



# Caritas Internationalis

Financial Framework 2011 - 2015



## Table of contents

1.	Introduction	2
2.	Funding of the confederation	2
3.	Reserves policy	3
4.	Projections 2011 – 2015	3
4.1.	General	3
4.2.	Expenditure	4
4.3.	Income	4
4.4.	Conclusions	4
5.	Concluding Remarks and Proposals to the General Assembly	5
	Annex I Summary of Projections 2011 – 2015	6
	Annex II Proposed Statutory Fees per Region	8

### 1. Introduction

Sisters and Brothers of the Caritas confederation present at the XIX General Assembly.

In accordance with Caritas Internationalis's Statutes and Rules I present to you for your consideration and approval a Financial Framework for the activities of the Caritas Internationalis General Secretariat in 2011–2015.

After your approval this Financial Framework will serve as the Budgetary Plan (Statutes Article 7)<sup>1</sup>.

This Financial Framework is closely linked to the Strategic Framework, which will also be presented to the General Assembly for approval. The strategic priorities and lines of action presented therein require resources and management. This Financial Framework presents an estimate of the expenditure to be incurred and sets out the sources of income for financing this expenditure.

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<sup>1</sup> *The Bureau in November 2009 agreed that as a unique exception the Strategic and Financial Frameworks would cover a period of five years (2011–2015), so that, from the next General Assembly on, the plans to be approved by the General Assembly would cover four future years (e.g. 2016–2019 in the General Assembly of 2015).*

### 2. Funding of the confederation

As described in my Treasurer's Report 2007–2010 the General Secretariat operates with a structural deficit of around €550,000 a year. In 2009 the Secretary General proposed to the Caritas Internationalis Bureau to address this issue and develop new funding mechanisms that would better guarantee the sustainability of the General Secretariat.

The Bureau entrusted this task to a taskforce led by the Treasurer. I presented the taskforce's draft proposals to the Executive Committee (ExCo). After this discussion some elements of the proposals were amended and then approved for presentation to the General Assembly. You will receive separate documentation on this. The main thrust of the final proposal is:

- To distinguish between core tasks of the General Secretariat and programmatic activities
- To consider as core tasks those directly linked to the functioning of the confederation: coordination of statutory meetings, intra-confederation communications and press affairs, emergency appeals coordination and strategic policies development
- To consider as programmatic activities all additional activities that derive from the priorities as defined in the Strategic Framework

- To finance core tasks by the Statutory Fees levied on all full Member Organisations
- To finance programmes through programme funding provided by members and fundraising with external donors

As a consequence of the proposal the level of Statutory Fees will decrease by around 15 percent on average. For the proposal to be successfully implemented at least the same amount in programme funding needs to be pledged by members.

This proposal on the funding mechanisms of the confederation, if adopted, will come into effect as of 2013, on the condition that the ExCo establish in 2012 that sufficient firm commitments (in writing) for programme funding have come forward<sup>2</sup>.

In the financial projections, the introduction of the new funding mechanisms translates into a marked difference between 2012 and 2013 as to the level of Statutory Fees and a clear leap in the level of programme funding by members.

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<sup>2</sup> *If such commitments have not come forward before the relevant ExCo meeting of 2012, the current funding system of the confederation will remain unaltered and the level of Statutory Fees will not be reduced.*

### 3. Reserves Policy

In November 2009, the Bureau (mandated by the ExCo) took a decision about the minimum desirable level of the General Secretariat's Reserves. The target amount was set at €4 million, calculated as the sum of:

- The General Secretariat's permanent capital endowment (Restricted Funds) of €2.5 million
- The equivalent of six months of regular expenditure, which – with an annual budget of €3 million – comes down to €1.5 million. This part is to serve as buffer for unexpected adverse developments.

The target level of Reserves (net Assets) as set by the Bureau has been used as the benchmark for this Financial Framework. Adjusted for inflation (estimated at 2 percent a year) the level of Reserves in 2015 should be at least €4.4 million.

### 4. Projections 2011–2015

#### 4.1 General

In 2009 and 2010 the General Secretariat was successful in fundraising. Most of the additional donations were reserved (after funding the structural deficit). A plan for spending those reserved amounts on a number of specific programmes within the

framework of our strategic priorities was drafted by the General Secretariat and approved by the ExCo in May 2010. These programmes are limited in scope and time-line. If no additional funding is found they will end in 2011 or 2012.

The 2011 budget as approved by the ExCo includes the expenditure on these programmes and therefore shows a deficit of €1.8 million which would be charged to the reserved donations.

The recent discussions between Caritas and the Holy See, however, have created some uncertainty among members. In view of this it was thought prudent to slim down the expenditure of the General Secretariat as far as possible and not fully engage in the additional programmes. The current forecast for 2011 projects a deficit of €1.3 million (down €0.5 million from the budget).

At the end of 2010 a Fundraising Manager was recruited. Although the current uncertainty is also a setback for the success of his work, it is hoped that from 2012 there will be sufficient clarity as to the role, mandate and governance of Caritas so that external donors will be prepared to provide additional funding. For 2012 this additional amount in donations is projected at a level of €0.2 million. This is to grow gradually to €0.7 million in 2015.

In terms of the income of the General Secretariat, the introduction of new funding mechanisms (see 2) in 2013 will lead to the substitution of around €350,000 in Statutory Fees by programme funding.

Taking into account all the assumptions listed above – as well as an estimated inflation of 2% annually – I expect that the General Secretariat will be able to reach a structural break-even point in 2015. The level of the reserves at the end of 2015 will be around €5.2 million, well above the limit as set in our Reserves Policy.

## 4.2 Expenditure

The additional programmes initiated in 2010 will have an effect on the General Secretariat's expenditure levels in 2011 and 2012. From 2013 programme expenditure will be back to levels comparable to the years 2007–2009.

Annex I clearly shows the proposed change in funding mechanisms: until 2012 most of the work of the General Secretariat is funded by Unrestricted Funds (partly received in 2009 and 2010) and only a small part by specific programme funds. This part is limited to just two programmes: CHAN (Catholic HIV/Aids Network) and COATNET (Catholic Organisations Against Trafficking Network).

From 2013 only the core activities of the General Secretariat will be funded by Unrestricted Funds, most of which are Statutory Fees at a level some 15 percent less than today. After 2013 the core costs will remain at the same level (allowing for inflation). The core staff of the General Secretariat comprises 15 positions.

All programmatic activities (including staff working in these programmes) are to be financed by programme funds provided by members or by external donors.

## 4.3 Income

The work of the General Secretariat is financed from various sources:

- The Statutory Fees will go up by 2 percent in 2011 from the level of 2010, and by another 2 percent in 2012, to cover inflation. From 2013 onwards the total Statutory Fees will be €1,820,000 (price level 2012), increased by 2 percent of annual inflation. Annex 2 presents the amounts per region. The distribution of the regional total among the members in the region will remain the responsibility of the regions.
- Between 75 and 80 percent<sup>3</sup> of the core costs is financed by Statutory Fees, the

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<sup>3</sup> *This is still a bit below the level of 85 percent required by Article 88 of the Internal Rules of the confederation.*

remainder being paid for by incoming Unrestricted Funds (legacies, some donations and investment income).

- In the long run, the income towards programmes is expected to consist of around €0.5 million from members (of which €0.4 million additional to the current level) and €0.9 million from external donors (of which €0.7 million is additional).

## 4.4 Conclusions

This Financial Framework has been developed on the basis of prudence. The structural level of programme expenditure by the General Secretariat is assumed to remain at the levels which were normal in 2007–2009. Only in 2010–2012 some additional programmes, which are now all in the implementation phase and are all financed by the donations received in 2009 and 2010, have been included in the plan. The plan also for the first time defines the level of core costs and targets at keeping core costs at a constant level.

The most important financial risks for the next five years are linked to the income from other sources than Statutory Fees. It is very uncertain how much external funding the General Secretariat will be able to attract. At this point there is also no clarity as to the amounts in programme funding that may be anticipated. Finally, the investment income

is highly dependent upon developments in the financial markets.

The ExCo will need to follow the income levels closely and invite the General Secretariat to present adjusted plans if income levels fall short of the targets.

If on the other hand additional programme funding (over and above the minimum level of €350,000) or external donations can be secured, the General Secretariat could engage in additional programmes, which had been developed but are currently shelved for reasons of prudence.

## 5. Concluding remarks and proposals to the General Assembly

The preparation of the Financial Framework 2011–2015 was marked by intense discussions about the sustainability of the work of the General Secretariat and a new system to fund that work. The end result is a proposed Budgetary Plan for 2011–2015 that, in my view, is robust and should support the General Secretariat's financial management on a straightforward basis.

As such I hope it may serve as a useful tool for the ExCo when discussing annual budget proposals and annual accounts.

I propose to the General Assembly:

- To approve the Financial Framework 2011–2015 as the confederation's Budgetary Plan in accordance with Article 12 of the Statutes
- To approve the Statutory Fees per Region as presented in Annex II
- To mandate the ExCo to take a decision in 2012 on the introduction of the proposed new funding mechanisms; the condition for a positive ExCo decision will be that there must be written commitments from members to fund programmes for an amount of at least €350,000 (price level 2010) in 2013, and written intentions to continue funding programmes after 2013.

Jürg Krummenacher  
Treasurer *ad interim*  
Rome, May 2011



## Projections 2011–2015

	Actual 2010	Budget 2011	Forecast 2011	2012	2013	2014	2015
	<b>Gen Sec Budget</b>	<b>Gen Sec Budget</b>	<b>Gen Sec Budget</b>	<b>Gen Sec Budget</b>	<b>Core Budget</b>	<b>Core Budget</b>	<b>Core Budget</b>
<b>INCOME</b>							
Membership fees	2,107,367	2,149,514	2,127,865	2,170,000	1,856,000	1,894,000	1,931,000
Contributions from External Donors	559,847	60,000	200,000	364,000	107,000	106,000	108,000
Legacies	120,000	100,000	100,000	104,000	212,000	216,000	221,000
Other Income	11,446	10,000	10,000	10,000	11,000	11,000	11,000
Total Contributions	2,798,660	2,319,514	2,437,865	2,648,000	2,186,000	2,227,000	2,271,000
Financial Income	156,004	200,000	200,000	200,000	200,000	200,000	200,000
<b>TOTAL INCOME</b>	<b>2,954,664</b>	<b>2,519,514</b>	<b>2,637,865</b>	<b>2,848,000</b>	<b>2,386,000</b>	<b>2,427,000</b>	<b>2,471,000</b>
<b>EXPENDITURE</b>							
General Secretariat Expenses	2,936,864	3,510,000	3,137,000	3,030,000	1,651,000	1,685,000	1,718,000
Support for Regional Structures	476,954	430,000	430,000	327,000	327,000	327,000	327,000
Other expenditure	52,749	50,000	50,000	52,000	53,000	54,000	55,000
Total Regional Structures Expenses	529,703	480,000	480,000	379,000	380,000	381,000	382,000
Governance Bodies Expenses	348,692	342,000	342,000	349,000	355,000	361,000	371,000
Financial Expenditure	7,360	0	0	0	0	0	0
<b>TOTAL EXPENDITURE</b>	<b>3,822,619</b>	<b>4,332,000</b>	<b>3,959,000</b>	<b>3,758,000</b>	<b>2,386,000</b>	<b>2,427,000</b>	<b>2,471,000</b>
Surplus/Deficit Unrestricted	-867,956	-1,812,486	-1,321,135	-910,000	0	0	0
	Actual 2010	Budget 2011	Forecast 2011	2012	2013	2014	2015

	Specific Projects	Specific Projects	Specific Projects	Specific Projects	Programme Budgets	Programme Budgets	Programme Budgets
<b>INCOME</b>							
Contributions from Member Organisations	147,510	150,000	150,000	130,000	133,000	135,000	138,000
Additional Programme Funding by Member Organisations	0	0	0	0	371,000	379,000	386,000
Contributions from External Donors	54,587	110,000	110,000	114,000	541,000	714,000	894,000
Total Contributions	202,098	260,000	260,000	244,000	1,045,000	1,228,000	1,418,000
<b>TOTAL INCOME</b>	<b>202,098</b>	<b>260,000</b>	<b>260,000</b>	<b>244,000</b>	<b>1,045,000</b>	<b>1,228,000</b>	<b>1,418,000</b>
<b>PROGRAMME EXPENDITURE</b>							
Compassion in Action	0	0	0	0	459,000	468,000	477,000
Promoting Integral Human Development	223,822	270,000	270,000	244,000	414,000	422,000	431,000
Advocacy for a Better World	0	0	0	0	96,000	98,000	100,000
A stronger, more effective confederation	0	0	0	0	354,000	302,000	308,000
General Secretariat management	0	0	0	0	98,000	100,000	102,000
<b>TOTAL EXPENDITURES</b>	<b>223,822</b>	<b>270,000</b>	<b>270,000</b>	<b>244,000</b>	<b>1,421,000</b>	<b>1,390,000</b>	<b>1,418,000</b>
Surplus/Deficit Temporarily Restricted	-21,724	-10,000	-10,000	0	-376,000	-162,000	0

<b>TOTAL OF CORE AND PROGRAMME EXPENDITURE</b>	<b>4,046,441</b>	<b>4,602,000</b>	<b>4,229,000</b>	<b>4,002,000</b>	<b>3,807,000</b>	<b>3,817,000</b>	<b>3,889,000</b>
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<b>NET ASSETS</b>	<b>7,937,118</b>	<b>6,247,554</b>	<b>6,605,983</b>	<b>5,695,983</b>	<b>5,319,983</b>	<b>5,157,983</b>	<b>5,157,983</b>
Benchmark for Net Assets	4,000,000	4,080,000	4,080,000	4,161,600	4,244,832	4,329,729	4,416,323

## Statutory Fees per Region

## 1. In case the proposed new funding mechanisms come into effect in 2013

	2010		2011		2012		2013		2014		2015	
	€	%	€	%	€	%	€	%	€	%	€	%
Africa	116,766	5.54	119,101	5.60	121,483	5.60	92,820	5.00	94,676	5.00	96,570	5.00
Asia	87,648	4.16	92,965	4.37	94,824	4.37	111,384	6.00	113,612	6.00	115,884	6.00
Europe	1,398,443	66.36	1,426,412	67.03	1,454,940	67.03	1,206,660	65.00	1,230,793	65.00	1,255,409	65.00
Latin America & the Caribbean	129,809	6.16	132,405	6.22	135,053	6.22	111,384	6.00	113,612	6.00	115,884	6.00
Middle East & North Africa	39,764	1.89	40,559	1.91	41,370	1.91	37,128	2.00	37,871	2.00	38,628	2.00
North America	264,037	12.53	242,386	11.39	247,233	11.39	241,332	13.00	246,159	13.00	251,082	13.00
Oceania	70,900	3.36	74,037	3.48	75,517	3.48	55,692	3.00	56,806	3.00	57,942	3.00
Total	2,107,367	100.00	2,127,865	100.00	2,170,422	100.00	1,856,400	100.00	1,893,528	100.00	1,931,399	100.00

## 2. In case the current funding mechanisms remain in place

	2010		2011		2012		2013		2014		2015	
	€	%	€	%	€	%	€	%	€	%	€	%
Africa	116,766	5.54	119,101	5.60	121,483	5.60	123,913	5.60	126,391	5.60	128,919	5.60
Asia	87,648	4.16	92,965	4.37	94,824	4.37	96,721	4.37	98,655	4.37	100,628	4.37
Europe	1,398,443	66.36	1,426,412	67.03	1,454,940	67.03	1,484,039	67.03	1,513,720	67.03	1,543,994	67.03
Latin America & the Caribbean	129,809	6.16	132,405	6.22	135,053	6.22	137,754	6.22	140,509	6.22	143,320	6.22
Middle East & North Africa	39,764	1.89	40,559	1.91	41,370	1.91	42,198	1.91	43,042	1.91	43,903	1.91
North America	264,037	12.53	242,386	11.39	247,233	11.39	252,178	11.39	257,222	11.39	262,366	11.39
Oceania	70,900	3.36	74,037	3.48	75,517	3.48	77,028	3.48	78,568	3.48	80,140	3.48
Total	2,107,367	100.00	2,127,865	100.00	2,170,422	100.00	2,213,831	100.00	2,258,107	100.00	2,303,269	100.00

Note: In 2011 the number of full members is supposed to increase from 155 to 157:

Asia + 2 (Mongolia, Vietnam)

North America - 1 (Catholic Campaign for Human Development – USA)

Oceania + 1 (Samoa)



# Notes

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