

FIAS CONSULTATIVE COMMITTEE OF DONORS MEETING
Paris, France
November 9-10, 2009

Financial and Resource Management Report

FY09 Financial Results

Based on budget performance for the first two quarters, FIAS expected to spend approximately \$34.0 million in FY09. Although this was within the \$32 - \$34 million budget range approved by the Supervisory Committee, FIAS expected that actual expenses may exceed \$34 million due to higher/increased demand for DB Reform Advisory work, the expansion of the Kenya Regulatory Simplification Program and initial work on the development of the new insolvency product (as part of IFC's response to the global financial crisis). In anticipation of these increased expenditures, FIAS requested and the Supervisory Committee approved an increase of the FY09 budget range ceiling to \$35 million, predicated on funding and work program demands. However, against the backdrop of an emergent global financial crisis, FIAS made a strategic decision to reduce expenditures and introduce tighter spending controls. As a result, FIAS was able to keep variable costs down and end the fiscal year below what had been projected in January.

As shown in **Table 1: FIAS FY09 Budget v. Actuals**, FIAS concluded the second year of its new strategy cycle with total expenditures of \$33.0 million, representing 100% budget utilization based on revised budget targets set by CIC/FIAS Management. Staff, travel and consultant costs represented 86% of total expenditures. Higher consultant costs were a direct result of the under-spending of staff salaries/benefits due to the IFC's freeze on hiring in the second half of the fiscal year. The budget over-run in other expenses (TF admin fees, office rents, communications, equipment, etc.) was due in large part to the fact that several of these expense categories were significantly under budgeted. To better manage/monitor budget performance, CIC/FIAS introduced Unit level budgeting in FY09. FY09 Unit-level expenses formed the basis for developing/setting CIC/FIAS Unit budgets in FY10.

In FY09, FIAS received donor and client contributions in the amount of \$32.7 million, including \$7.1 million in core contributions from IFC, MIGA and the World Bank. It should be noted that IFC's FY09 \$2.0 million core contribution was made as a partial advance of its FY10 contribution for cash flow management purposes late in the fiscal year. The regular IFC core contribution for FY09 had been disbursed by IFC to FIAS in the form of an advance at the end of FY08, also for cash flow purposes. Core and programmatic contributions from donors totaled \$17.3 million. Project-specific contributions totaled \$8.3 million, including \$2.8 million in IFC Investment Climate (IC) Business Line and Global Fund funding, \$4.4 million from donors and \$1.1 million from clients.

A complete list of FIAS' FY09 donor contributions is included in **Table 2: FIAS Donor Contributions**. Table 2 also includes the indicative fundraising outlook for FY10 and 11, reflecting best effort estimates for World Bank Group, donor and client contributions based on FIAS' October 2009 funding projections.

Cash Flow/Cash Management

Core funding is at the center of FIAS's financial management requirements and allows FIAS the flexibility to be responsive to its clients. FIAS core contributions from the WBG and donors are decreasing relative to projected overall budget. And although program and project-specific contributions from donors and clients are increasing, these funds are not fungible and cannot be used to support FIAS core activities. With the decreasing level of core funding and WBG accounting practices that draw on core funds during the semi-monthly payroll process, management of FIAS core funds continues to present significant challenges.

During FY09, FIAS has taken several steps to lessen its demand on core funds. In December, FIAS entered into a "bridge financing" arrangement with IFC's Controller's Office that allows FIAS to access IFC-managed interim budgets on an as-needed basis to finance projects/programs where donor agreements have been signed, but funds have not yet been disbursed by the donor. This allows staff to charge directly to the project/program accounts limiting use of core funds and ex-post reposting of expenses. This arrangement has been extended thru June 30, 2010.

Other measures aimed at saving core funds undertaken by FIAS include: 1) the mapping of selected staff (through payroll) to project-specific trust fund accounts; 2) the systematic (monthly) reposting of corporate charge backs to program-specific trust accounts; and 3) the monitoring of TRS to ensure staff charge project-specific accounts as a priority; and 4) more selective/restrictive use of core funds in FY10 (i.e. majority of core funding to support non-project activities with only minimal allocation to project implementation).

FY10 Budget/Funding Plan

CIC/FIAS Management has proposed, and the FIAS Supervisory Committee has approved a budget range of \$34 - \$37 million for FY10 (with the upper range of the approved budget subject to demand and donor funding). The base budget (\$34 million) represents a 3% increase from the \$33.0 million expensed in FY09, whereas the upper ceiling of the approved budget range would represent a 12% increase.

To support its FY10 budget, and based on current funding projections, FIAS currently expects approximately 29 million in total donor funding for FY10 and about \$26 million for FY11 (including allocations from the World Bank Group). The current donor funding pipeline is taken into account in these figures, based on conservative assumptions. Several funding gaps continue to exist and need to be addressed, in particular with regard to core funding which shows a significant shortfall, and for currently underfunded priority programs such as the OHADA Business Law Reform program, the Investing Across Borders Indicators program and the scaling

up of FIAS' tax simplification and trade logistics advisory programs under the crisis response. Separate write-ups on these priority programs and related funding needs are included under tab 7 of the FIAS Donor Meeting background binder.

FIAS Staffing

During the last quarter of FY09, CIC/FIAS initiated the implementation of a phased decentralization plan designed to increase CIC/FIAS HQ v. field ratio. With the implementation of Phase 1 (expected to be completed in FY10 Q1), CIC/FIAS expects to move 6 staff to the field by the end of FY10. (See **Table 3: CIC/FIAS FY10 Staffing Plan - Overview**)

Table 1: FIAS FY09 Budget v. Actuals

FIAS					
Expense Category	Budget-Original	Budget-Revised (net of 3%)	Total Expenses	% of Total July-June Expenses	% of Revised Budget
Staff Costs	14,790,050	12,684,107	11,636,484	35%	92%
St Consult. & Temps	5,725,000	7,450,260	8,207,476	25%	110%
ET Consult. & Temps	2,190,531	2,234,295	2,060,572	6%	92%
Travel Costs	5,725,000	6,765,734	6,487,594	20%	96%
Staff Rep. & Hospitality	67,777	11,411	6,182	0%	54%
Contractual Services	318,942	891,591	1,378,144	4%	155%
Communications	334,954	449,717	636,185	2%	141%
Office Rent	768,814	813,398	1,071,496	3%	132%
Office Equip. & Furniture	140,837	53,231	55,598	0%	104%
Other Expenses	619,036	195,568	219,043	1%	112%
Development Grant	200,000	412,250	635,366	2%	154%
Other Income	-	-	(320,660)	-1%	-
Other TFI Expenses	1,119,059	970,000	972,624	3%	100%
Total	32,000,000	32,931,563	33,046,105	100%	100%

AS Activities	Budget-Original	Budget-Revised (net of 3%)	Total Expenses	% of Total July-June Expenses	% of Revised Budget
PROJECT RELATED	24,639,438	27,565,114	24,639,123	75%	89%
Project Implement. and Supervision	20,400,436	22,943,045	20,956,360	63%	63%
New Business Dev./Project Dev.	2,324,000	2,645,714	1,630,960	5%	53%
a) General	724,999	816,131	593,579	2%	65%
b) ER - Project Preparation	1,599,001	1,829,583	1,037,382	3%	47%
Product Development	605,001	687,212	300,811	1%	33%
Program Management & Support	760,000	879,805	1,486,405	4%	150%
Monitoring & Evaluation	550,000	409,338	264,587	1%	45%
NON PROJECT RELATED	7,360,562	5,366,448	8,406,982	25%	157%
Knowledge Sharing & Staff Dev.	150,000	153,945	537,318	2%	198%
Fund Raising & Donor Relations	320,000	187,344	355,977	1%	143%
Public Relations	300,000	223,275	196,020	1%	71%
General & Administration	6,590,562	4,801,883	4,784,116	14%	79%
a) Overhead	2,250,395	1,499,955	1,470,900	4%	69%
b) Non-Overhead related G& A exp.	4,340,168	3,301,928	3,313,216	10%	80%
Unknown Activity	-	-	2,533,551	8%	-
Total Standard AS Activity	32,000,000	32,931,563	33,046,105	100%	100%

Source of Funds	Source of Funding (SoF)	Total Expenses	% of Total July-June Expenses	% of SoF
SECURED	-	-	-	-
Core Funding	19,690,083	14,301,967	43%	73%
Co-financing (Unit Specific)	6,325,207	3,471,580	11%	55%
Co-financing	19,628,536	11,729,786	35%	60%
BEE - BL	2,617,985	3,100,557	9%	118%
Unallocated (BB)	-	442,215	1%	-
Total Secured	48,261,811	33,046,105	100%	68%
UNSECURED	-	-	-	-
Core Funding	1,480,000	-	-	-
Co-financing (Unit Specific)	1,950,000	-	-	-
Co-financing	5,919,000	-	-	-
BEE - BL	-	-	-	-
Total Unsecured	9,349,000	-	-	-
TOTAL	57,610,811	33,046,105	-	43%

Table 2: FIAS Donor Contributions (FY04-09: actuals; FY10-11: estimates, based on October 2009 Funding Projections)

In US\$ Thousands

	FY04	FY05	FY06	FY07 ¹	FY07 ²	FY08	FY09	FY10 (proj.)	FY11 (proj.)
World Bank Group Core Contributions									
IFC	2,080	3,000	3,000	3,257	3,257	8,000	2,000	2,000	4,000
IBRD	1,104	1,103	1,103	1,203	1,203	2,000	1,600	1,600	1,600
MIGA	-	-	-	-	4,008	4,000	3,500	3,000	3,000
Subtotal World Bank Group Core Contributions	3,184	4,103	4,103	4,460	8,468	14,000	7,100	6,600	8,600
World Bank Group Project-Specific Contributions									
IFC IC Business Line and Global Fund	-	-	-	-	-	3,800	2,822	2,700	2,500
Subtotal World Bank Group Contributions	3,183.8	4,103	4,103	4,460	8,468	17,800	9,922	9,300	11,100
Core Donor Contributions									
Australia	-	-	-	-	-	800	676		
Austria	-	-	-	-	-	368	373		
Canada	-	911	510	1,044	1,044	-	-		
France	-	-	-	1,334	1,334	-	1,281		
Iceland	-	-	-	-	-	45	-		
Ireland	156	158	119	166	166	735	-		
Italy	-	-	-	-	-	-	1,414		
Luxembourg	500	-	-	257	257	273	539		
Netherlands (Global Program)	381	381	488	509	509	559	2,350		
New Zealand	-	-	-	-	-	399	276		
Norway	250	250	375	225	225	475	475		
Spain	-	-	-	-	-	-	-		
Sweden	273	700	629	-	-	406	285		
Switzerland	-	500	500	375	375	250	240		
United Kingdom	210	225	638	349	349	-	494		
Subtotal Core Donor Contributions	1,770	3,124	3,259	4,260	4,260	4,310	8,401	4,500	3,000
Programmatic Donor Contributions									
Australia (EAPRO)	431	915	1,397	118	118	-	-		
Austria (Investment Generation)	-	-	-	-	-	2,571	2,608		
Austria (BEE Crisis Response)	-	-	-	-	-	-	280		
Canada (Africa)	-	-	340	696	696	-	-		
Luxembourg (Crisis Response)	-	-	-	-	-	-	750		
Netherlands (Trade Logistics)	-	-	-	-	-	503	400		
Netherlands (Secured Lending)	-	-	-	-	-	-	450		
New Zealand (EAPRO)	164	217	210	521	521	-	-		
Norway (Trade Logistics)	-	-	-	-	-	300	340		
Ireland (Africa)	-	-	119	166	166	735	-		
Italy (Africa)	-	-	-	-	-	508	-		
Sweden (Africa)	-	340	300	353	353	628	630		
Switzerland (Secured Lending)	100	-	240	240	240	-	500		
Switzerland (Tax)	-	-	-	-	-	-	500		
Switzerland (Western Balkans)	76	-	160	160	160	820	600		
United Kingdom (Western Balkans)	-	-	-	-	-	497	440		
United Kingdom (Tax)	-	-	-	-	-	1,426	183		
United States (Doing Business)	-	-	-	-	-	632	1,150		
Subtotal Programmatic Donor Contributions	770	1,472	2,766	2,254	2,254	8,620	8,830	8,500	6,000
Donor Contributions (Project Specific)	1,742	3,124	5,565	2,970	3,190	5,525	4,436	5,000	5,000
Total Donor Contributions	4,282	7,720	11,589	9,483	9,703	18,455	21,667	18,000	14,000
Total WBG and Donor Contributions	7,466	11,823	15,693	13,943	18,171	36,255	31,589	27,300	25,100
Client Contributions	304	285	130	373	430	129	1,093	1,700	1,000
Total Receipts	7,770	12,108	15,823	14,316	18,602	36,384	32,682	29,000	26,100
Actual Spend (FY04-09)/Budget (FY10-11)	8,700	12,700	13,700	16,500	22,300	27,700	33,000	34,000	34,000

^{1/} Excludes MIGA technical assistance contribution, MIGA TA was fully integrated with FIAS as of July 1, 2007.

^{2/} Includes MIGA FY07 technical assistance contribution.

Table 3: CIC/FIAS FY10 Staffing Plan - Overview

	FY06	FY07	FY08	FY09	FY10 Planned***
A. CIC/FIAS Staff *	37	59	72	85	93
<i>CIC/FIAS Staff Growth</i>		59%	22%	18%	9%
<i>HQ</i>		45	51	60	57
<i>Field</i>		14	21	25	36
% HQ v. Field		24%	29%	29%	39%
CIC/FIAS Target (HQ v. Field)			28%	30%	36%
B. CIC/FIAS Extended Term Consultants (ETCs)	10	17	21	26	26
<i>HQ</i>		7	15	22	22
<i>Field</i>		10	6	4	4
C. CIC/FIAS Special Assignments	-	1	9	3	3
Total CIC/FIAS Staff (A+B+C)	47	77	102	114	122
CIC Staff Summary (Department-Wide)					
CIC/FIAS Staff	37	59	72	85	93
CIC Staff (Other Units)	2	2	10	10	9
Director's Office (HQ)	2	2	2	2	2
BEE Unit (HQ)	0	0	8	6	4
Health in Africa	0	0	0	2	3
<i>HQ</i>				2	2
<i>Field</i>				0	1
Total CIC Staff**	39	61	82	95	102
<i>IFC</i>	25	29	49	55	60
<i>IBRD</i>	14	32	33	40	42

* CIC/FIAS staff omits all CIC staff that are either BEE staff or that are not Advisory Services staff (50% CICDR, 100% CICHE)

** IFC increase (in FY10) includes 3 field positions and 2 positions at HQ. IBRD count does not include ETCs or staff on special assignments.

*** FY10 takes into account planned decentralization of six (6) staff.