

TDR financial management report 2022 and outlook 2023–2025

Agenda item: 5.

Action / Information: JCB is invited to review and approve 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 and 2024–2025.

Contents

2022–2023 financial update	1
2024–2025 Programme budget	3
Figures and tables	6

List of figures

Fig. 1. 2022–2023 budget scenarios and funds utilized at 31 December 2022 (US\$ millions)	1
Fig. 2. 2022–2023 US\$ 40 million budget scenario, revised planned costs and funds utilized as at 30 April 2023 (US\$ millions)	3
Fig. 3. 2024–2025 budget scenarios (US\$ millions)	3
Fig. 4. 2024–2025 \$ 40m budget scenario (UD), revenue forecast and potential gap	5
Fig. 5. 2022–2023 funds utilized by work area against planned costs revised as at 30 April 2023 (US\$ millions)	6
Fig. 6. 2022–2023 budget scenarios, revised planned costs and funds available (US\$ millions)	7
Fig. 7. 2024–2025 approved budget scenarios – by work area (US\$ millions)	7
Fig. 8. Impact of exchange rates on foreign currency contributions	8
Fig. 9. Revenue trend 2012 to 2025, including revenue forecast range 2023 to 2025 (US\$ millions).....	8
Fig. 10. Undesignated revenue trend by donor 2014 to 2022 and forecast 2023 to 2025 (US\$ millions)	9
Fig. 11. Undesignated “other” revenue trend by donor 2014 to 2022 and forecast 2023 to 2025 (US\$ millions)	9
Fig. 12. 2024–2025 approved undesignated budget scenarios and forecast funds available (US\$ millions)	10
Fig. 13. 2024–2025 approved designated budget scenarios and forecast funds available (US\$ millions)	10
Fig. 14. Impact of revenue reduction on 2022–2023 and 2024–2025 (US\$ millions)	11
Fig. 15. 2024–2025 contingency plan (US\$ millions)	11

2022–2023 financial update

Two budget scenarios for 2022–2023 were approved by the Joint Coordinating Board in 2021 (Fig. 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 2022, implementation of the US\$ 40 million budget scenario was initiated in line with the revenue forecast at the time.

Implementation in 2022: 49% of the US\$ 40 million budget scenario

- Financial implementation is monitored on a monthly basis in order to identify potential issues and to allow redistribution of funds as necessary.
- As at 31 December 2022, US\$ 19.5 million had been spent or committed through legal agreements (commitments of US\$ 3.4 million). This represents:
 - 49% of the US\$ 40 million budget scenario; and
 - 58% implementation of operations activities against the US\$ 40 million budget scenario.

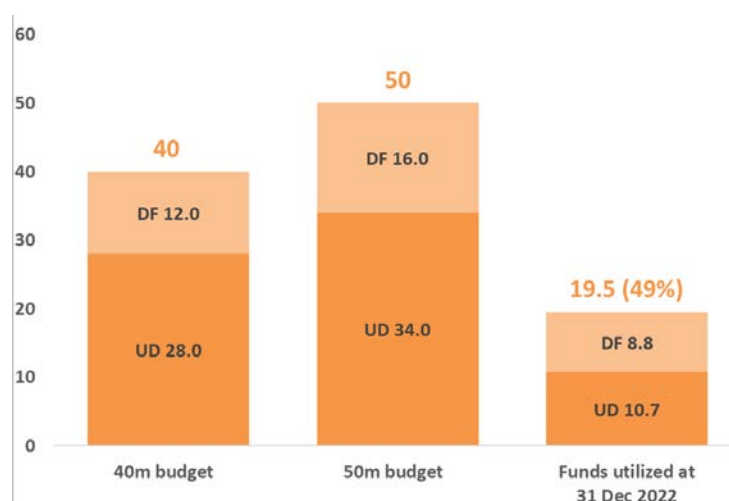


Fig. 1. 2022–2023 budget scenarios and funds utilized at 31 December 2022 (US\$ millions)

Effective fundraising for the biennium

- Funds available include revenue recognized in the current biennium along with funds carried over from the previous biennium.
- Revenue confirmed amounts to US\$ 33.7 million, including US\$ 23.7 million undesignated funds and US\$ 10 million designated funds. In addition, US\$ 7.6 million undesignated and US\$ 6.5 million designated were brought forward from the previous biennium (2020–2021).
- 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.

Revising planned costs beyond the US\$ 40 million scenario (Fig. 2)

- Planned costs were revised following the September 2022 portfolio review and again following the February 2023 portfolio review. Planned costs are currently US\$ 42.4 million, including US\$ 26.0 million undesignated funds and US\$ 16.4 million designated funds.
- The projected savings in staff costs (US\$ 1.7 million) are a result of lower actual costs than standard costs in the first year of the biennium, along with vacant positions due to delays in the recruitment process.
- Projected savings in operations support amount to US\$ 0.7 million.
- Furthermore, US\$ 2.4 million undesignated funds are expected to be saved as a result of the higher proportion of staff and operations support costs covered by designated funds. Therefore, the total savings expected in undesignated staff and support costs amounts to US\$ 4.7 million.
- To further improve the value for money of TDR's work, US\$ 2.7 million undesignated funding has been reallocated to activities, scaling up planned implementation above the US\$ 40 million budget scenario in line with the approved workplan. This illustrates the value of the two-scenario model and capacity to implement at this point in the biennium.
- No further increase in planned costs is envisaged in 2023, in line with the Standing Committee's recommendation. This would allow the remaining US\$ 2 million in savings to be carried forward to the next biennium to build resilience against the threat of a major funding cut.
- Implementation at the end of April 2023 was US\$ 24.9 million, 59% of revised planned costs.

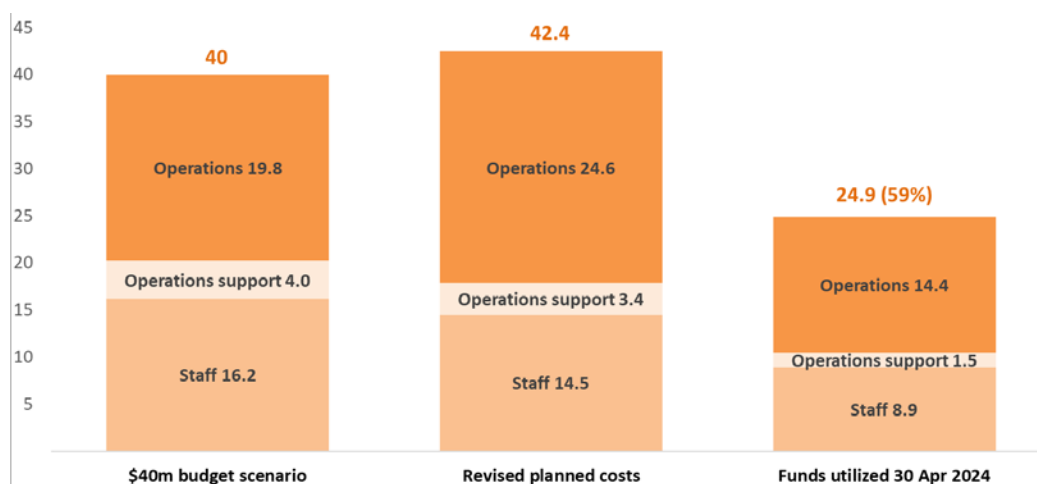


Fig. 2. 2022–2023 US\$ 40 million budget scenario, revised planned costs and funds utilized as at 30 April 2023 (US\$ millions)

2024–2025 Programme budget

TDR budget and workplan scenarios for 2024–2025 have been developed (Fig. 3)

- Following Joint Coordinating Board approval of the two budget scenario levels in 2022, the detailed Programme budget and workplan is now submitted for review and approval by TDR's Governing bodies. The two budget scenarios approved for 2024–2025 include:
 - 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\$ 33 million undesignated funds; US\$ 17 million designated funds).

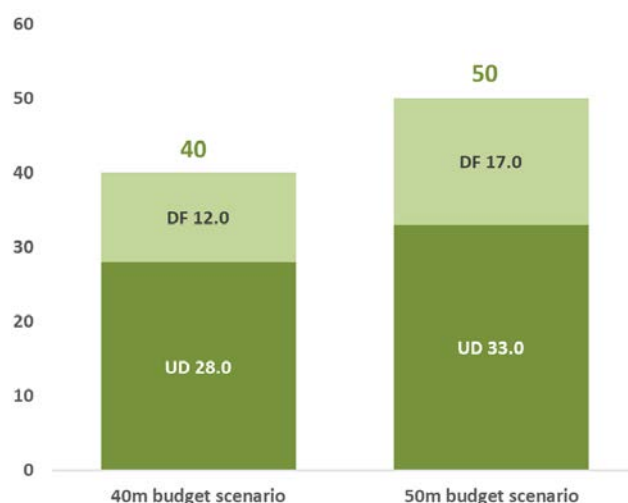


Fig. 3. 2024–2025 budget scenarios (US\$ millions)

Funding the 2024–2025 workplan (Fig. 4, Fig. 9, Fig. 12, Fig. 13, Fig. 14)

- A forecast revenue range has been developed to reflect the current level of uncertainty concerning the ability of donors to maintain existing levels of contributions and the impact of fluctuating foreign exchange rates. It is reviewed and updated continuously.
- In Q1 2023, TDR was made aware of a significant reduction in the contribution from a key donor, impacting 2024–2025 funding by US\$ 7 million.
- The current revenue projection is US\$ 17.7 million undesignated and US\$ 5.7 million designated. The undesignated funds forecast is based on historical levels of contributions adjusted with current information from donors. The designated funds forecast includes donors that have a history of regular contributions.
- In addition, funds not planned to be spent in 2023 will be carried forward for use in 2024–2025.

2024–2025 contingency plan (Fig. 15)

- A contingency plan has been developed in case sufficient funds are not identified to cover the US\$ 40 million budget scenario before January 2024.
- The contingency plan would include the following measures:
 - Savings in staff costs by freezing three fixed term position.
 - Scaling down operations activities in a meaningful and well prioritized manner.
 - Estimating the impact on 2026–2027 income and aligning budget scenario and staffing levels accordingly.
- The contingency plan has been reviewed by the Scientific and Technical Advisory Committee, endorsed by the Standing Committee and is now submitted for review and final approval by the Joint Coordinating Board.
- Efforts are being made to fill the gap through:
 - Active fundraising for flagship projects aligned with major global health challenges reflected in the new TDR strategy 2024–2029 (One Health, disease elimination, resilience to climate change, preparedness for outbreaks and epidemics, antimicrobial and insecticide resistance).
 - Discussions with existing core donors to mitigate the impact of reduced contributions due to the global post-pandemic and security situation.
 - Recovering US\$ 2.3 million of interest on historical contributions, pending with the World Health Organization's Finance Department.
 - Carry-over of revenue arriving late in the biennium 2022–2023 which is not planned to be utilized in the biennium.

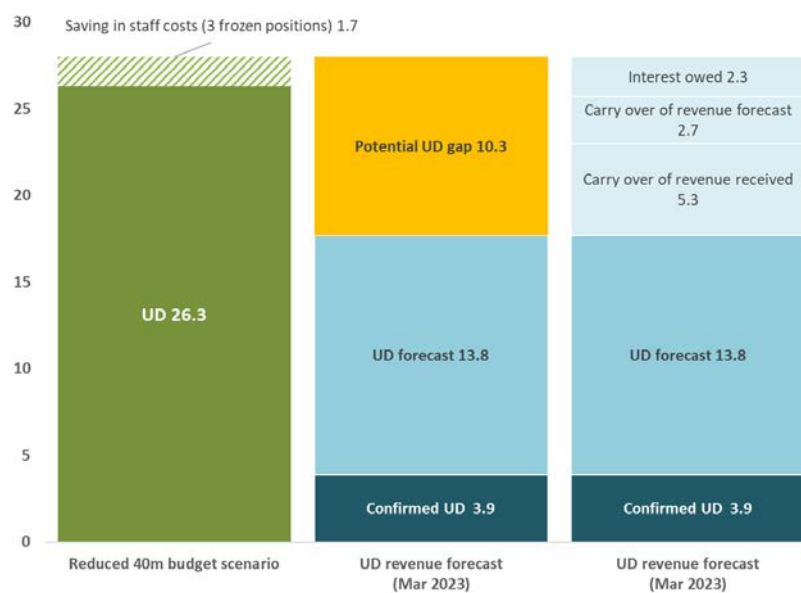
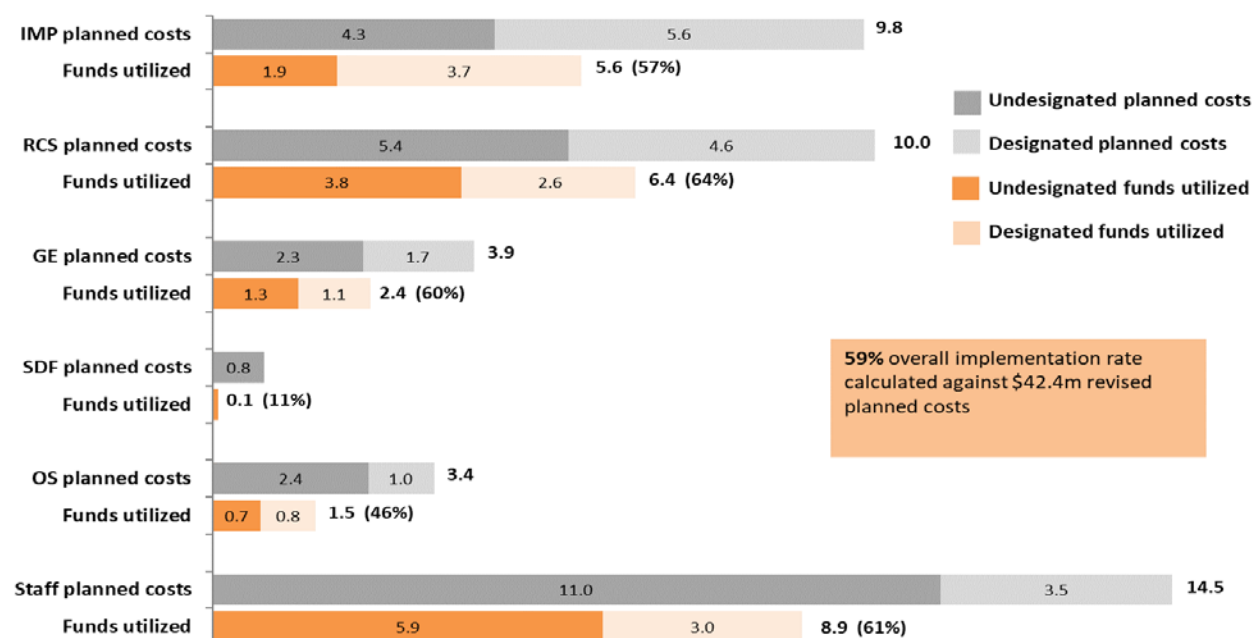


Fig. 4. 2024–2025 \$ 40m budget scenario (UD), revenue forecast and potential gap

Figures and tables



IMP: Research for implementation
 RCS: Research Capacity Strengthening
 GE: Global Engagement
 SDF: Strategic Development Fund

Fig. 5. 2022–2023 funds utilized by work area against planned costs revised as at 30 April 2023 (US\$ millions)

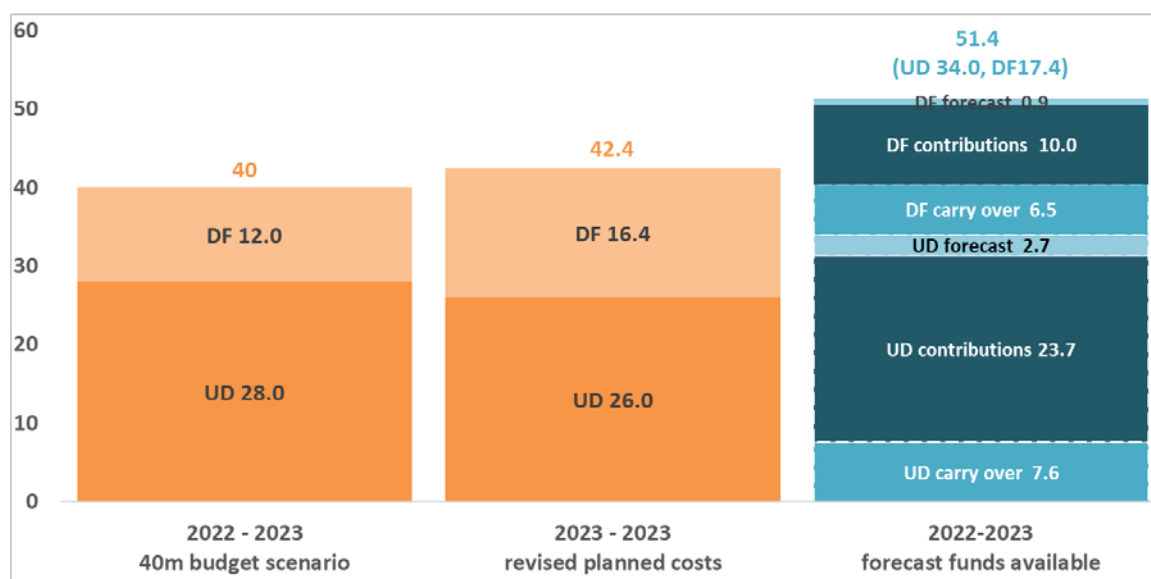


Fig. 6. 2022–2023 budget scenarios, revised planned costs and funds available (US\$ millions)



Fig. 7. 2024–2025 approved budget scenarios – by work area (US\$ millions)

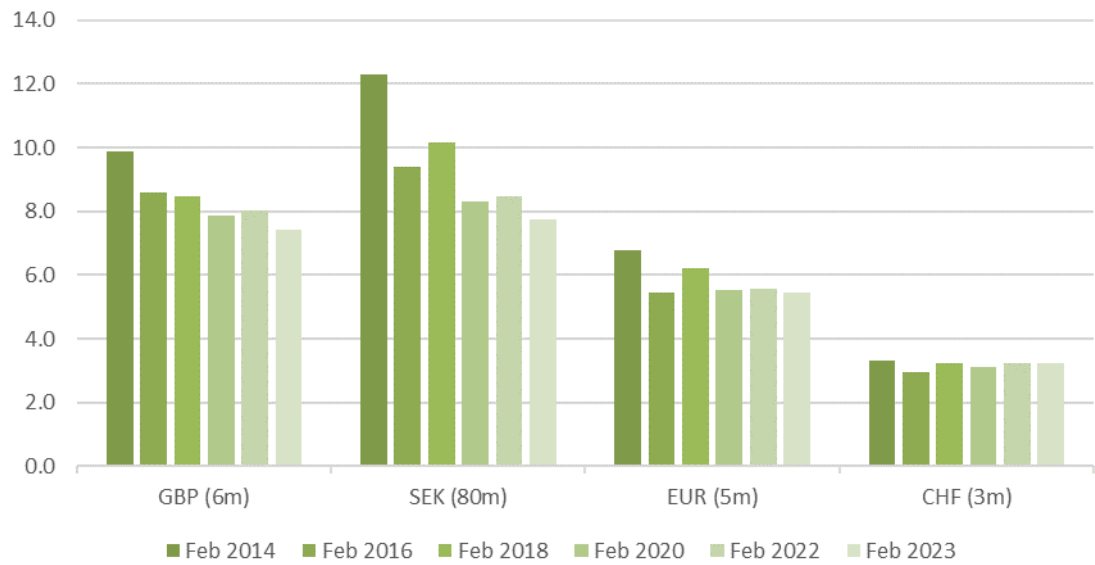


Fig. 8. Impact of exchange rates on foreign currency contributions

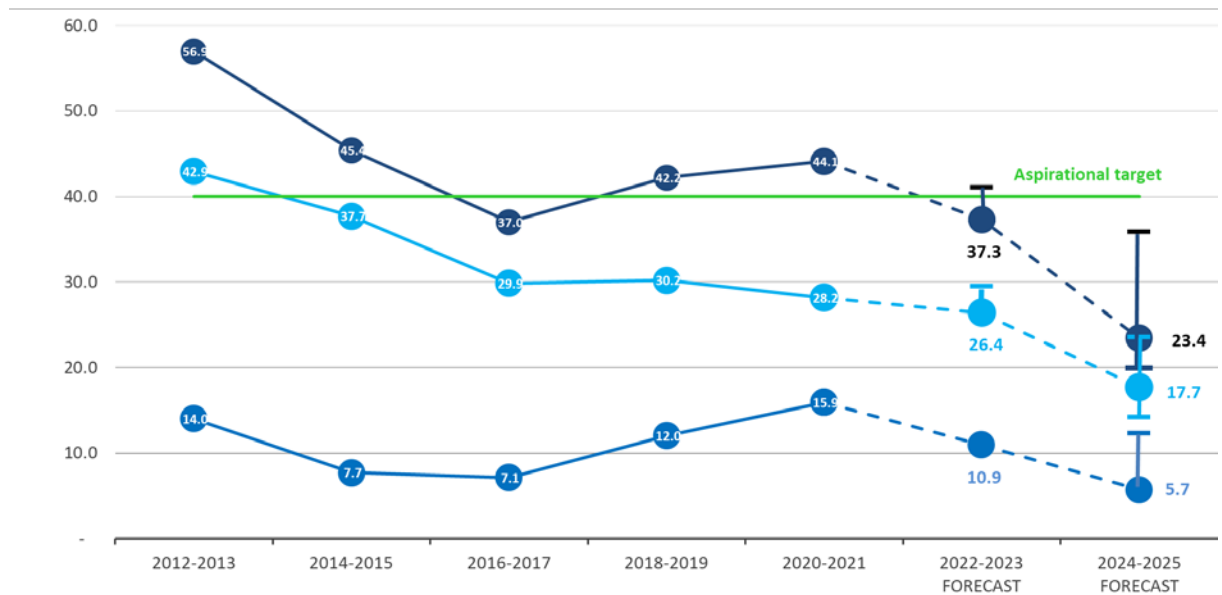


Fig. 9. Revenue trend 2012 to 2025, including revenue forecast range 2023 to 2025 (US\$ millions)

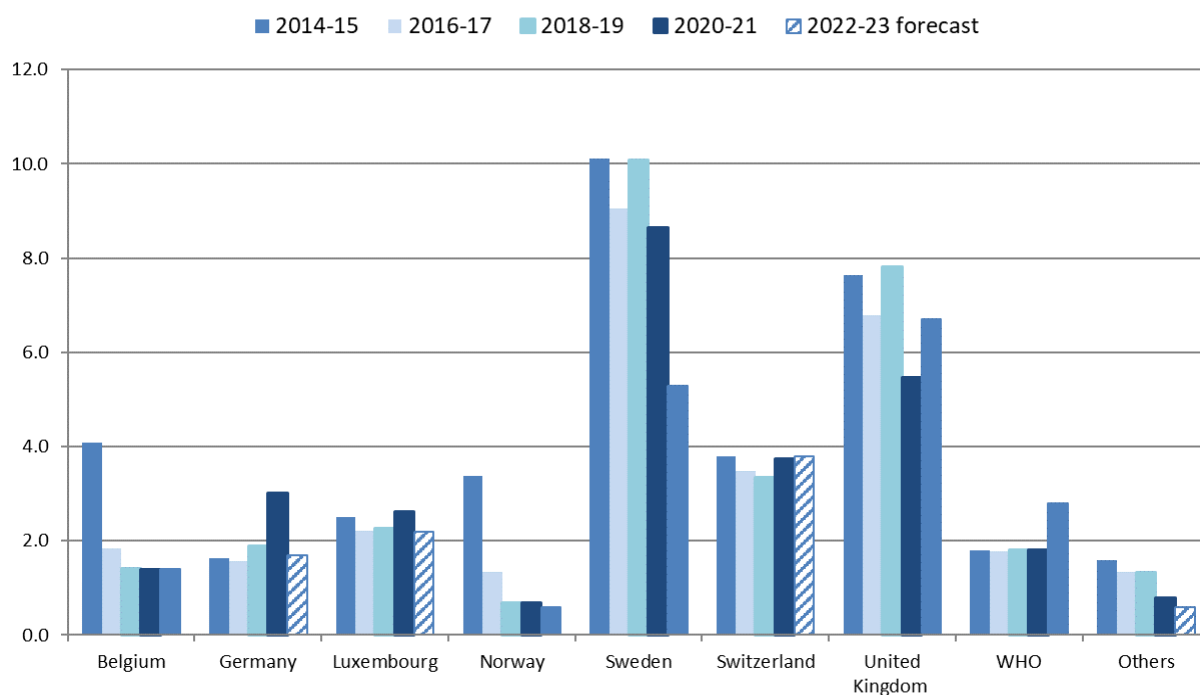


Fig. 10. Undesignated revenue trend by donor 2014 to 2022 and forecast 2023 to 2025 (US\$ millions)

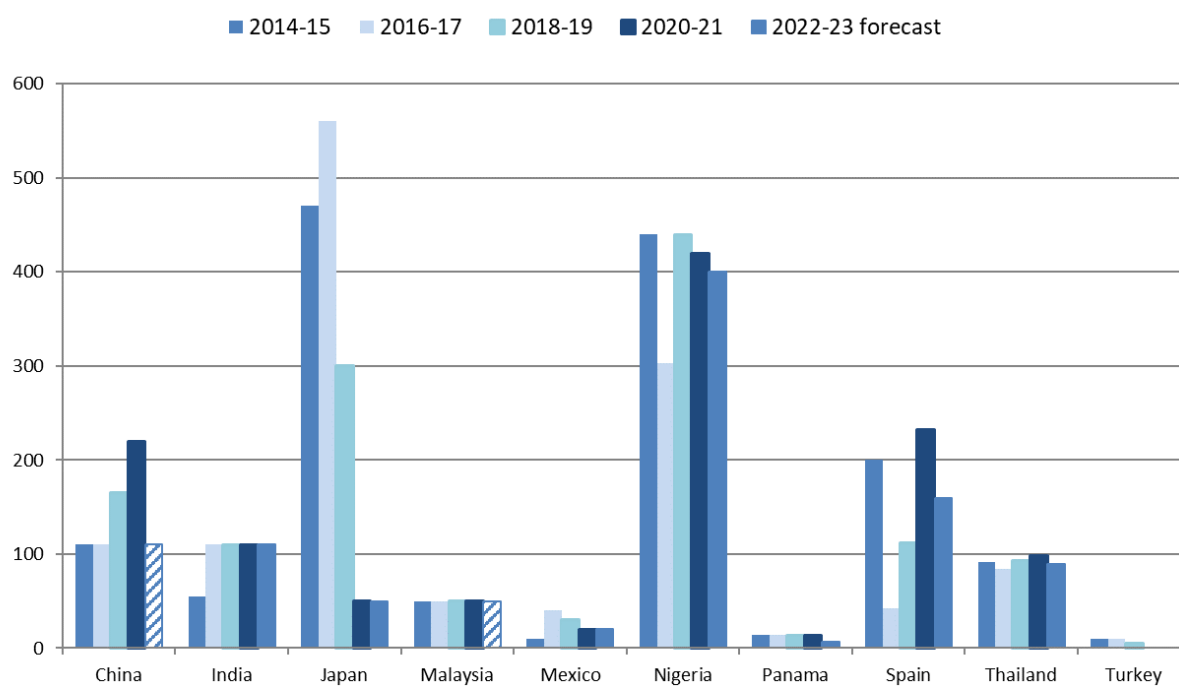


Fig. 11. Undesignated "other" revenue trend by donor 2014 to 2022 and forecast 2023 to 2025 (US\$ millions)

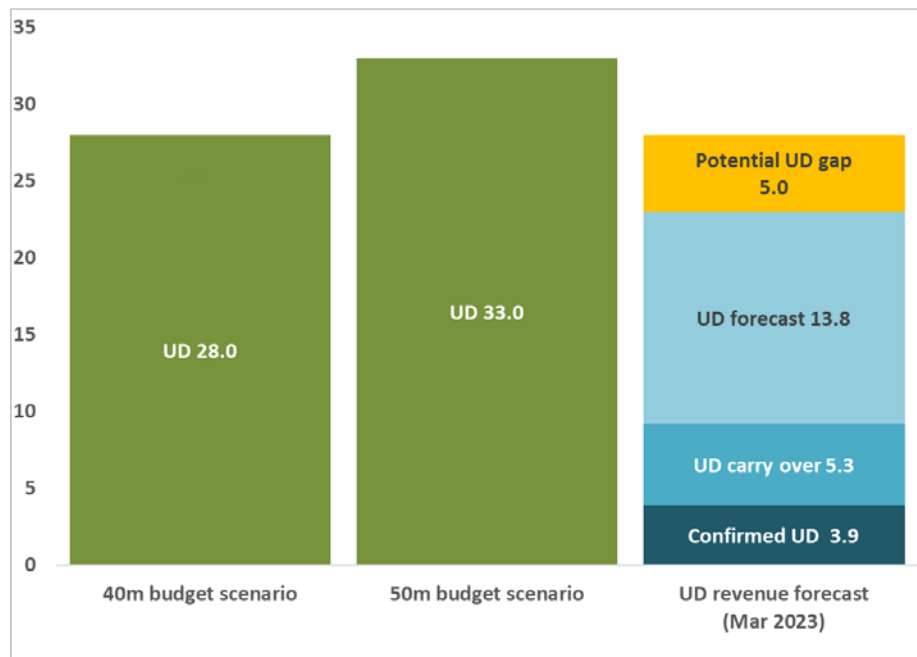


Fig. 12. 2024–2025 approved undesignated budget scenarios and forecast funds available (US\$ millions)

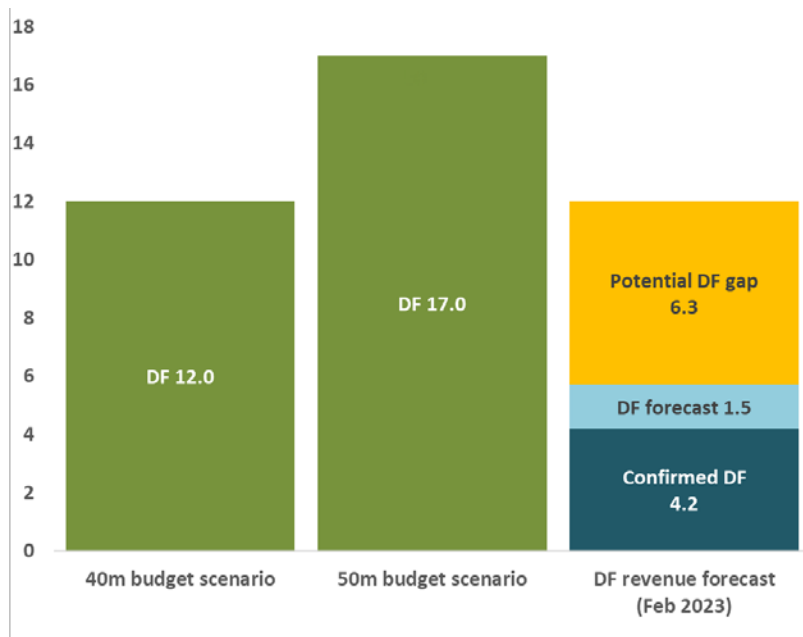


Fig. 13. 2024–2025 approved designated budget scenarios and forecast funds available (US\$ millions)

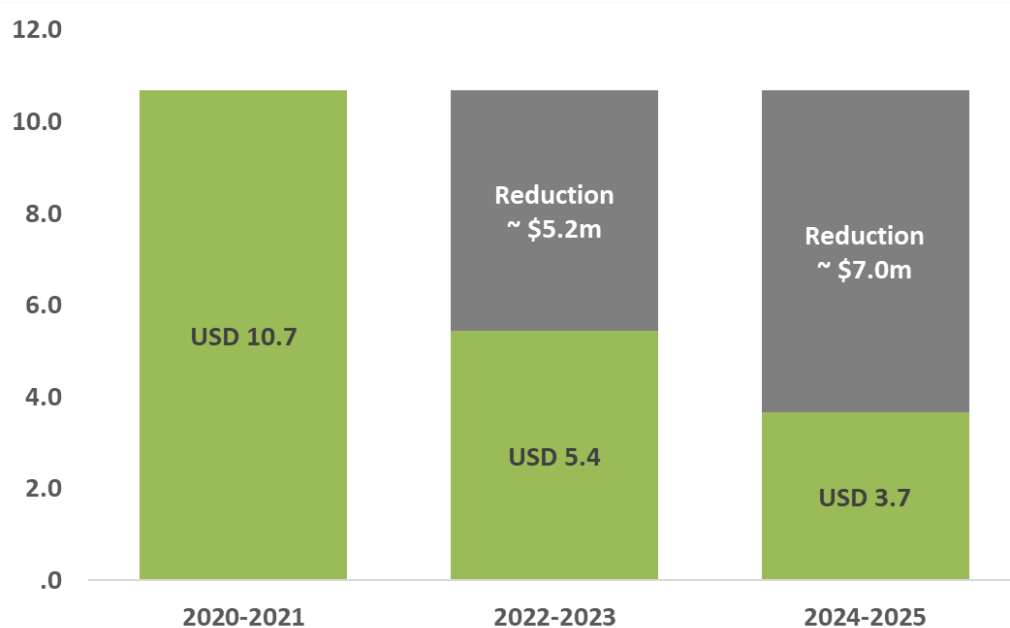


Fig. 14. Impact of revenue reduction on 2022-2023 and 2024-2025 (US\$ millions)

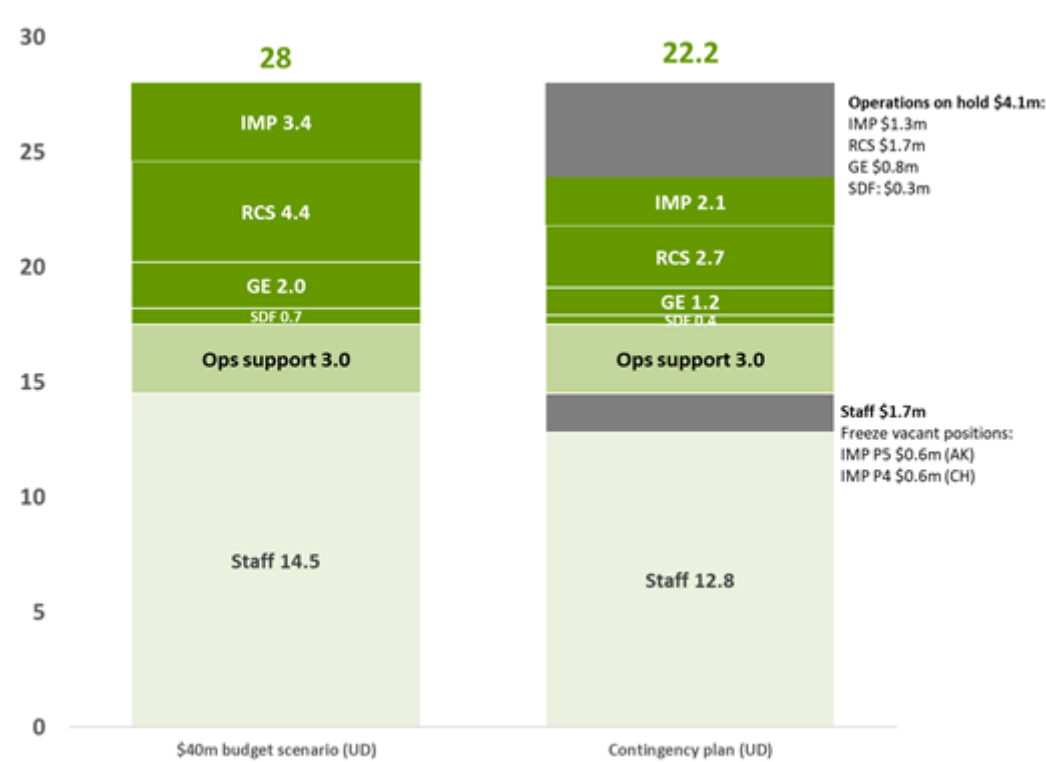


Fig. 15. 2024-2025 contingency plan (US\$ millions)