

March 2008

Report on 2007 Budget for Internal Administrative
Expenses and Annual Capital Expenditures
(January–December 2007)

1. This report on the utilization of the 2007 budget for the Asian Development Bank (ADB) and the ADB Institute is provided for the information of the ADB Board of Directors.

A. Asian Development Bank

2. Actual net internal administrative expenses (IAE) for 2007 amounted to \$325.5 million (Appendix 1), which represents a utilization rate of 97.8% against the original budget (\$332.9 million) and current estimate (\$332.7 million). The budget carryover of \$6.7 million (para. 8), 2% of net IAE, brings the net IAE after carryover to \$332.2 million, or a utilization rate of 99.8%. A brief explanation of the over- and underruns (actual versus budget) in each budget category is provided below.

3. In the budget category Board of Governors, which consists mainly of the expenses for the Fortieth Annual Meeting of the Board of Governors held in Kyoto, Japan, the budget utilization rate of 80% is primarily attributed to: (i) the lower than projected number of staff participants, and (ii) lower than projected costs of seminars at the Fortieth Annual Meeting.

4. Overruns in the budget category Board of Directors¹ were primarily due to: (i) higher rates of contribution to the staff retirement plan and (ii) slightly higher than projected education and rental benefits, the latter a result of the appreciation of the Philippine peso and higher rental contract rates. These overruns were partially offset by (i) lower utilization of relocation budget, and (ii) a reduction in business travel due to travel advisories and deferment of travel to 2008.

5. The overall utilization of the operational expenses budget was 100% of the original budget and the current estimate (\$250.5 million). Actual salary costs were lower due to lower-than-projected staff-years and termination pay, but this reduction was offset by higher staff benefits, largely due to the higher than budgeted contribution rate to the staff retirement plan.² Staff development costs were lower primarily because of the reprioritization of programs, while relocation expenses were lower than expected because of the timing of projected and actual relocations. Savings in business travel were mainly due to the deferment of activities to 2008 and reprioritization of work programs.

6. In the administrative expenses budget category, depreciation was lower because of delays in implementation of capital projects. Budget utilization rates in communications, equipment maintenance and support, and contractual services were lower, partly because of cost saving measures in postage and freight, and lower than projected expenses. These savings were partly offset by an overrun in office occupancy because of an increase in the cost of building maintenance services in ADB headquarters, rental costs in field offices, and increased cost of utilities as a result of the strengthening of the local currencies against the US dollar.

7. About \$0.55 million needed to be transferred from the general contingency to the Board of Directors budget category to meet the overrun. Inter-item transfers or reallocations within the operational and administrative expense budget categories were made as required.

¹ Since the 2005 budget, this category has included three subcategories: offices of the directors, accountability mechanism, and operations evaluation. As the budget for each of these subcategories is separate, any overrun in a subcategory will have to be funded from the general contingency.

² The recommended rate for ADB's contribution for 2007 is 24% of staff retirement plan participants' salaries.

8. In 2006, the Board approved the introduction of a budget carryover into the following fiscal year of up to 2% of net IAE, beginning with the 2007 budget. Accordingly, \$6.7 million (2% of the 2007 IAE Budget) was carried over to 2008.

9. An annual capital budget was provided to fund regular and cyclical capital expenditures for headquarters' facilities, technology and automation systems, and field offices. The annual capital budget for 2007 was \$3.7 million. As of the end of December 2007, the utilization was \$3.1 million, 84% (Appendix 2).

B. Asian Development Bank Institute

10. Actual program expenses of ADB Institute for 2007 amounted to \$2.4 million, 56% utilization against the 2007 budget (Appendix 3). This represents a saving of \$1.9 million. Lower than expected utilization of the research program budget in 2007 was primarily due to vacancies in the research division during the first half of year and the departure of two professional members of staff from the capacity building and training division.

11. Actual IAE of the ADB Institute for 2007 was \$8.8 million, 88% utilization against the budget. This represents a saving of \$1.2 million. Overall savings were mainly due to lower expenditures on staff costs, business travel, and non-utilization of the general contingency.

ASIAN DEVELOPMENT BANK
2007 BUDGET
INTERNAL ADMINISTRATIVE EXPENSES
(\$'000)

Item	Budget (A)	After Transfers ^a (B)	Current Estimate (C)	Actual (D)	Variance		% Actual Utilization	
					(D-A)	(D-C)	D/A	D/C
A. Board of Governors	1,400	1,400	1,323	1,121	(279)	(202)	80	85
B. Board of Directors	21,499	22,052	21,643	21,925	426	282	102	101
Offices of the Directors	12,647	13,200	13,051	13,181	534	130	104	101
Accountability Mechanism	2,022	2,022	1,988	1,914	(108)	(74)	95	96
Operations Evaluation	6,830	6,830	6,604	6,831	1	227	100	103
C. Operational Expenses	250,509	250,509	250,473	249,866	(643)	(607)	100	100
Salaries	129,796	125,900	127,248	125,806	(3,990)	(1,442)	97	99
Benefits	71,773	77,100	71,649	77,064	5,291	5,415	107	108
Staff Development	4,016	3,800	3,760	3,602	(414)	(159)	90	96
Relocation	5,242	4,600	5,857	4,565	(677)	(1,292)	87	78
Consultants	19,370	19,400	20,426	19,181	(189)	(1,245)	99	94
Business Travel	19,930	19,400	21,203	19,368	(562)	(1,835)	97	91
Representation	382	309	329	279	(103)	(50)	73	85
D. Administrative Expenses	60,196	60,196	60,146	56,651	(3,545)	(3,495)	94	94
Communications	6,549	6,549	6,168	5,934	(615)	(234)	91	96
Office Occupancy	13,690	14,300	14,078	14,252	562	174	104	101
Library	950	950	935	949	(1)	14	100	102
Office Supplies	1,840	1,840	1,736	1,740	(100)	4	95	100
Equipment/Maintenance and Support	5,694	5,694	5,535	4,447	(1,247)	(1,088)	78	80
Contractual Services	11,831	11,831	11,841	11,030	(801)	(810)	93	93
Insurance	3,054	3,054	3,036	2,964	(90)	(72)	97	98
Depreciation	15,973	15,363	16,171	14,793	(1,180)	(1,378)	93	91
Miscellaneous	615	615	646	542	(73)	(105)	88	84
E. Total Before General Contingency	333,604	334,157	333,585	329,562 ^b	(4,042)	(4,023)	99	99
F. General Contingency	3,336	2,783	3,192	0	(3,336)	(3,192)	—	—
G. Less: Reimbursements from Trust Funds	(4,076)	(4,076)	(4,076)	(4,067) ^c	9	9	—	—
Net IAE	332,864	332,864	332,701	325,495	(7,369)	(7,206)	98	98
H. Carryover of IAE Budget	—	—	—	6,657 ^d	—	—	—	—
I. Net IAE After Carryover	332,864	332,864	332,701	332,153	(7,369)	(7,206)	100	100

— = 0 or not applicable, () = negative, IAE = internal administrative expenses.

Numbers may not sum precisely because of rounding.

^a Transfers were made between budget items without exceeding the original amount of each category. An amount of \$553,000 was transferred from the general contingency to meet the overrun in the budget category of Board of Directors: offices of the directors.

^b Excludes the following items reconciling with financial statements in compliance with generally accepted accounting principles: (i) provisions for future liabilities with respect to severance pay (—\$261,000); (ii) accumulated compensated absences (\$232,000), and accrued resettlement or repatriation allowances (—\$54,000); (iii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs (\$7,010,000) and postretirement medical benefits (\$12,547,000); (iv) expenses related to the enhanced separation program (\$30,000); and (v) adjustments related to the Afghanistan Resident Mission Guest House (\$78,000). Total administrative expenses, as shown in the financial statements, amounted to \$349,144,000. This amount, after deducting \$1,341,000 directly charged to Japan Special Fund (\$1,246,000) and Japan Scholarship Program (\$95,189), has been distributed as follows: OCR - \$127,327,000 (Ref. OCR-2) net of \$34,080,000 as front-end fee offset against loan origination costs and recognized as a reduction in administrative expenses; ADF - \$186,396,000 (Ref. ADF-2).

^c This amount (\$4,067,000) reflects the estimated total expenses apportioned for administering the trust funds during the year.

^d In 2006, the Board approved introduction of a budget carryover into the following fiscal year of up to 2% of net IAE, beginning with the 2007 budget. Accordingly, \$6.7 million (2% of the 2007 net IAE budget) has been carried over to 2008.

ASIAN DEVELOPMENT BANK
2007 ANNUAL CAPITAL BUDGET
As of 31 December 2007
(\$'000)

Item	2007			2006		
	Budget ^a	Utilization ^b	%	Budget ^c	Utilization ^b	%
	(A)	(B)	(B/A)	(C)	(D)	(D/C)
Headquarters Facilities	399	395	99	479	451	94
Building Infrastructure	103 ^d	105	102	299	273	91
Nonbuilding Infrastructure	296	290	98	180	178	99
Furniture	-	-	-	81	80	98
Printing and Photocopying Machines	81	85	105	75	75	100
Transportation	170	170	100	19	19	100
Equipment	45	35	78	5	5	97
Technology and Automation Systems	1,981	1,977	100	2,197	2,186	100
Microcomputers and Peripherals	1,215	1,205	99	1,496	1,485	99
Information Technology Infrastructure	625	629	101	633	633	100
Telecommunications	141	142	101	67	67	100
Field Offices	1,364 ^e	759 ^f	56	1,464	1,437	98
Total	3,744	3,132	84	4,139	4,074	98

Numbers may not sum precisely because of rounding.

^a Reallocated budget after the 2007 midyear review.

^b Utilization for headquarters facilities and technology and automation systems refers to actual expenses and commitments by the end of the implementation period.

^c Reallocated budget after the 2006 midyear review.

^d \$48,000 reprioritized to accommodate the visual improvement project for the field offices.

^e \$30,000 reprioritized to field offices to accommodate unplanned security requirements.

^f Utilization for the field offices refers to actual expenditures and does not include commitments.

ASIAN DEVELOPMENT BANK INSTITUTE
2007 BUDGET
INTERNAL ADMINISTRATIVE EXPENSES
(\$'000)

Item	2007		Variance (B-A)	% Actual Utilization
	Budget (A)	Actual (B)		(B/A)
A. Program Expenses	4,250	2,388	(1,862)	56
Research	2,350	1,327	(1,023)	56
Capacity Building/Training	1,900	1,061	(839)	56
B. Internal Administrative Expenses	9,992	8,781	(1,211)	88
Advisory Council	86	101	15	117
Staff Costs	4,979	4,343	(636)	87
Staff Consultants	59	20	(39)	34
Business Travel	256	212	(44)	83
Representation	5	1	(4)	20
Other Administrative Expenses	4,316	4,104	(212)	95
Office Occupancy	3,072	2,957	(115)	96
Depreciation	143	176	33	123
All Others	1,101	971	(130)	88
Office Equipment	610	638	28	105
Contractual Service	248	166	(82)	67
Library	120	68	(52)	57
Communications	72	51	(21)	71
Office Supply	30	30	0	100
Fire Insurance	3	3	0	100
Bank Charge	18	10	(8)	56
Interest Expense (Capital Lease)	0	5	5	0
General Contingency	291	0	(291)	0
Total	14,242	11,169	(3,073)	78

() = negative.

Numbers may not sum precisely because of rounding.