

2013 Budget



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Introduction

As a follow up from our 2009-2011 Strategic Plan, we started at the end of 2011 to draw our priorities for 2012-2014. AFRINIC has grown since 2009 and is facing, as many other similar organisations, the challenge of continuing to grow while maintaining the right balance between growth and sustainability. We are all operating in an environment constantly evolving with the Internet playing a critical role in all facets of our lives. An organisation like ours should be sufficiently flexible and resilient to transform itself and adjust to the ever-changing environment.

In 2012, we introduced the first phase of AFRINIC transformation with a major operation restructuring followed by a profound review of the organisation's Bylaws. The restructuring has been implemented, and the new Bylaws ratified by the Board. These two steps were important in setting the foundation of an organisation that can continue to support the community while developing services and programmes that contribute to the development of the regional Internet governance ecosystem.

1 2012 Budget Achievement Highlights

AFRINIC continued to implement its new structure in 2012 while working on various projects as planned. We ended the year with an overall positive exercise even though our target in terms of revenue (membership) was not met. Several factors contributed to the situation with the adjustments required to effect the new structure being the most culpable. Our operating costs grew by 18% compared to 2011 while our revenue increased by 19% during the same period. The table below gives a summary of the forecast financial situation as of December 2012 (All in USD). The numbers for 2012 have not yet been audited and so remain provisional.

	Forecast 2012	Budget 2012	Δ 2012 Actual/Budget	Actual 2011	Δ Actual 2012/2011
	US\$	US\$	%	US\$	
Incomes	2,858,623	3,152,128	90%	2,393,485	19%
Operating Costs	2,822,508	3,147,736	89%	2,389,663	18%
Surplus/(Deficit)	26,115	35,392	-26%	3,822	583%
Total Reserves	1,477,226	1,466,503	1%	1,431,111	

Table-1: Overview of 2012 financial situation

2013 Corporate Orientations

AFRINIC's operational budget for 2013 is based on a series of priorities identified through feedback from the community and our strategic goals for 2013. Three key elements support our activity plan and budget:

- **Relevance:** Continue playing our critical role in Number Resources Management.
- **Efficiency:** Continue to improve productivity and financial stability
- **Resiliency:** Adjust Organisation structure to evolve in close alignment with continuously changing environment/ecosystem

The foregoing three elements (hereinafter referred to as RER) will constitute the ongoing goal for AFRINIC during the coming years.

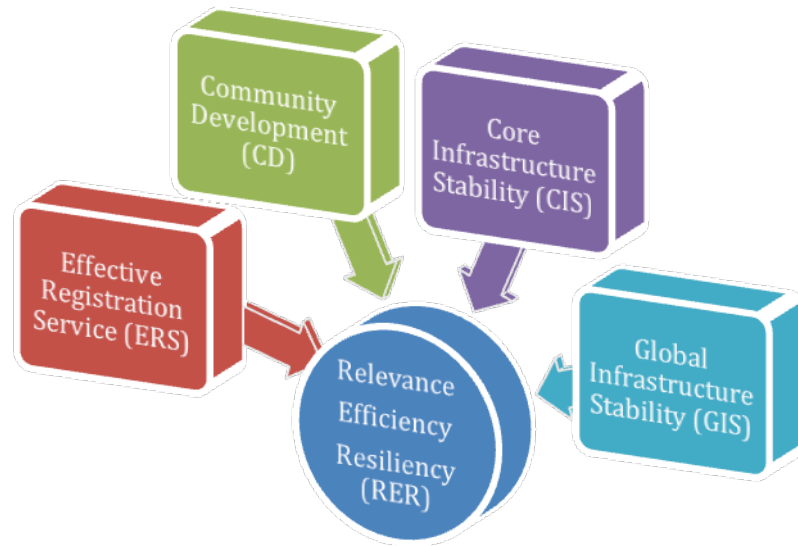
The 2013 budget has been formulated around Activity Plans that are aimed at addressing the immediate needs aimed at further supporting small Network operators of all kind to access Number resources while at the same time increasing overall membership value for existing members. With the new Bylaws adopted by the Board, the budget has also been designed to cater for its implementation and provides more transparency on our operations.

2 High-level Objectives

The High-level Objectives of AFRINIC in 2013 are defined around three major areas, which are: Effective Registration Services (**ERS**), Community Development (**CD**), Core (Internal) Infrastructure Stability (**CIS**), and Global Infrastructure Stability (contribution to) (**GIS**). Below are some of our Objectives.

- a. Improve members Service and value (ERS)
- b. Further develop Training and Capacity Building programme (CD)
- c. Become a reliable source of Critical Internetworking Information (CIS/GIS)
- d. Continue to work toward Financial Sustainability (ERS)
- e. Continue to raise Operations excellence (CIS)
- f. Adjust Organisational Behaviour to Environment evolution
 - a. Prepare to serve an evolving stakeholders base (ERS)
 - i. Associate Members
 - ii. Mobile Network Operators
 - iii. CDN and Mobile Broadband Operators
 - b. New emerging needs/issues to be watch
 - i. Cyber-security and related Online safety issues

- ii. Internet Governance (Advocacy for openness and bottom-up multi-stakeholder system)
- iii. Promotion and support Inter-Networking best practices



3 Budget Overview

3.1 Operational Budget Summary

We are planning a 16% increase for 2013 in terms of membership revenue compared to the 2012 budget. Our operational expenses is, however, expected to grow by 14% which computed allow us to expect a surplus of USD 85,000 at the end of the exercise. The table below gives a summary of the budget. More details can be found in section 7 of this document.

	Budget 2013	Budget 2012	Δ Movements	Δ %
Incomes				
Membership	3,502,400	3,017,128	485,272	16%
Sponsorships	185,000	166,000	19,000	11%
Total revenues	3,687,400	3,183,128	504,272	16%
Expenditures:				
Administrative	2,760,012	2,307,393	452,619	20%
Distribution	838,791	805,343	33,448	4%
Total expenditures	3,598,803	3,112,736	486,067	16%
Other Income/(Costs)	-5,000	-35,000	30,000	-86%
Forecasted Total surplus	83,597	35,392	48,205	136%

Table-2: 2013 Budget summary

3.2 Capital Expenditure (CAPEX):

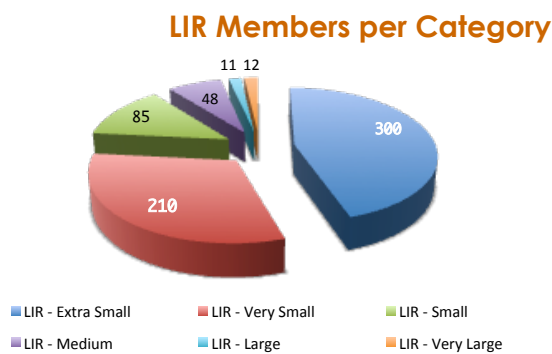
In general terms, our CAPEX in 2013 will significantly grow compared to the previous year mainly because of the upgrade and renewal of our core infrastructure and project to move to a fully virtualized environment. We have also planned for Capital expenditures for the expansion of some of our community support projects such as DNSSEC, RPKI, RSCP¹ and DSP².

	US\$
Core Infrastructure upgrade and Implementation of virtualization (Phase-1)	255,000
Equipment and tools for Community Support Projects	158,000
Various Hardware and Software for staff	30,000
Furniture and Sundry	5,000
Total All Capex	448,000

Table-3: 2013 CAPEX summary

3.3 Membership Growth

Our budget is based on a planned 21% membership growth in 2013 for a total income of 3.5 million. The biggest growth is expected in the low level categories (Extra-Small to Small), which will account for 33% of our expected growth. It is noteworthy that this forecast revenue does not take into consideration changes in categories (which will result from additional allocation to existing member during the course of the year), which will only be reflected in the 2014 budget as impact of change in allocation size is only computed in membership fee category during the next year's billing exercise.



¹ RSCP: The Root Server Copy Project is a project that supports deployment of Anycast instances of Root Servers in Africa region. AFRINIC currently work with four RO (L, I and F)

² DSP: The DNS support Programme is a programme launched by AFRINIC in 2012 to support ccTLDs across by offering them to host one of their DNS on our Anycast infrastructure. We are planning to deploy few nodes of the platform across AFRICA in 2013

4 Activity Plan Highlights

The new structure has three departments working together in the Operations area overseen by a Chief Operations Officer (COO). The COO works closely with the Director of Human Resources and Administration and the Director of Finance and Accounting. They all report to the Chief Executive Officer.

The Operations area includes the Member Services Department, the IT & Engineering Department, and the Communications and Public Relations Department. Relevance, Efficiency and Resiliency have driven the thinking behind having the three departments working closely together to deliver on AFRINIC's essential services to members. Some of the key Operations areas include effective registration services, community development, core infrastructure stability as well as global infrastructure stability.

AFRINIC also ran its first ever community survey and results saw Member's feedback on the Registration and Administration services, on Training Services and on Corporate Governance. Results also showed consensus from members to ask AFRINIC to pay particular attention to the following services which are rated as most important:

- Internet number statistics
- Training services
- Root server deployment in the region
- DNSSEC
- DNS service support for ccTLD' and Internet community support

As a result of all of the above, 2013 will see considerable improvement in all three departments in the service delivery of the following activities:

4.1 Member Services

Improve members experience and Quality of Services

- Review New Membership enrolment process to mitigate delays in the process. Achieve the objective of
 - 15 days for new member enrolment and resource Allocation and;
 - 7 days for additional Resource requests.
- Improve interaction with members (Review all automated messaging as well as close monitoring through effective escalation system for members requests queue).
- Complete the Development of new feature in MyAFRINIC to extend its functionality to new-member process, Associate members and Resource management.

MyAFRINIC and WHOIS Clean-up

- Data consistency between in MyAFRINIC and WHOIS
- NRM policies control enforcement log and monitoring in MyAFRINIC and WHOIS

Training and Capacity Building

- Complete the implementation of 2012-2013 training plan

- Effectively Publish all webinars conducted in 2012 and develop new ones for 2013
- Review Training Materials (mainly INRM including DNS for LIR and DNSSec)
- Develop a new startup kit for new members (INRM webinars for new Members).
- Develop a Policy development Webinar
- Further work to enhance INRM & IPv6 modules for Managers and Policy makers
- Develop a Training programme specifically dedicated for Government Networks Managers/Operators.

IPV6

- Review and update AFRINIC IPv6 support Plan
- Revive the IPv6 Task Force and lead its development
- Provide a dynamic IPv6 Penetration dashboard and monitoring tools (R&D).
- Provide support to Regulators and Governments in the region on how to lead/emulate a fast transition.

Policy

- Proactive support and promotion of NRM policy development
- Operational analysis and report on AFRINIC early days policies (IPv4 (LIR & EU), ASN and IPv6 - 2004).
- Optimised access to Policies and related discussion online.
- Introduce a Quarterly INRM Policy Brief.

4.2 Communications

Corporate Online Engagement

- Continue to work on accuracy and effectiveness of AFRINIC online engagement through our website and other social media, including projects like FIRE, learn.afrinic.net, 6Spot and others
- Review and update all publications online (factsheets, training material, messaging for interaction with members, etc.) to align with corporate messaging.
- Improve Develop more online engagement tools for the community/Follow up on the 2012 market Analysis to increase access to Number resources across Africa.
- Improve overall dissemination of information about AFRINIC to non-usual stakeholders

Meetings and events

- A consolidated database of all AFRINIC stakeholders in order to improve efficiency in communication tailoring toward different group of stakeholders
- Work with AfNOG and other stakeholder on Africa Internet Summit (AFRINIC-18)
- Develop and Publish a Quarterly IP brief (Statistics and Policy)
- Continue to Promotion Key community services
- Timely publication of all corporate materials

IT and Engineering

- Work on Member Portal to improve user experience and easy NRM
- Overall improvement of the Internal Infrastructure design, reliability, and Monitoring
 - Infrastructure resiliency
 - Internal System Integration
 - Review of Disaster Recovery/Business continuity Plan
- Support AFRINIC Public Infrastructure stability and enhancement programme in Africa Region (DNS Anycast Service, Root Server Copy).
- Deployment of new colocation sites in South Africa and Kenya
- Deploy and Integrate and internal BPM tool

Some Community support and R&D projects spanning all three departments

- Ongoing
 - RPKI deployment and Integration
 - DNSSec
 - Routing Registry
 - Anycast DNS
- R&D Activities
 - AFRINIC Internet Routing and Registration Statistics (AIRRS)
 - Inter-Network Data Intelligence - INEDI
- FIRE and related initiatives to encourage and support the development of solutions to information and communication needs in the African Region.

4.3 Finance

- Finalise the Implementation of new accounting system
- Finalise the Integration of Billing and MYAFRINIC systems
- Implement recommendation and to Improve fees collection rate
- Implement control and monitoring mechanism to improve interaction and communication with members on billing related matters (target is 24 hours to deal with any new request).
- Implement process to improve turnaround time for new member invoicing (target is same days as request come from IP Analysts).

4.4 Human Resources and Administration

- Continue to work with the Management team to improve Organisational effectiveness.
- Continue the implementation of HR plan to improve productivity and staff welfare
 - Finalise a new Performance Management System (PMS) including 360 evaluations
 - Finalise the installation and a new HRMS
 - Develop a Employees Engagement Index (EEI) for AFRINIC
- Implement and evaluate staff personal development programme in line with AFRINIC objectives:

- Review 2012 Training need Analysis and continue refining the system in 2013
- Continue and improve the staff forum programme to extend to some core function of the organisation.
- Continue to train and monitor staff engagement to Quality and Processes

5 Detailed Revenue Forecast

5.1 Membership fees

The fee structure for the LIR Members has remained unchanged for the calculation of fee revenue for 2013. However, the Fee structure for the End Users members has been reviewed realigning the structure with the brackets as per the LIR categories and at the same to cater for End User minimum assignment policy, two new sizes incorporated namely **Micro & Mini End Users**. In the new fee structure, both the Initial Setup Fees and the annual Membership Fees have been adjusted upwards. It is to be noted that End Users membership fees are billed for a period of 3 years; therefore the impact on the individual members shall be felt on the anniversary of their billing cycle. See afrinic.net/en/library/membership-documents/273-membership-fees for the new fees structure. The following table shows the fees revenue profile for the 2013 budget year.

	Existing Members ³		New Members			Total
	No	Fees ONLY	No	Setup	Fees	
LIR - Extra Small	300	\$420,000	100	\$175,000	\$107,450	\$702,450
LIR - Very Small	210	\$462,000	40	\$80,000	\$61,050	\$603,050
LIR – Small	85	\$544,000	7	\$17,500	\$33,600	\$595,100
LIR – Medium	48	\$614,400	4	\$16,000	\$41,600	\$672,000
LIR – Large	11	\$247,500	0	\$0	\$0	\$247,500
LIR - Very Large	12	\$360,000	0	\$0	\$0	\$360,000
End User – Micro	35	\$7,000	30	\$75,000	\$6,000	\$88,000
End User – Mini	12	\$3,600	20	\$54,000	\$6,000	\$63,600
End User - Extra Small	5	\$2,000	3	\$9,000	\$1,200	\$12,200
End User - Very Small	2	\$1,000	3	\$15,000	\$1,500	\$17,500
End User – ASN	15	\$3,000	5	\$2,000	\$1,000	\$6,000
	735	\$2,664,500	212	\$443,500	\$259,400	\$3,367,400
Associate Members					\$40,000	\$40,000
Provision for Early settlement discount						-\$5,000
Late Payment Penalty						\$100,000
NET FEE REVENUE						\$3,502,400

³ Only Billable members in 2013. This exclude End-Users members who are invoiced every 3 years and who's billing anniversaries are not in 2013.

The Fees Revenue budget takes cognizance of the trend in the past few years and takes into account the improvement in the membership process and the turnaround response time. A net growth of 29% (of billable members) is being envisaged for 2013. As shown from past data, the bulk of new membership will be from the Extra Small category with a growth of 33% over existing members by the end of 2013. The above Revenue Budget model for 2013 does not take into consideration the changes in categories which will result from members requesting additional resources during the budget year. Due care must be exercised when reviewing the above table as it ONLY shows End User members whose fees fall due for renewal during the 2013. The following profile was adopted when estimating values for new members.

Quarter 1	- 40%	Quarter 2	- 30%
Quarter 3	- 20%	Quarter 4	- 10%

The new Members Only (Associate Members) categories have been included as the Bylaws have now been approved and adopted since January 2013. Provision has been made for USD 40,000 generated by associate membership.

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Existing Member	189	253	327	410	493	579	712	852	1002
New Member	64	74	83	83	86	133	140	150	212
Total Active	253	327	410	493	579	712	852	1002	1214
New Membership %	34%	29%	25%	20%	17%	23%	20%	18%	21%

% of Membership growth 2005-2012(2013)

5.2 Other Revenues

Includes all other Revenues, which are not membership fees. The following is the makeup of AFRINIC Other Revenue:

	Amount
Sponsorships & Grants	
Sponsorships for events	\$90,000
Sponsorship for Community Projects	\$45,000
Other service and Projects incomes	\$20,000
Bank Interests Receivable	\$30,000
	\$185,000

They represent contributions/grants from other Regional partners supporting our events through financial support. In essence, the same amount as in 2012 is expected for 2013. Every effort will be made to maximise the participation of various partners via sponsorship towards our annual events and projects. In addition, in 2013, better investment opportunities shall be identified in order to maximise interest income on our excess cash at the beginning of the year.

6 Expenditures

6.1 Operating Expenditure Budget

The 2013 operating costs budget has been prepared taking into account the final stage of the restructuring and repositioning of AFRINIC's resources as a continuation of our 2009-2011 Strategic Plan. This year's budget will focus on improved services to members, renewal of our IT infrastructure, deployment of our redundancy plan and RPKI Project implementation. The table below shows an itemised breakdown of the 2013 expenditure budget together with comparatives.

	Budget 2013 (\$)	Budget 2012 (\$)	Δ Budget 2013/12	Forecast Performance 2012
Operating expenditures				
HR	2,204,391	1,809,766	22%	-17%
Telephone & Comms	49,897	64,000	-22%	0%
Computer expenses	3,333	3,333	0%	-32%
Office expenses	219,659	205,796	7%	18%
Motor vehicle expenses	3,000	3,600	-17%	-38%
Insurance	10,200	11,667	-13%	-62%
Printing, postage & stat.	9,245	14,997	-38%	0%
Bank charges	23,333	22,500	4%	-12%
Auditors & Prof fees	13,867	14,033	-1%	0%
Depreciation	161,520	92,501	75%	-7%
Legal & Professional fees	61,567	65,200	-6%	-2%
Total Administrative Exp.	2,760,012	2,307,393	20%	-13%

6.2 Distributive Expenditures

	Budget 2013 (\$)	Budget 2012 (\$)	Δ Budget 2013/12	Forecast Performance 2012
Distribution Expenses				
Marketing & Comms	38,408	78,350	-51%	-50%
Bad debts	20,000	16,667	20%	20%
Meeting expenses	190,800	182,900	4%	-22%
Members Training	105,000	37,100	183%	-78%
Travelling Expenses	345,000	366,667	-6%	32%
Community support Projects	16,000	0		
Entertainment Expenses	3,333	2,000	67%	
IPV6 outreach Program	16,000	9,160	75%	
Various Contributions	97,500	110,833	-12%	0%
Remote Sites Ops costs	6,750	1,667	305%	-50%
Total Distribution expenses	838,791	805,344	4%	1%

6.3 General Comments

The increase in our operating expenses is directly linked to the increase in the number of staff and costs associated in our increased level of activity. The staff costs have increased by 22%, as the organisation settles into its revised structure. In addition, delays in recruitment during 2012 meant that our staff costs for the year were lower than budgeted, thus inflating the increase for the budget year 2013. Overseas travels have been contained to 6% below last years. The increased investment (US\$ 448,000) in the renewal of our infrastructure has also had an impact on our operating costs and is reflected in the increased depreciation charge. Such reinvestment has become necessary in order to sustain our medium and long-term objectives which will result into improved services to our members and community. A new addition in the 2013 budgets is the organisation's engagements with the community through various projects aimed at providing valuable support to them. Management recognised the need for a cost control discipline approach to be adopted in order to meet our goals and at the same time maintain a sound liquidity level with a positive movement to our reserves.

7 Costs per Core functions:

7.1 Distribution per Activity Centre:

	US\$	%
Registration Service	1,693,576	47%
Community Outreach	115,666	3%
Policy Development	259,949	7%
Training	411,848	12%
IPV6 Outreach	285,273	8%
Software Maintenance	406,319	11%
Administration	401,172	11%
	3,573,803	100%

8 Conclusion & Recommendations

Once again, AFRINIC's operating costs budget has been prepared with the key word sustainable "Growth" in mind. All costs have been analysed and kept to a minimum wherever possible and practical without compromising the service level. We aim to improve and main quality service levels in all operations albeit within this budget.

The bottom line projected is equivalent to 2.32% of total Operating Costs and 2.4% of Fees Revenue. This trend has been recorded for three consecutive years. Whilst thus far the results

have been positive, it does send a strong signal that there is a need to revisit certain aspects of our numbers. Our General Reserves have flat-lined for the past few years due to heavy investment to support growth and increased requests for community support activities.

Since the last fee restructure in 2008, the annual operational growth and inevitable increase in operating costs have been absorbed solely by increase in new members and ongoing cost control measures. AFRINIC has now reached the stage where large movements in operating costs is not expected beyond 2013. The next focus should be on building up of our General Reserves in line with our long-term strategy.

9 Consolidated & Detailed Budget Overview

	Budget 2013	Budget 2012	Δ Budget 2013/12	Forecast Performance 2012
Revenue				
Membership fees	\$3,502,400	\$3,017,127	16%	\$2,672,010
Other Revenue	\$155,000	\$135,000	15%	\$75,000
Total Revenue	\$3,657,400	\$3,152,127	16%	\$2,747,010
Other incomes				
Interest Received	\$30,000	\$31,000	-3%	\$24,947
Other incomes				\$86,667
Total other income	\$30,000	\$31,000	-3%	\$111,614
Total Revenue	\$3,687,400	\$3,183,127	16%	\$2,858,624
Administrative expenses				
HR	\$2,204,391	\$1,809,766	22%	\$1,499,037
Telephone & Communications	\$49,897	\$64,000	-22%	\$63,698
Computer expenses	\$3,333	\$3,333	0%	\$2,251
Office expenses	\$219,659	\$205,796	7%	\$242,397
Motor vehicle expenses	\$3,000	\$3,600	-17%	\$2,249
Insurance	\$10,200	\$11,667	-13%	\$4,395
Printing, postage & stationery	\$9,245	\$14,997	-38%	\$14,997
Bank charges	\$23,333	\$22,500	4%	\$19,883
Auditors & Prof fees	\$13,867	\$14,033	-1%	\$14,033
Depreciation	\$161,520	\$92,501	75%	\$86,042
Legal & Professional fees	\$61,567	\$65,200	-6%	\$63,670
Total Administrative expenses	\$2,760,012	\$2,307,394	20%	\$2,012,652
Distribution expenses				
Marketing expenses	\$38,408	\$78,350	-51%	\$39,343
Bad debts	\$20,000	\$16,667	20%	\$20,000
Meeting expenses	\$190,800	\$182,900	4%	\$141,961
Training	\$105,000	\$132,100	-21%	\$8,333
Travelling expenses	\$345,000	\$271,667	27%	\$485,220
Research & Development	\$16,000	\$0		
Entertainment expenses	\$3,333	\$2,000	67%	
IPv6 outreach Program	\$16,000	\$9,160	75%	\$3,333
Contributions	\$97,500	\$110,833	-12%	\$110,833
SA Operation costs	\$6,750	\$1,667	305%	\$833
Total Distribution expenses	\$838,791	\$805,344	4%	\$809,856
Misc./Contingency	\$5,000	\$35,000	-86%	\$10,000
Total Operating expenses	\$3,603,803	\$3,147,737	14%	\$2,832,508
Surplus / (deficit)	\$83,597	\$35,390	136%	\$26,116