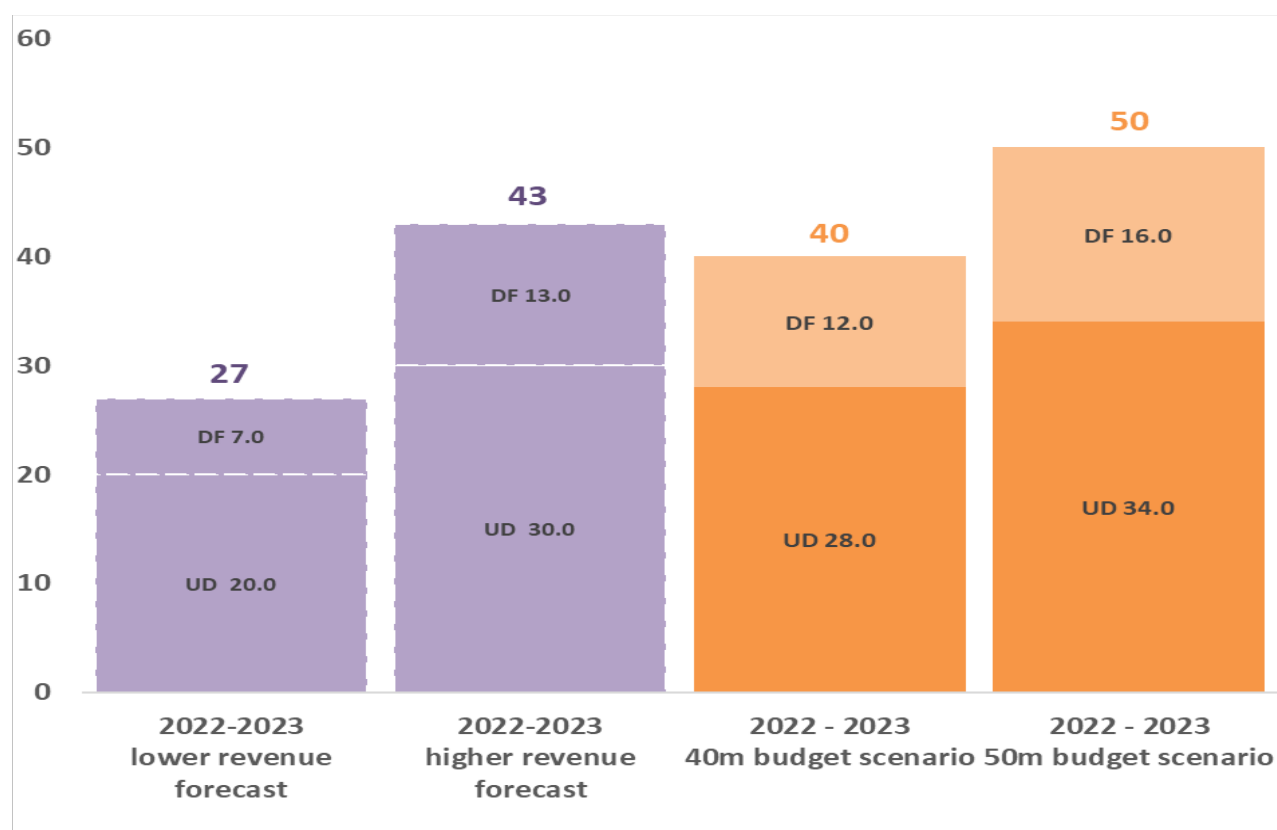


Figure 7: 2022–2023 budget scenario levels and range of forecast revenue, presented and approved by JCB 43 in June 2020 (US\$ millions)

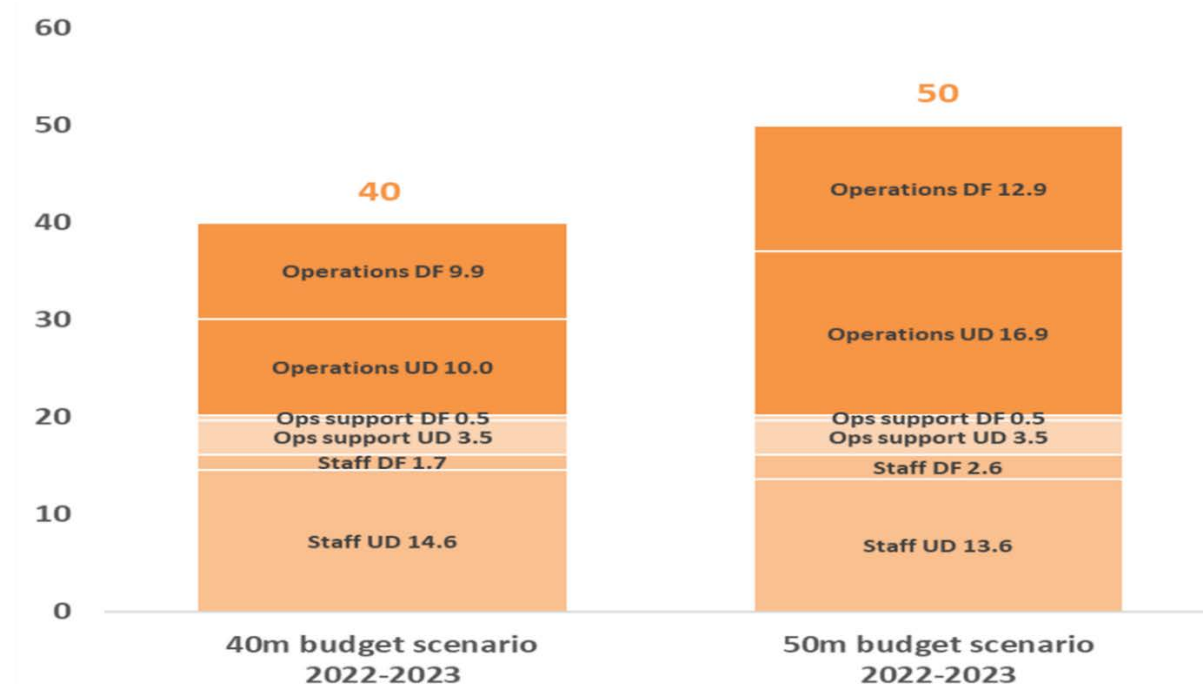


Figure 8: 2022–2023 approved budget scenarios by expenditure category and funding type (US\$ millions)

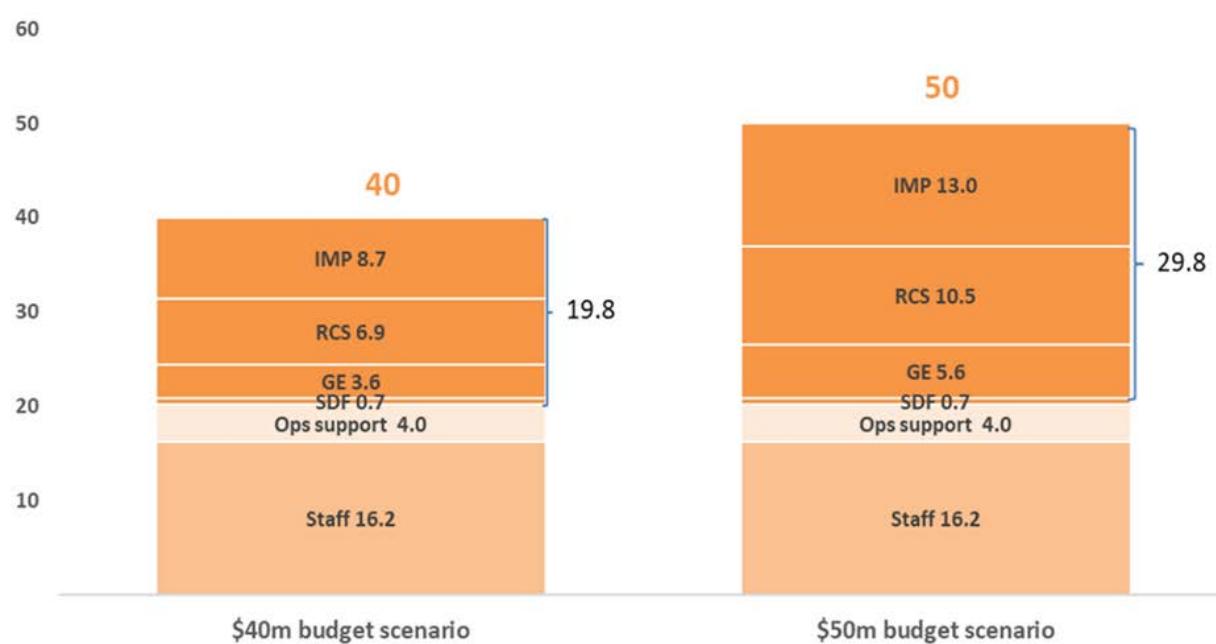


Figure 9: 2022–2023 approved budget scenarios by strategic priority area (US\$ millions)

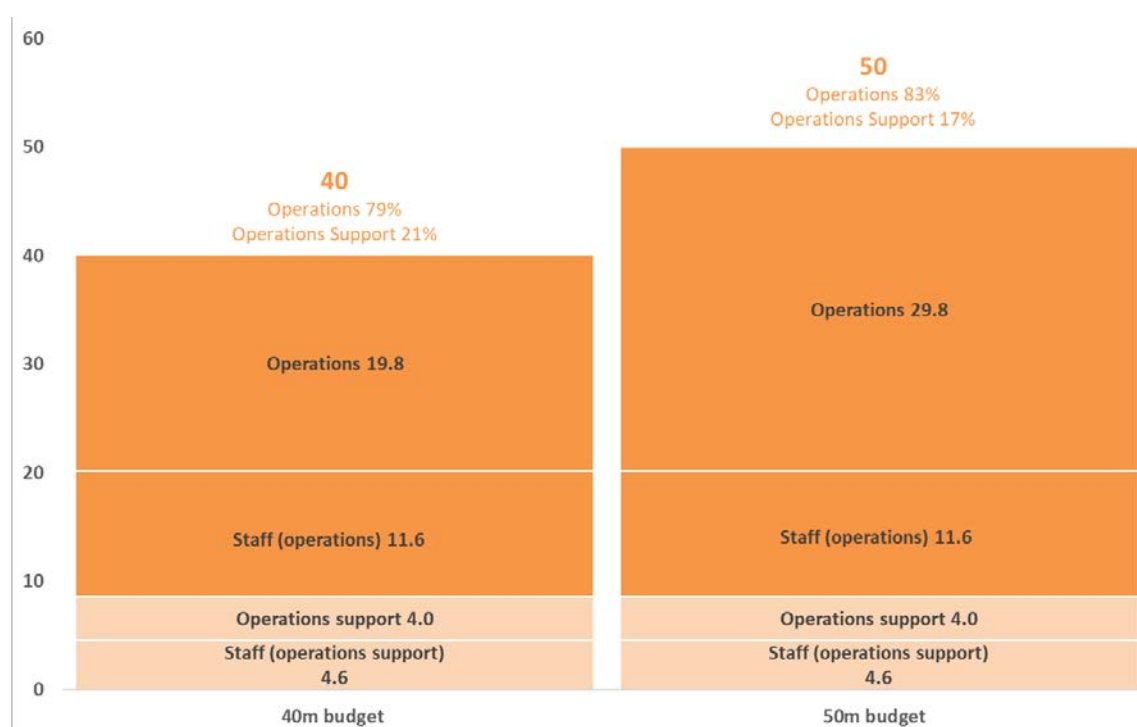


Figure 10: 2022–2023 approved budget scenarios - operations versus operations support (US\$ millions)

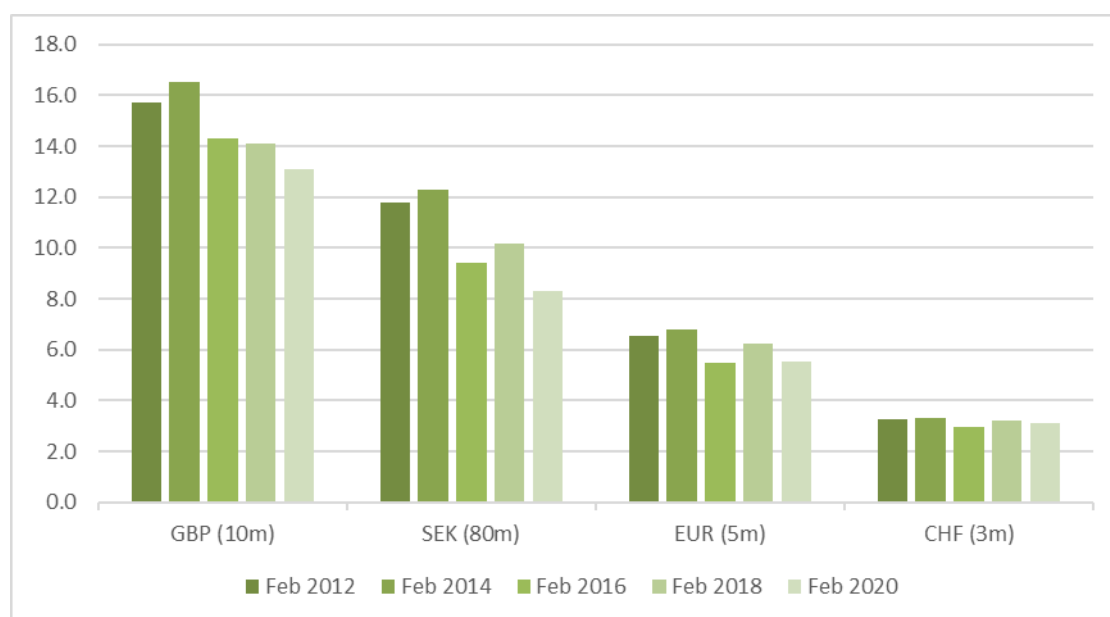


Figure 11: Illustration of the impact of foreign exchange rates on contributions, 2012 to 2020 (US\$ millions)

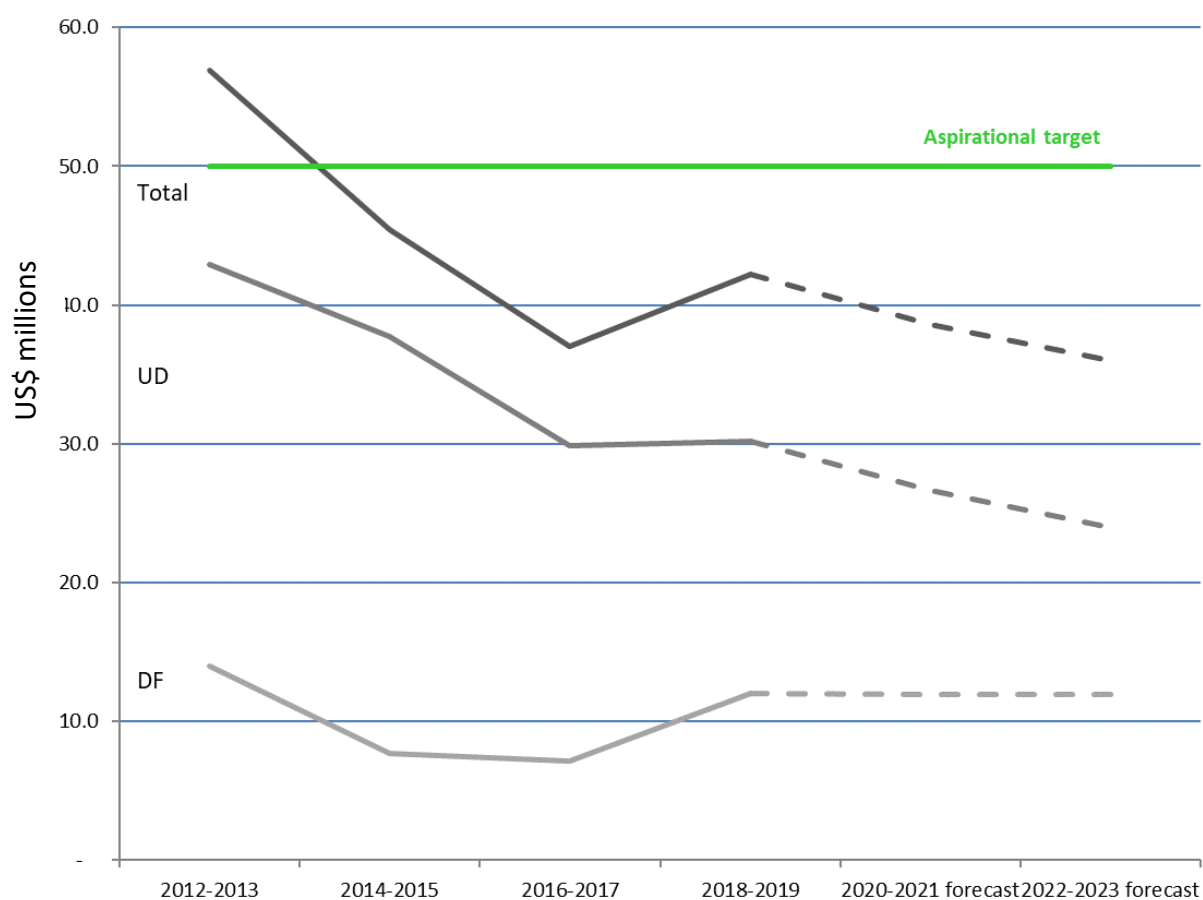


Figure 12: Revenue trend and 2021–2023 forecast (US\$ millions)

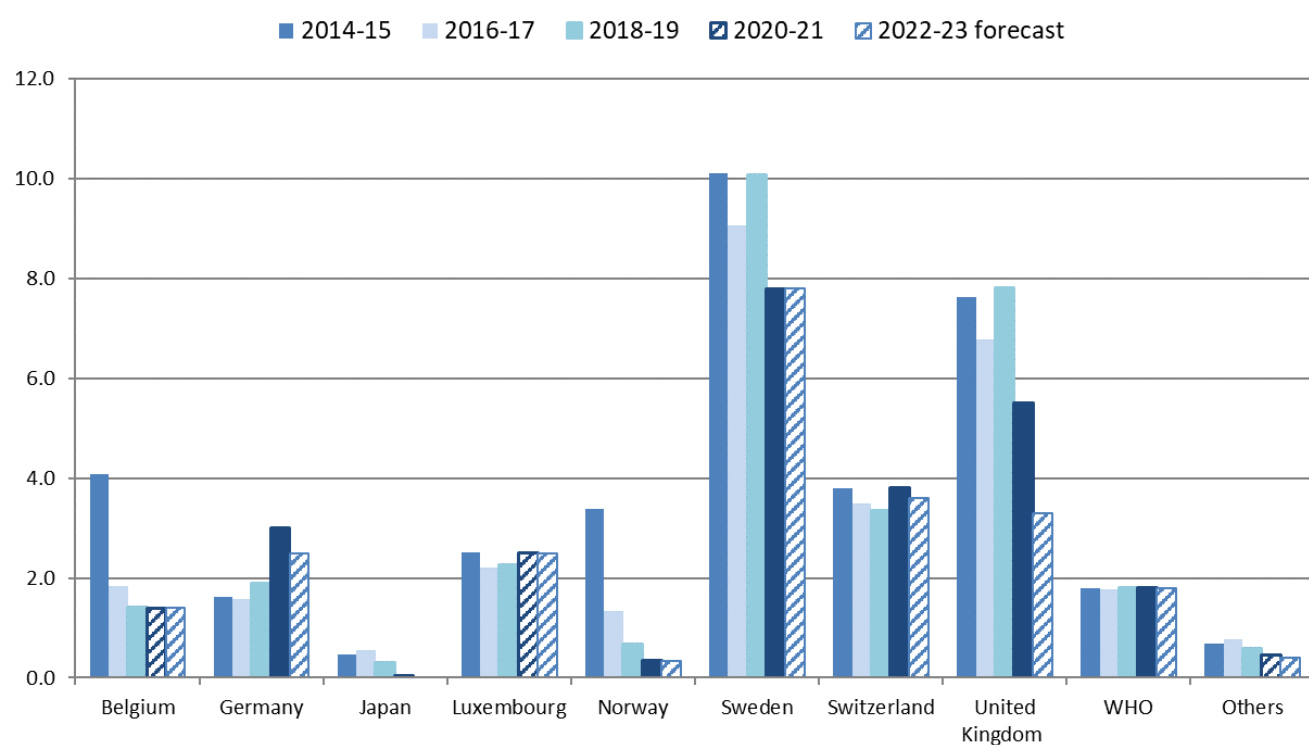


Figure 13: Revenue trend and 2021–2023 forecast (undesignated funds - breakdown of “others” per figure 14) (US\$ millions)

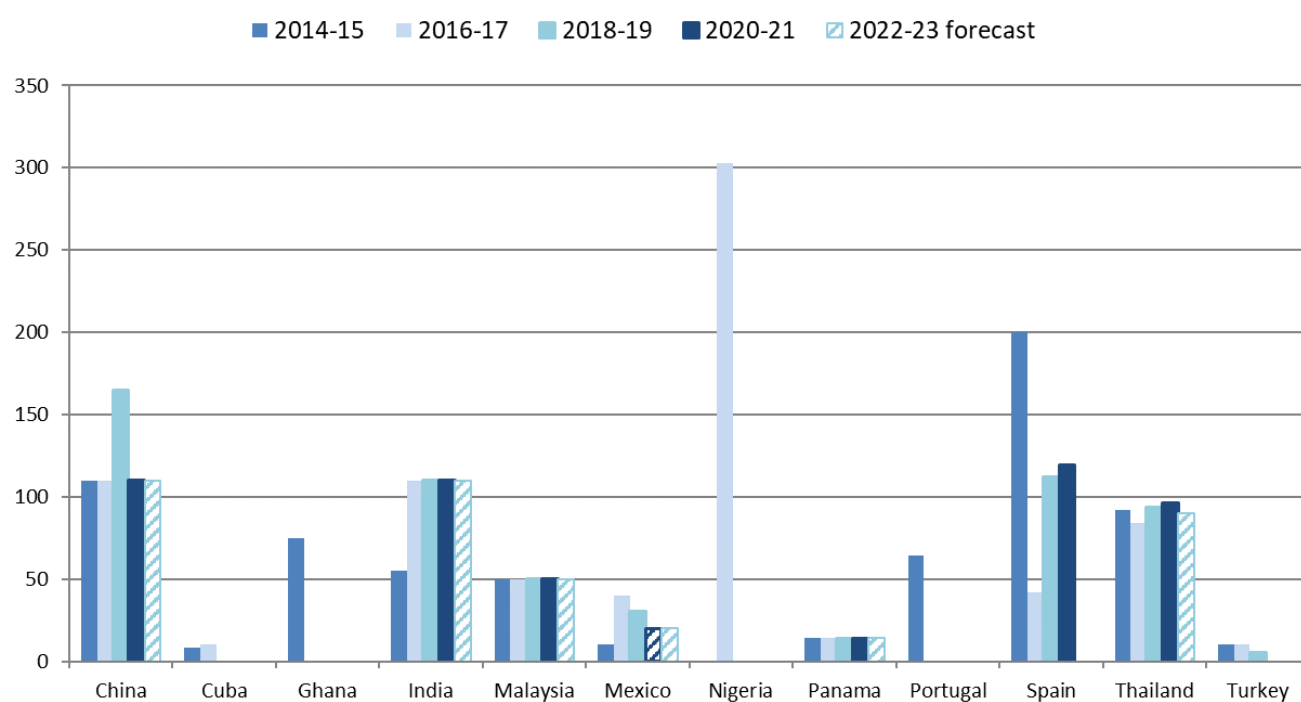


Figure 14: Revenue trend and 2021–2023 forecast (undesignated funds “others”) (US\$ thousands)

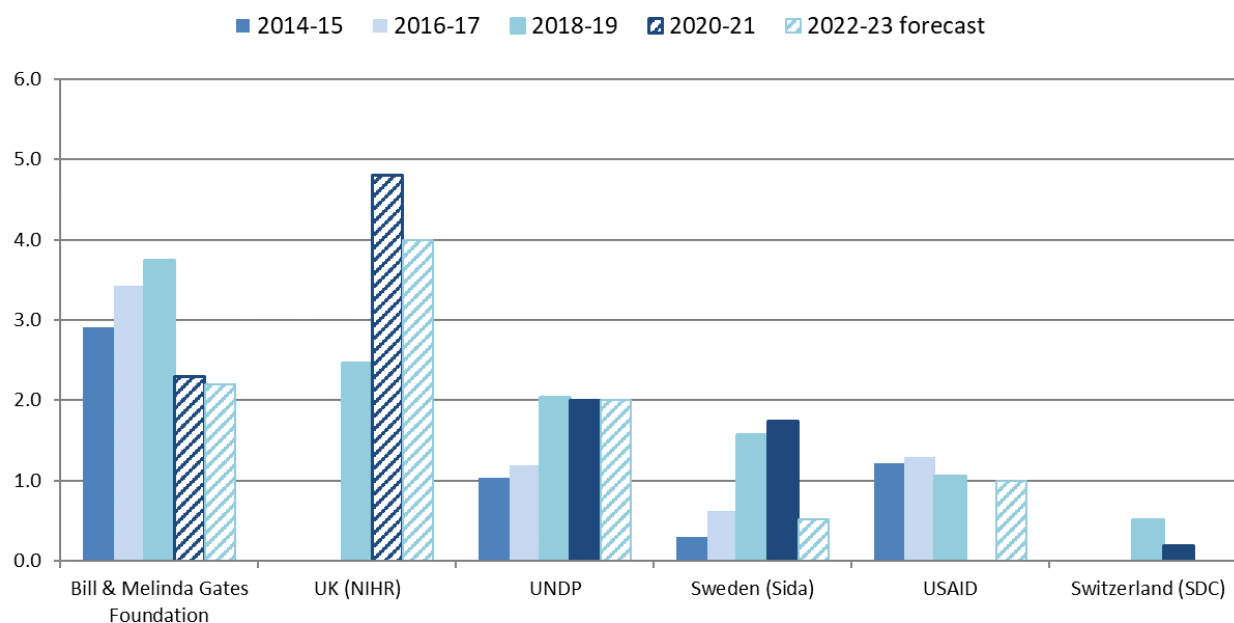


Figure 15: Revenue trend and 2021–2023 forecast (designated funds) (US\$ millions)

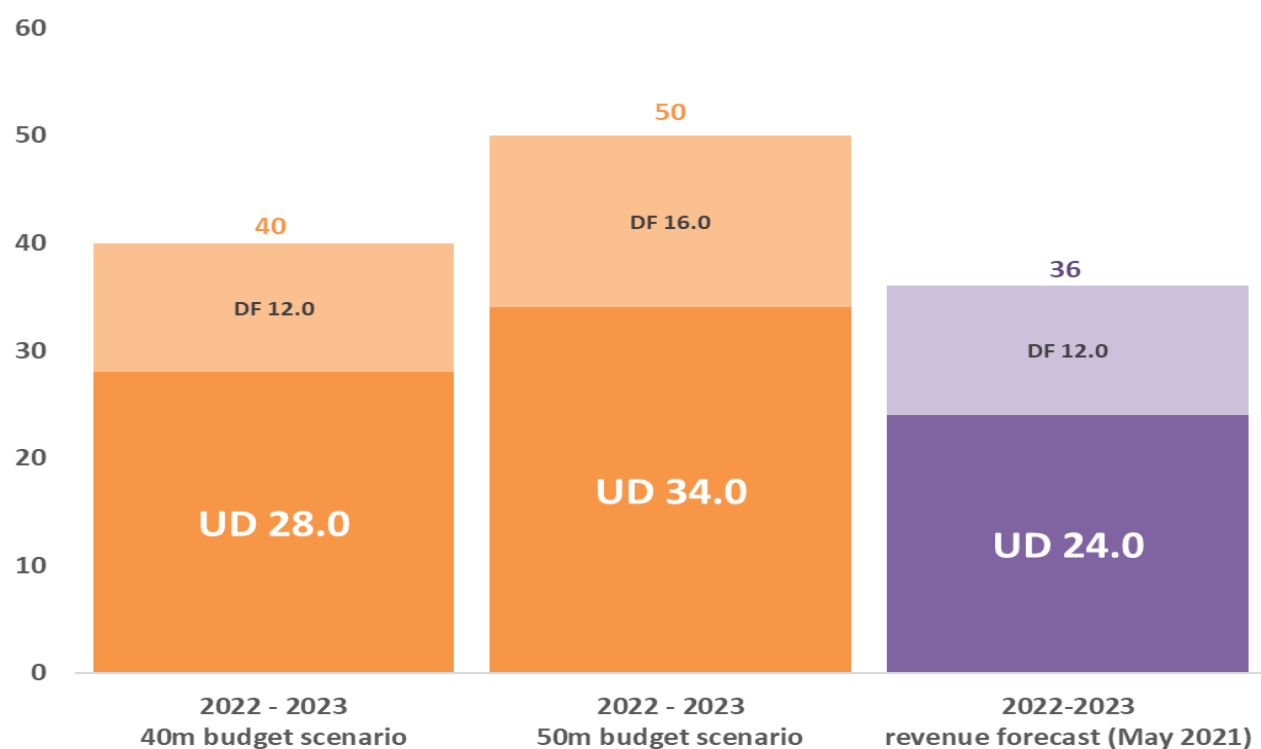


Figure 16: 2022–2023 revenue forecast at May 2021 (US\$ millions)

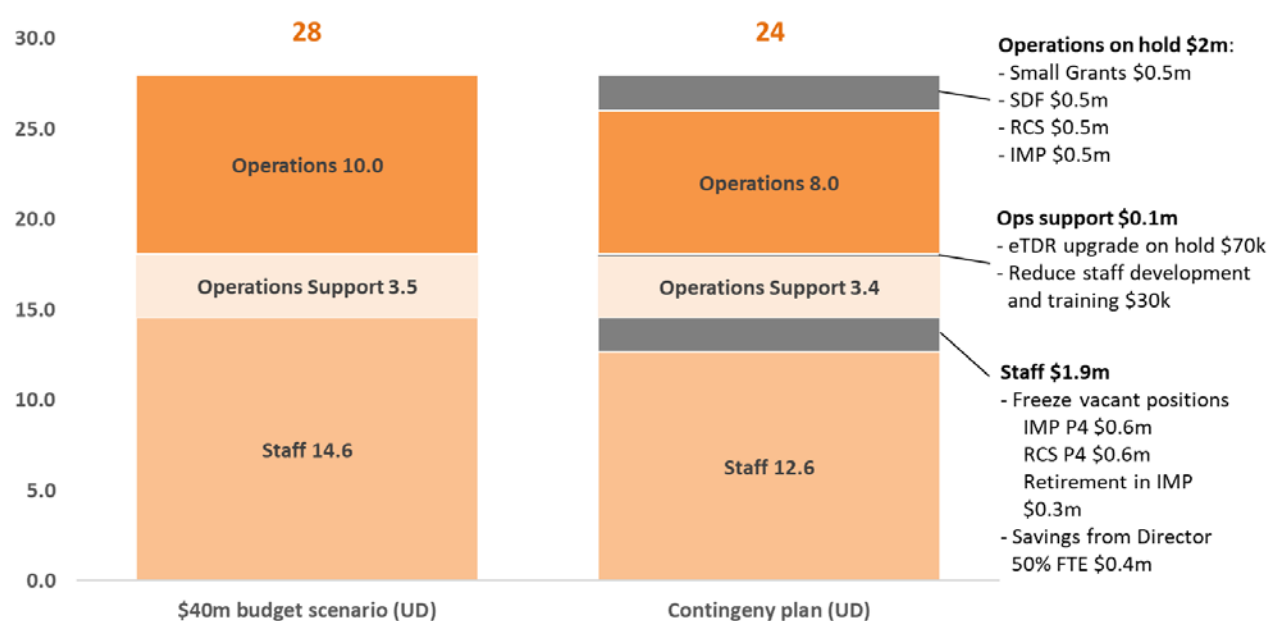


Figure 17: 2022–2023 contingency plan at May 2021 (US\$ millions)