

# AFRINIC

## 2020 Operations Budgets

The 2020 Operations budgets take cognizance of the following factors:

- 2020 is the last year of the current cycle of the Strategic Plan 2016 – 2020.
- AFRINIC hitting Soft Landing Phase 2
- Change in leadership
- The consistently high level of Net Surplus recorded during the last 4 years.

As a result of the above, a very conservative approach was adopted in deriving the numbers and operational activities focused on objectives which appeared on the Strategic Plan but was yet to be achieved. No major changes in operations have been anticipated; but a continuation of what was started in previous years.

Unlike in previous years, total operating costs for 2020 was pegged at a level higher than the 2019 total revenue. The activities that will be supported will yield much results as it will boost the productivity as well as reduce risk at a very low level.

Total revenue for 2019 is estimated at \$5.650M (*against a target of \$5.70M*). Shortfall being on Sponsorship income.

- Total budgeted expenses for 2020 is estimated at \$5.814M.
- As in previous years the "Contingency" line will not be spent unless for a contingency which was not budgeted or anticipated and shall be subject to specific board approval prior to spending.
- The budgeted revenue for 2020 is \$5,900M, which is made up of:
  - Fee Revenue - \$ 5,550M
  - Other Income - \$ 350K
- 2020 Fee Revenue target assumes that new membership shall continue to grow at a slower pace as AFRINIC during the second phase of the Soft Landing. 130 new members have been projected (for budgeting purposes) for 2020. The current fee structure was applied and the revised fees shall not be applicable by 1<sup>st</sup> January 2020. With the second phase of soft landing in place address blocks released shall be /24's and /22's. However, based on current trend, an increased number of additional resource requests is anticipated.

- The budgeted operating costs for 2020 reflects the continuing execution of the Strategic Plan while maintaining high standard of service level.
- The following should be noted with regards to operating costs for 2020:
  - Staff costs represent the highest single cost line item in the organization operating expenses. The focus for 2020 shall be the reinforcement of the organization structure. Due to the fact that AFRINIC operations are going through a transition with a new CEO in place by the end of 2019, all recruitments for new roles have been frozen. The discussions at Board level are axed on the setting up of the Executive Team. Only 2 recruitment at executive level has been factored in the 2020 operational budgets.

The recruitments of two C Band employee will have an impact on HR costs compared to 2019. HR costs for 2019 will close lower than budgeted as there has been 9 departures and the replacements have taken longer than expected. The arrival of the new Executive team will facilitate the review of the organization structure going forward. Total HR Costs shall be maintained at 53% of total operating Costs for 2020. A net salary review of 5% has been factored in the payroll costs. Staff training have been set at \$144K or 4.6% of total HR Costs, while payroll costs amounted to \$2.7M.

- “Computer Expenses” includes various software Licences like NetSuite, VMWare, Event Management, other infrastructure licences and other accessories have been set at same level as in 2019.
- “Marketing & Communications Expenses” line includes translations costs and various marketing and communications materials and also include \$5K which will go towards AFRINIC 15 years Accreditation.
- “Members Training & Capacity Building” reflects a focus on IPv6 Deployments on the continent. Traditional training workshops are slowly being replaced by e-Learning and webinars.
- “Travel Expenses” have been maintained at 9.4% of total operating costs (2019: 9.4%). However, representation of AFRINIC at regional and global events/forum May experience an increase due to the arrival of a complete executive team as part of the structural reinforcement.

- Our “Research & Innovation” efforts and collaborations which started in 2019 is expected to be maintained with increased involvement of other partners.
- “Outreach” activities are set to continue and reinforced with a view to get even closer to membership base and also in the light of Soft Landing phase 2.
- “Stakeholders Engagement” - In line with the organization objective a new line has been added which will represent AFRINIC effort at engaging stakeholders and governments. It is hoped that this initiative shall increase proximity with the community and other stakeholders; hence adopting a more inclusive approach.
- “Community Support” is expected to continue as another way of being closer to the community and support to regional partners. This includes AFRINIC Fellowship program and support to the FIRE project.
- “Remote Sites” - In an effort to increase infrastructure resilience in 2020, AFRINIC shall be exploring the addition of third site to host our remote infrastructure (in addition to Joburg & CTown). Equipment at existing sites will be refreshed and an effective Disaster Recovery is expected to be put in place.
- A contingency amount of \$70K has been included in the operational costs budgets in order to cover any contingent expenditure which may not have been foreseen at the time of budget preparations. Utilization of the contingency shall be strictly controlled.

Operating Costs Budget			
		US\$/MUR	35.0000
2019			2020
Estimate Actual	Budget	Administrative expenses	US\$
2,600,000	2,982,000	HR	\$3,089,949
68,000	68,800	Telecommunications	\$69,667
150,000	161,000	Computer expenses	\$160,898
255,000	269,500	Office Expenses	\$281,978
2,000	5,000	Motor vehicle expenses	\$6,000
42,200	36,500	Insurance	\$38,116
25,000	38,800	Printing, posts & Subsc	\$42,208
66,000	65,000	Bank charges	\$68,000
13,700	13,700	Professional Fees	\$13,700
80,000	130,000	Depreciation	\$155,253
80,000	115,500	Consultancy Fees	\$162,130
<b>3,381,900</b>	<b>3,885,800</b>	<b>Total Administrative expenses</b>	<b>\$4,087,897</b>
		<b>Distribution expenses</b>	
30,000	58,200	Marketing & Comms expens	\$72,200
75,000	50,000	Bad debts	\$60,000
290,000	290,000	Meeting expenses	\$300,000
80,000	113,100	Members Training & Capacit	\$110,300
490,000	490,000	Travel expenses	\$550,000
35,000	35,000	Research & Development	\$40,000
80,000	95,000	Outreach Initiatives	\$82,000
		Community engagement	\$70,000
175,000	194,000	Community Support	\$215,000
45,000	45,000	NRO Shared Costs	\$46,000
62,331	61,000	Contributions to ICANN	\$63,000
20,000	30,500	Remote Sites Operations Co	\$47,500
<b>1,382,331</b>	<b>1,461,800</b>	<b>Total Distribution expenses</b>	<b>\$1,656,000</b>
		<b>Other Costs</b>	
75,000	\$170,000	Contingency	\$70,000
<b>4,839,231</b>	<b>5,517,600</b>	<b>Total Operating expenses</b>	<b>\$5,813,897</b>
		<b>REVENUE</b>	
\$5,575,000	\$5,325,700	Fees Income	\$5,550,000
\$75,000	\$375,000	Other Income	\$350,000
<b>\$5,650,000</b>	<b>\$5,700,700</b>	<b>TOTAL REVENUE</b>	<b>\$5,900,000</b>
<b>\$810,769</b>	<b>\$183,100</b>	<b>Budgeted Surplus</b>	<b>\$86,103</b>

A net Surplus of \$ 86K has been envisaged as the operational financial result for the budget year ending December 2020.

## CAPEX

CAPEX 2020	
Communications & PR	\$ 45,000
HR & Administration	\$ 238,000
Member Services	\$ 1,200
Applications Unit	\$ 125,000
CEO Office	\$ 5,000
Infrastructure Unit	\$ 232,800
Other departments	\$ 1,600
	<b>\$ 648,600</b>

- HR & Administration CAPEX request includes \$ 200,000 in respect of rearrangement of office space to accommodate new Executives in addition to general office equipment replacements.
- Infrastructure Unit CAPEX includes tech refresh for all remote sites including a third new host location to be identified replacement of work stations and new staff.
- Application Unit includes an amount of \$ 115,000 as consultancy fees for MyAfrinic V2 project.
- Communications & PR includes an amount of \$ 35,000 as consultancy fees for AFRINIC website re-engineering.

