

FY16 World Bank Budget

September 25, 2015

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

BUDGET, PERFORMANCE REVIEW AND STRATEGIC PLANNING

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CONTENTS

1. OVERVIEW AND RECOMMENDATIONS.....	5
1.1 OVERVIEW	5
1.2 FY16 BUDGET RECOMMENDATIONS	7
2. FINANCIAL AND BUDGETARY CONTEXT	8
2.1 FINANCIAL SUSTAINABILITY FRAMEWORK.....	8
2.2 EXPENDITURE REVIEW	8
3. FY16-18 BUDGET FRAMEWORK AND PROPOSAL	12
3.1 STRATEGIC PLANNING AND BUDGETING PROCESS	12
3.2 INSTITUTIONAL PRIORITIES	12
3.3 BUDGET FLEXIBILITY	13
3.4 ADMINISTRATIVE BUDGET PROPOSAL	15
3.5 BUDGET ALLOCATIONS BY WORK PROGRAM AND UNIT TYPE	15
3.6 EXTERNAL FUNDS	19
3.7 EXPENSE LINE VIEW	22
3.8 NON-UNIT SPECIFIC ACCOUNTS AND BUDGETS	24
3.9 CAPITAL BUDGET SUMMARY	30
4. WORK PROGRAM AND DELIVERABLES	32
4.1 COUNTRY ENGAGEMENT WORK PROGRAM.....	32
4.2 GLOBAL ENGAGEMENT WORK PROGRAM	34
5. NEXT YEAR PLANNING OUTLOOK	35

ANNEXES

ANNEX A: PROGRAM COST SUMMARY	36
ANNEX B: CAPITAL BUDGET	39

BOXES

Box 2.1: Travel Savings.....	10
Box 3.1: Trust Fund Cost Recovery Framework	21

TABLES

Table 2.1: Expenditure Review Savings	9
Table 3.1: Flexibility.....	14
Table 3.2: FY16-18 Total Administrative Budget by Work Program and Funding Source	16
Table 3.3: FY16-18 Budget Share by Work Program and Funding Source	16
Table 3.4: FY16-18 Operational Budget Envelopes	18
Table 3.5: Projected FY16 Administrative Expense by Expense Line	22
Table 3.6: Centrally-Managed Accounts	25
Table 3.7: Projected Contributions to Staff Retirement and Related Plans	26
Table 3.8: FY15 and FY16 Board-related Budgets	27
Table 3.9: Funding Sources Supporting FCV	28
Table 3.10: FY16-18 Grant-Making Facility Phase-out Trajectories	30
Table 3.11: Capital Program Summary.....	30

FIGURES

Figure 3.1: External Funds FY15 by Category	20
Figure 3.2: Annual Growth of External Funds by category (FY14-18).....	20
Figure 3.3: Trust Fund financed costs.....	21
Figure 3.4: Full-time Bank Staff on Payroll	23
Figure 4.1: FY15 to FY16 Changes in WPA Plans	32

ACRONYMS

ASA	Advisory Services and Analytics
AFR	Africa Region
BETF	Bank-Executed Trust Fund
BPS	Budget, Performance Review, and Strategic Planning
CCSAs	Cross-Cutting Solution Areas
CE	Country Engagement
CGIAR	Consultative Group for International Agricultural Research
CMA	Centrally-Managed Account
CPF	Country Partnership Framework
EAP	East Asia and Pacific Region
ECR	External and Corporate Relations
ECA	Europe and Central Asia Region
EFO	Externally Financed Output
FCS	Fragile and Conflict-Affected Situations
FCV	Fragility, Conflict and Violence
FIF	Financial Intermediary Funds
GE	Global Engagement
GMF	Grant-Making Facility
GPSA	Global Partnership for Social Accountability
GSD	General Services Department
HQ	Headquarters
HRD	Human Resources Department
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IG&A	Institutional, Governance, and Administrative
IT	Information Technology
LCR	Latin America and Caribbean Region

LEG	Legal
LLI	Leadership, Learning and Innovation
MD	Managing Director
MIGA	Multilateral Investment Guarantee Agency
MNA	Middle East and North Africa Region
OPCS	Operations Policy and Country Services
PCRF	Post-Retirement Contribution Reserve Fund
PCS	Program Cost Summary
PPM	Program and Practice Management
RAMP	Reserves Asset Management Program
RAS	Reimbursable Advisory Services
RM	Resource Management
RETF	Recipient-Executed Trust Fund
RMS	Results Measurement System
SAR	South Asia Region
SCD	Systematic Country Diagnostic
SMT	Senior Management Team
SPF	State and Peace-Building Fund
TRE	Treasury
VP	Vice President
VPU	Vice Presidential Unit
WBG	World Bank Group
WPA	Work Program Agreement

1. OVERVIEW AND RECOMMENDATIONS

1.1 OVERVIEW

1. **The World Bank Group has made good progress on the implementation of reform efforts and the new operating model in FY15.** The Global Practice structure is in place now, with strengthened management and governance, and the institution is focused on advancing our strategic goals and objectives. Important priorities are delivery to IDA countries, including on IDA17 commitments, and to our middle income clients. Management is also scaling up WBG collaboration and sharpening operational work program focus at country, regional and global levels.
2. **At the same time, we continue to strengthen our financial foundations and capacity - critical for growing client services.** While IBRD's near-term revenue outlook remains constrained by historically low interest rates, the implementation of the Margins for Manoeuvre measures and Expenditure Review (ER) savings have helped strengthen our financial outlook. External funds projections remain robust – focus is placed on managing their growth in alignment with Bank priorities to support client services and underpin financial sustainability.
3. **Implementation of ER savings is underway and fully incorporated in budget trajectories.** Management has completed the allocation of ER savings into unit budgets. ER implementation will achieve the \$400 million WBG savings target and together with the measures to enhance business revenue and cost recovery, it plays a key role in building funding flexibility over the planning period and beyond. The ER has also helped establish a stronger focus on efficiency in budget management across the institutions. To this end, we are also going to conduct regular business reviews in support functions.
4. **The strategic planning process and approach to budgeting launched in the last budget cycle is being refined to provide even greater focus on the operating model and its efficiency.** The FY16-18 planning horizon will cover a period of consolidation as the new budget structure is starting to better support the organizational structure. Improvements to our budget processes – in particular for work program coordination between Regions and Global Practices, and business reviews and benchmarking of Institutional, Governance and Administrative (IG&A) services – are planned to generate additional inputs for the next strategic planning, budget and performance review planning cycle. These improvements will provide a better understanding of tradeoffs, create room for new priority spending, and promote a culture of continuous drive for efficiency. The recent planning process also focused on other important reforms, in particular procurement, safeguards, and staffing priorities. The proposed FY16 budget reflects all these planning elements.
5. **Key decisions were taken on budget priorities**– on both the funding side, to prioritize resource allocations and increase their impact, and in regards to the budget model, to make resource management more holistic, efficient and stable over time:
 - Balancing budgetary investments in support of institutional goals with building financial capacity to ensure strength/greater flexibility for growing our development support in the future;

- Continued scale-up of funding for client services – e.g., through allocating the majority of additional budget flexibility to client engagement, with a particular focus on IDA delivery;
 - Emphasis on institutional priorities – such as Fragile and Conflict-Affected Situations (FCS) and implementation of safeguards and procurement reforms;
 - Increased selectivity and strategic alignment of Global Engagements;
 - More comprehensive work program planning – including better coordination with the mobilization and prioritization of external funds;
 - Attention to sustained efficiency efforts in the Operational and IG&A portfolio, and to the long-term budgetary impact of capital investment decisions; and
 - Further integration of funding sources, enhanced cost recovery, and more robust management of budget volatility.
6. **Building on above progress and learning from the experience to date, Management will introduce further improvements during the coming cycle.** There are important areas where more work is needed to continue supporting the Bank’s operating model effectively: implement the updated Global Practice structure, continue increasing resources for client engagement, continue external funds integration, enhance collaboration mechanisms, sustain the efficiency agenda, deploy new planning/budgeting systems, and further align the planning and performance review cycles. Lessons learned from this year’s planning and budgeting exercise will be addressed in the FY17-19 planning cycle, which will commence in the fall.

1.2 FY16 BUDGET RECOMMENDATIONS

7. Management seeks Board approval of the following FY16 Budget recommendations¹:

- That the total administrative budget (Bank Budget) be set at \$2,530 million, managed within a range of +/- 2 percent (net of Board budget). This includes:
 - ✓ Board-related FY16 funding:²
 - An indicative budget of \$77.1 million for Executive Directors;
 - \$13.0 million for Board of Governors, Development Committee, and Inspection Panel; and
 - \$15.5 million for the Corporate Secretariat.
- That the capital budget be set at \$185.0 million.

¹ This year's presentation of budget recommendations differs from previous planning cycles due to changes in the Bank's budget framework (e.g., removal of above-/below-the line funding distinction).

² The Independent Evaluation Group's (IEG) budget is subject to a separate Board approval process, in which IEG is proposing a budget of \$34.0 million, including \$7.6 million of reimbursables.

2. FINANCIAL AND BUDGETARY CONTEXT

This section discusses the main determinants of the size of the overall expenditure envelope; the institution's financial outlook in the context of the financial sustainability framework; and the implementation of the Expenditure Review.

2.1 FINANCIAL SUSTAINABILITY FRAMEWORK

8. **Given continued constraints in the institution's short- to medium-term revenue outlook, the budget framework is a major contributor to enhancing financial sustainability** by funding the delivery of increased client services through strategic budget reinvestments while helping accumulate IBRD and IDA savings at the same time.
9. **Decisions taken on the budget framework in FY14 and FY15 have helped insulate expenditures from volatility in non-business revenues, maintain financial capacity, and strengthen our ability to deliver to clients** by creating (i) financial space for key priority areas decided during the strategic planning, budget and performance review process, and (ii) savings contributing to IBRD reserves/surplus and IDA other uses. This will help grow IBRD capital (lending capacity) as well as IDA commitment authority, which will avoid triggering a commitment charge³ for IDA clients. By FY18, the projected expenditure trajectory will be \$445 million below the originally anticipated trajectory without those interventions. This is mainly as a result of the reduction of expenditures through the Expenditure Review and phasing out of Grant Making Facilities.
10. **These decisions have also contributed to strengthening IBRD/IDA financial sustainability by meeting the agreed budget anchors (targeting to keep institutional expenses below business revenues).**⁴ Based on the current IBRD/IDA expense sharing methodology, the ratios of both IBRD and IDA budget anchors are brought down under 100 percent by FY18, in line with the trajectory and targets defined in last year's Budget Document. For both IBRD and IDA, implementation of the ER is a key driver of these ratios. Management proposes to review these trajectories going forward to assess the appropriate balance between financial sustainability and business development objectives within the financial outlook at the time.

2.2 EXPENDITURE REVIEW

11. **The Expenditure Review (ER) was launched in 2013 as part of a broader "Financial Sustainability" package underlining the need for a strong financial foundation to support scaled**

³ The Bank has not applied any IDA commitment charges since FY09.

⁴ For IBRD, budget sustainability means, in the medium term, IBRD expenses do not exceed business revenue (IBRD loan spreads after waivers). For IDA, budget sustainability means that IDA expenses do not exceed IDA revenue from credit charges, while minimizing recourse to the commitment charge.

up delivery by the Bank Group. The objective of ER exercise was to reduce the World Bank Group's cost base by \$400 million while maintaining the Bank's capacity to deliver services to its clients.

12. **ER savings will continue to provide much-needed flexibility in the administrative budget over FY15-18**, allowing the WBG to meet financial obligations, strengthen reserves, and reinvest in key areas and strategic priorities, as determined through the strategic planning, budget and performance review process. ER savings are particularly critical to address the institution's short-term net income concerns and maintain the projected level of lending.
13. **Expenditure Review savings measures to achieve the \$400 million WBG target by FY18 have been endorsed and embedded in FY16-18 budget trajectories.** To minimize the impact on direct client services, the ER program explicitly targeted reductions in the cost of running the business (i.e., corporate, finance, technology and administrative functions and management and support costs). This was achieved as a large proportion of savings (72 percent in IBRD/IDA) were concentrated in these general and administration (G&A) categories. By contrast, savings in direct client services were focused on tighter governance and cost management, while trying to protect both quality and client impact.
14. **The overall savings program is on track** (see Table 2.1). ER savings in the Bank are expected at approximately \$303 million in Bank Budget and \$28 million in BETF.

Table 2.1: Expenditure Review Savings
(\$ million)

	Latest Estimates, May 2015	Bank Only, May 2015 FY18\$		
		Total Bank	o/w Bank BB	o/w BETF
Immediate Measures	110	78	63	15
Group-wide Measures	54	40	35	5
Finance, Technology & Corporate	84	74	73	1
Operations	100	96	96	0
Additional Measures	48	37	30	7
Total	397	325	298	28
Board-related Savings	8	6	6	0
Total	404	331	303	28

Note: Numbers may not add up due to rounding.

15. **Approximately \$74 million were clawed back from the IBRD/IDA budget trajectories in FY15.** Savings going forward were netted out of unit and program budgets. Some units have frontloaded ER savings, wherever possible, helping to anchor savings and protecting against potential slippage. ER

savings will contribute to overall flexibility for consideration by Senior Management through the strategic planning, budget and performance review process.

16. **The ER includes a strong governance framework to ensure sustainability of its expenditure reforms.** Progress will be monitored closely, including regular reporting to an ER Governance Group, Senior Management, and the Board. A monitoring and evaluation framework has been established to track and validate savings, monitor progress against key milestones, assess program risks, provide a regular feedback loop to the budget process, collect information for institutional reporting, and support regular and/or ad hoc analysis of key topics.
17. **Measures carrying higher implementation risks – whether due to technical complexity or multiple interdependencies – are actively monitored and are provided assistance as required.** The ER implementation support team also carries out detailed analyses to validate savings and recommend adjustments where needed. An in-depth analysis of savings associated with travel measures – which exceeded targets – is in Box 2.1.

Box 2.1: Travel Savings

ER travel Immediate Measures (IM) – announced in January 2014 – targeted \$50 million reduction in travel spending Group-wide (10 percent of total travel expenditures). Savings would be generated through (a) reducing the volume of less-critical trips and (b) reducing selected price inputs. The volume measures targeted reductions in travel for training, by GA-GD staff, from Country Offices to Washington, and trips which include a large share of personal days. The price measures included greater use of advanced/non-refundable fares, economy class for training and trips of 5 hours or less, and adjustments to per diem rates and usage and to the rest stop policy.

A comprehensive analysis showed that ER targeted savings have been achieved across the Bank Group. For the 12 months following the announcement of the measures and compared to the preceding 12-month period (i.e., CY2014 vs. CY2013), savings *attributable to ER travel measures* were approximately \$67 million (\$50 million in IBRD and \$17 million in IFC). The calculation of the ER savings is distinct from the strict budget view, as savings can be redeployed for travel not targeted by ER (e.g., additional missions) to meet client demand.

Travel savings in excess of the ER target were left in unit budgets for redeployment. BPS will continue to monitor and analyze travel expenditures and will reflect the full scope of savings once all travel expenditures have been accounted for.

18. **In-depth business reviews of Institutional, Governance, and Administrative (IG&A) units will be conducted on a regular basis, to assess performance and opportunities for efficiencies.** These bottom-up reviews would consider function and budget requirements and would be co-owned by IG&A units and the corporate Budget, Performance Review, and Strategic Planning (BPS) department. The objective is to provide better understanding of revenues and expenditures and cost drivers at the unit level, help assess budget performance and value for money, and inform the annual budget allocation process. A standard methodology, baselines and “benchmarkable” data will be developed for these

reviews, building on the original methodology and lessons from the ER experience, previous similar exercises, and other applicable best practice. Business reviews will be supplemented by benchmarking (internal or external), where applicable/feasible. During FY16, the ongoing business review of Information and Technology Solutions (ITS) will be completed, and reviews are planned for four other units: Development Economics (DEC), General Services Department (GSD), Institutional Integrity (INT), and Legal (LEG) in time to inform strategic planning, budget and performance review meetings on FY17 budget considerations. Together these monitoring tools will provide a better understanding of tradeoffs, create room for priority spending, and promote a culture of continuous efficiency.

3. FY16-18 BUDGET FRAMEWORK AND PROPOSAL

This section highlights the key budgetary and institutional priorities adopted during the business planning process. It presents the specifics of the FY16 administrative budget proposal, including use of budget flexibility, allocations by work program, unit type, and operational unit as well as an expense line view. It also includes a discussion of non-unit specific accounts and budgets, and the capital budget.

3.1 STRATEGIC PLANNING AND BUDGETING PROCESS

19. **The FY16 budget framework is the result of the comprehensive planning approach that Management has implemented in the past year, aligning resources with strategy through the new strategic planning, budget and performance review process.** The FY16-18 process looked at priorities Group-wide (to coordinate business plans across IBRD, IDA, IFC and MIGA), built on the organizational and budgetary changes introduced in last year's planning cycle (e.g., managing across the new funding envelopes), and continued to focus resource allocations on institutional priority areas (specifically to scale up client services in support of WBG strategic goals).
20. **Further refinements are being introduced to the Bank's budget process to ensure allocation of funds is sustainably managed and well aligned with strategic work program priorities.**
 - Improved Work Program Agreement (WPA) process, including increased integration of external funds, to enhance planning coordination between Regions and Global Practices;
 - Regular business reviews for Institutional, Governance and Administrative (IG&A) units to lock in efficiencies beyond ER implementation;
 - Strengthened governance and management of the Advisory Services and Analytics (ASA) portfolio;
 - Integration of non-budgeted reimbursables to facilitate more comprehensive medium-term planning;
 - Minimizing volatility in Centrally-Managed Accounts (CMA); and
 - Emphasis on budget impact in capital investment decisions, ensuring affordability of long-term depreciation costs.

3.2 INSTITUTIONAL PRIORITIES

21. **Work program plans are consistent with the institutional priorities that Management agreed in the strategic phase of the planning process.** Outcomes of the budget formulation phase – reflecting units' business plans and Management's final funding decisions – are consistent with the institutional priorities and program directions set for the FY16-18 planning period. Management reviewed unit plans and allocations in view of corporate priorities to ensure that:

- Strategic and Financial WBG goals are met, balancing budget investments to grow client delivery with achieving budget anchors to protect overall financial sustainability;
- Increased Country Engagement allocations are focused on strengthening IDA delivery and priorities such as addressing the challenges of Fragility, Conflict and Violence (FCV);
- Implementation of safeguards' and procurement reforms is adequately funded;
- Global Engagement allocations and activities are prioritized in alignment with institutional goals and funding trajectories; and
- Efficiencies are sustainably embedded in ASA and IG&A work programs.

Details on implementing budget framework improvements and institutional priorities are discussed in sections 3 and 4.

3.3 BUDGET FLEXIBILITY

22. Management considered three objectives in preparing the budget framework for FY16-18:

- (i) **Ensuring long-term financial sustainability**, particularly through achieving the budget anchors;⁵
- (ii) In the short-term, **protecting the IBRD transfer to IDA and the IBRD reserve accumulation** (to ensure the targeted growth in IBRD lending capacity) – in a context of constrained IBRD income;
- (iii) **Reinvesting in priority areas to enhance client services.**

23. **Management identified \$104 million in overall flexibility⁶ in the budget framework for FY16.** In line with the objectives outlined above, Management will use this flexibility to support IBRD reserves/IDA financial sustainability (\$36 million), reinvest in the administrative budget (\$41 million), and maintain a corporate contingency (\$10 million) while leaving the anticipated flexibility tied to the anticipated increase in Trust Fund recovery (\$17 million) unallocated until the implementation of the new policy is underway (see Table 3.1).

⁵ For IBRD, budget sustainability means, in the medium term, IBRD expenses do not exceed business revenue (IBRD loan spreads after waivers). For IDA, budget sustainability means that IDA expenses do not exceed IDA revenue from credit charges, while minimizing recourse to the commitment charge.

⁶ "Flexibility" in this context is defined as the difference between the resources available (Bank Budget trajectory as agreed in the FY15 Budget Document plus forecasted increase in revenues) and the resources already programmed (i.e., already factored in units' budget trajectories).

Table 3.1: Flexibility

FY16 Sources & Uses Of Flexibility \$ million	Sources	Uses
Flexibility already in the FY15-17 Budget framework, net of adjustments	22	-
Expenditure Review (changes in timing of savings)	26	-
Decoupled Reimbursable Revenue	39	-
Projected incremental revenue from changes to TF overhead recovery rate	17	
Allocation to unit budgets	-	41
Allocation to corporate contingency	-	10
Allocation to IBRD reserves	-	36
Currently not allocated (incremental revenue from TF overhead recovery rate change)	-	17
Per FY16-18 mid-year plans (Spring 2015)	104	104
Flexibility arising from timing of accounting of staff separation expenses ¹	8	-
Changes from resizing Regional Program & Practice Management (PPM)	7	-
Changes in reimbursable revenue ²	9	-
Changes in projections for Centrally-managed accounts ³	2	-
Allocation to Board-related budgets	-	4
Allocation to compensate for change in IFC cost sharing approach on Board and INT work program	-	4
Additional allocation to unit budgets	-	18
Per FY16-18 Budget Document (for final Board Approval, Summer 2015)	130	130

¹GAAP accounting requires expenses related to staff separation to be accrued in FY15 with a corresponding accrual reversal in FY16 when the cash payment is made.

² Confidence level on non revenue items increased and increased DRR projection.

³ Changes in projections for CMA particularly SRP, benefits, benefits recovery, taxes on separation and misc. other items.

24. **Since mid-year plans, an additional \$26 million in funding needs have been recognized and corresponding space has been identified within the funding envelope.** Consequently, \$18 million will be allocated to units not appropriately funded in their FY15 allocations. Moreover, \$4 million will be allocated to Board-related budgets. Another \$4 million will be allocated to compensate for changes in IFC cost-sharing arrangements.
25. **Keeping a \$10 million corporate contingency embedded in the budget allows Management to maintain the ability to rapidly respond to unforeseen events, as well as react to opportunities for accelerating strategic deliveries.** For further operational flexibility, individual Regional contingencies are set aside for up to 3 percent of their total Client Engagement (CE) allocations. Also, if required, the existing +/- 2 percent corporate flexibility band provides additional room for responding to any exceptional needs in consultation with the Board.
26. **Additional \$20 million of flexibility has been embedded in the FY17-18 trajectories for unforeseen events.** This will be reviewed for allocation during next year's strategic planning, budget and performance review process in light of IBRD and IDA budget anchors.

3.4 ADMINISTRATIVE BUDGET PROPOSAL

27. **The proposed FY16-18 budget and related work program are consistent with the strategic priorities described above, support the Bank's core business, and maintain room for contingencies.** Tables 3.2 and 3.3 summarize the main components of the proposed administrative budget and the rest of this section provides further details on each budget item. For a more detailed view see the Program Cost Summary (PCS) table in Annex A.
28. **Management seeks approval of a FY16 budget envelope of \$2,530 million.** The total FY16 funding envelope including external funds is expected to be around \$3,869 million.
29. **Compared to the FY15 Budget Document, the proposed budget trajectory is lower for Bank Budget-funded expenditures and higher for the aggregate, reflecting externally-funded expenditures (Table 3.2).** The Bank Budget envelope will be reduced by 8.9 percent over FY15-18, reflecting continued implementation of the ER, and the contribution from decoupled reimbursable revenues.⁷

3.5 BUDGET ALLOCATIONS BY WORK PROGRAM AND UNIT TYPE

30. **Within the spending trajectory outlined in the previous section, FY16-18 funding will support work program priorities and investments** needed to enhance our capabilities to deliver WBG solutions, while continuing to focus on efficiency. To do so, the proposed FY16-18 budget framework adheres to the following principles:
 - **Maximize Country Engagement allocation and impact** – to ensure work program funding is concentrated on client-focused activities; and
 - **Ensure efficiencies are maintained beyond implementation of the ER** – to build sustainable budget discipline.

⁷ Decoupled reimbursable revenues are earned by the Bank for services that are not directly driven by the underlying expenses incurred by the managing unit. Examples of these revenues include: Trust Fund fee income or revenue from sub-letting office space to third parties.

FY16 BUDGET DOCUMENT

Table 3.2: FY16-18 Total Administrative Budget by Work Program and Funding Source

<i>\$ million</i> ¹	BB			External Funds (CRR+BETF) ²			All Funds		
Budget by Work Program & Funding Source	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Client Engagement									
Country Engagement (CE)	562	550	541	571	599	627	1,132	1,149	1,169
Global Engagement (GE)	78	73	71	166	172	179	244	245	250
CGIAR	30	TBD	TBD				30	TBD	TBD
Other Operational Activities Related to Grants	38	TBD	TBD				38	TBD	TBD
Sub Total	707	646	622	737	771	806	1,444	1,418	1,429
Cost of Running the Business									
Regional Program Management (PPM)	358	356	353	9	9	9	367	365	362
Global Practice/CCSA Management (PPM)	214	210	200	76	79	82	290	289	282
Institutional, Governance & Administrative (IGA)	1,023	974	964	290	295	301	1,312	1,269	1,265
Sub Total	1,595	1,539	1,517	375	383	392	1,970	1,922	1,909
Total All Units	2,302	2,186	2,139	1,112	1,154	1,198	3,414	3,340	3,337
Centrally-managed Accounts (CMA)									
o/w Institutional Programs	105	85	44	-	-	-	105	85	44
o/w Earmarked Funding	18	18	18	-	-	-	18	18	18
o/w Centrally-managed Staff Expenses	780	825	831	-	-	-	780	825	831
o/w Centrally-managed Recoveries	(596)	(615)	(633)	63	71	84	(533)	(544)	(549)
o/w Centrally-managed Depreciation	75	89	92	-	-	-	75	89	92
o/w Centrally-managed Flexibility	10	30	30	-	-	-	10	30	30
Sub Total	392	432	381	63	71	84	455	502	466
Total Expenses	2,694	2,617	2,520	1,175	1,225	1,283	3,869	3,842	3,803
Funded by IBRD/IDA	2,530	2,449	2,348	-	-	-	2,530	2,449	2,348

Table 3.3: FY16-18 Budget Share by Work Program and Funding Source

<i>in %</i> ¹	BB			External Funds (CRR+BETF) ²			All Funds		
Budget by Work Program & Funding Source	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Client Engagement									
Country Engagement (CE)	20.8%	21.0%	21.5%	48.6%	48.9%	48.9%	29.3%	29.9%	30.7%
Global Engagement (GE)	2.9%	2.8%	2.8%	14.2%	14.1%	14.0%	6.3%	6.4%	6.6%
CGIAR	1.1%	TBD	TBD	0.0%	0.0%	0.0%	0.8%	TBD	TBD
Other Operational Activities Related to Grants	1.4%	TBD	TBD	0.0%	0.0%	0.0%	1.0%	TBD	TBD
Sub Total	26.3%	24.7%	24.7%	62.7%	63.0%	62.9%	37.3%	36.9%	37.6%
Cost of Running the Business									
Regional Program Management (PPM)	13.3%	13.6%	14.0%	0.8%	0.7%	0.7%	9.5%	9.5%	9.5%
Global Practice/CCSA Management (PPM)	7.9%	8.0%	8.0%	6.5%	6.4%	6.4%	7.5%	7.5%	7.4%
Institutional, Governance & Administrative (IGA)	38.0%	37.2%	38.2%	24.7%	24.1%	23.5%	33.9%	33.0%	33.3%
Sub Total	59.2%	58.8%	60.2%	31.9%	31.3%	30.6%	50.9%	50.0%	50.2%
Total All Units	85.5%	83.5%	84.9%	94.6%	94.2%	93.4%	88.2%	86.9%	87.8%
Centrally-managed Accounts (CMA)									
o/w Institutional Programs	3.9%	3.2%	1.7%	0.0%	0.0%	0.0%	2.7%	2.2%	1.1%
o/w Earmarked Funding	0.7%	0.7%	0.7%	0.0%	0.0%	0.0%	0.5%	0.5%	0.5%
o/w Centrally-managed Staff Expenses	28.9%	31.5%	33.0%	0.0%	0.0%	0.0%	20.2%	21.5%	21.9%
o/w Centrally-managed Recoveries	-22.1%	-23.5%	-25.1%	5.4%	5.8%	6.9%	-13.8%	-14.2%	-14.4%
o/w Centrally-managed Depreciation	2.8%	3.4%	3.6%	0.0%	0.0%	0.0%	1.9%	2.3%	2.4%
o/w Centrally-managed Flexibility	0.4%	1.1%	1.2%	0.0%	0.0%	0.0%	0.3%	0.8%	0.8%
Sub Total	14.5%	16.5%	15.1%	5.4%	5.8%	6.9%	11.8%	13.1%	12.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Funded by IBRD/IDA	93.9%	93.6%	93.2%	0.0%	0.0%	0.0%	65.4%	63.7%	61.7%

1 Numbers may not add up due to select figures to be determined.

2 External Funds include (i) Bank-Executed Trust Funds (BETF) contributions from third parties financing activities benefitting Bank clients and (ii) Coupled Reimbursable Revenues (CRR) earned by the Bank for services that are directly related to the underlying expense incurred by a unit.

31. **Country Engagement (CE), Global Engagement (GE), and Program and Practice Management (PPM) allocations (Tables 3.2 and 3.3) reflect Management’s decisions during the FY16-18 strategic planning process.** Some adjustments will be made during the year to reflect organizational changes and evolving priorities.
32. **Management decided to reinvest a significant portion of the FY16 budget flexibility in Country Engagement to maximize funding for country services** (\$35 million out of the \$41 million reinvested in the administrative budget). In line with the priority to enhance delivery and continuously shift resources towards client activities, maximizing CE remains an important objective for the planning period. The focus is on accelerating IDA delivery by strengthening the pipeline and quality of the lending program as well as improving the phasing of IDA commitments. At the same time, CE efficiency gains (e.g., through improved governance of ASA) are expected to lock in ER savings and increase operational efficiency (see Section 4).
33. **The additional \$35 million CE funding is allocated across all six Regions, prioritizing IDA delivery.** To this end, \$11 million is allocated in proportion to each Region’s IDA share of CE base envelopes. The remaining \$24 million is allocated to the six Regions in proportion to last year’s CE envelopes. As a result, all Regions will benefit from increased CE envelopes. Strengthening IDA support is consistent with WBG goals and last year’s allocation focus on Regions with the largest number of people in absolute poverty, demonstrating planning continuity and Management’s focus on aligning budget allocations with strategic priorities. As part of the work programming process, some of the additional CE allocation has been prioritized to support implementation of safeguards reform to increase further the impact of our client services. Table 3.4 reflect these operational allocations.
34. **The relative share of CE in the baseline will continue to increase as a result of this budget framework.** The CE baseline prior to allocating the flexibility was declining due to efficiency gains identified in the ER – in line with Management’s commitment to realize savings across the institution. The proposed incremental allocation enables reinvesting in client services and focusing resources on Bank Operations. Correspondingly, the share of CE in the total all units budget grows from 24.4 percent in FY16 to 25.3 percent in FY17 and 25.3 percent in FY18. As the corporate contingency and the outer year additional budget flexibility, currently unallocated, are prioritized toward CE, this share is expected to further increase in FY17-18.

Table 3.4: FY16-18 Operational Budget Envelopes

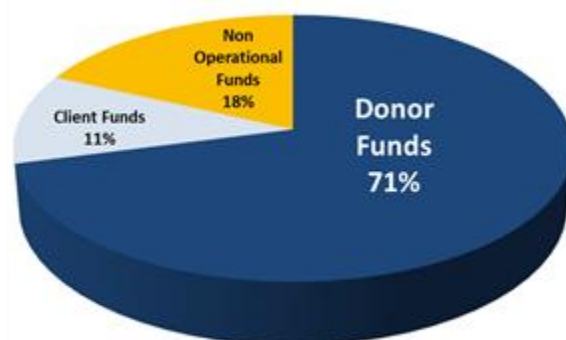
<i>\$ million</i> ¹	BB			CRR + BETF			All Funds		
Region	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
AFR									
CE	189	186	179	178	185	193	366	371	372
PPM	113	116	116	2	2	2	115	118	118
Total	302	302	295	180	187	195	481	489	490
EAP									
CE	80	79	78	106	111	115	186	189	194
PPM	55	55	55	2	2	2	57	57	57
Total	135	133	133	108	113	118	243	246	251
ECA									
CE	75	71	70	70	74	78	144	145	148
PPM	55	53	52	2	2	2	57	55	54
Total	130	123	122	72	76	80	202	199	202
LCR									
CE	86	82	82	58	61	64	144	143	146
PPM	51	50	50	1	1	1	52	51	51
Total	136	132	132	59	62	65	196	194	197
MNA									
CE	50	48	47	71	76	81	121	123	128
PPM	34	33	32	1	1	1	35	34	32
Total	84	80	79	72	77	82	155	157	161
SAR									
CE	83	85	85	88	92	96	171	177	180
PPM	51	50	49	1	1	1	51	50	49
Total	133	135	133	89	93	96	222	227	230
Total	920	906	894	580	608	636	1,499	1,513	1,530
All Regions									
CE	562	550	541	571	599	627	1,132	1,149	1,169
PPM	358	356	353	9	9	9	367	365	362
Total	920	906	894	580	608	636	1,499	1,513	1,530
GP/CCSA									
GE	68	62	60	123	130	136	191	193	196
CGIAR	30	TBD	TBD	-	-	-	30	TBD	TBD
PPM	210	206	197	49	51	53	259	256	250
Total	308	278	262	172	181	189	480	459	451
Climate Change									
GE	10	10	10	43	42	43	53	52	54
PPM	4	4	4	27	28	29	31	32	33
Total	14	14	14	70	70	72	84	84	86
Total GP/CCSA/Climate Change	322	292	276	243	251	261	564	544	537
Total Other Operational Activities Related to Grants ²	38	TBD	TBD	-	-	-	38	TBD	TBD
Total Operational Units	1,279	1,212	1,175	822	859	897	2,101	2,071	2,073

¹ Numbers may not add up due to rounding and select figures to be determined.² Including \$21m State and Peace-Building Fund (SPF), \$12m Development Grant Facility (DGF) and \$5m Global Partnership for Social Accountability (GPSA) for FY16.

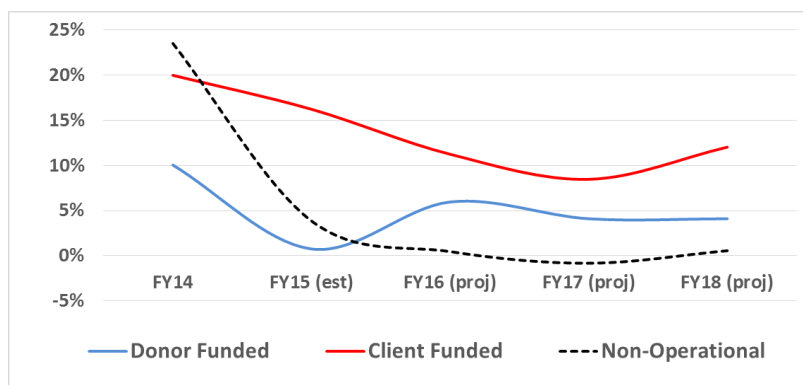
35. **Strategic planning, budget and performance review discussions emphasized the need to better align Global Engagement (GE) activities with the Bank’s strategic priorities.** A stronger corporate governance process will enhance selectivity and ensure strategic alignment of GE allocation (as described in Section 4).
36. **Program and Practice Management (PPM) allocations across Regions and GP/CCSA have been reviewed to make necessary adjustments.** Remapping of staff from Regions to the Global Practices were not finalized in time to be reflected in last year’s budget allocations. Therefore, while the FY15 overall budget sizing was correct, the operational PPM envelope was not appropriately balanced between Regions and GPs. To correct for this, as noted in para 28 above, an additional \$15 million has been set aside for GP PPM.
37. **Management decided to reinvest a portion of the FY16 budget flexibility in IG&A services, specifically those directly supporting Operations** (\$6 million out of the \$41 million reinvested in the administrative budget). Since mid-year plans, an additional \$7 million has been allocated to IG&As. At final budget considerations, Management prioritized funding requests to support (i) Procurement and Safeguards reforms, which includes funding for legal review of the Safeguards Framework; (ii) the Bank’s People Agenda, which includes funding for Global Mobility; (iii) preparation work for IDA 18 and the IDA plus proposal; (iv) one time rating evaluation and legal costs for risk work that cannot be done in-house; and (v) institutional integrity work for allocations to compensate for changes in IFC cost sharing arrangements.

3.6 EXTERNAL FUNDS

38. **Partnerships supported by external funds play an increasingly important role for the Bank** by helping to achieve its dual goal of ending extreme poverty and promoting shared prosperity in a sustainable manner. Most External Funds (EF) are transferred to World Bank clients in the form of Recipient Executed Trust Fund (RETF) grants and through Financial Intermediary Funds (FIF) to other organizations. This section is focused on the part of EFs used to finance the work carried out by the Bank. EFs are increasingly being integrated into the Bank’s planning, budgeting and reporting framework.
39. **In the context of the Bank’s Administrative Resources, EF are composed of three different categories** (see Figure 3.1):
 - (i) *Donor Funds (FY15 \$904 million)*: Contributions from third parties financing activities benefitting Bank clients - primarily Bank-Executed Trust Funds (BETFs) and Externally Financed Outputs (EFOs);
 - (ii) *Client Funds (FY15 \$140 million)*: Revenue derived from Bank services benefitting the contributing client - primarily Reimbursable Advisory Services (RAS) and Reserves Asset Management Program (RAMP); and
 - (iii) *Non Operational Funds (FY15 \$230 million)*: Revenue derived from non-operational Bank services provided to third parties (primarily internal WBG cost sharing and income from real estate).

Figure 3.1: External Funds FY15 by Category

40. **Growth of EF related expenditures in FY16 is expected to exceed 5 percent, primarily driven by an increase in Donor Funds and continued strong growth of Client Funds.** All categories of EF grew strongly in FY14, bringing the total growth to over 13 percent for that year. Growth during FY15 is expected to be below 3 percent due to lower growth in both Donor Funded⁸ and Non-Operational EFs. The growth in EF is expected to taper off in FY17 and FY18 to around 4 percent per year (see Figure 3.2).

Figure 3.2: Annual Growth of External Funds by category (FY14-18)

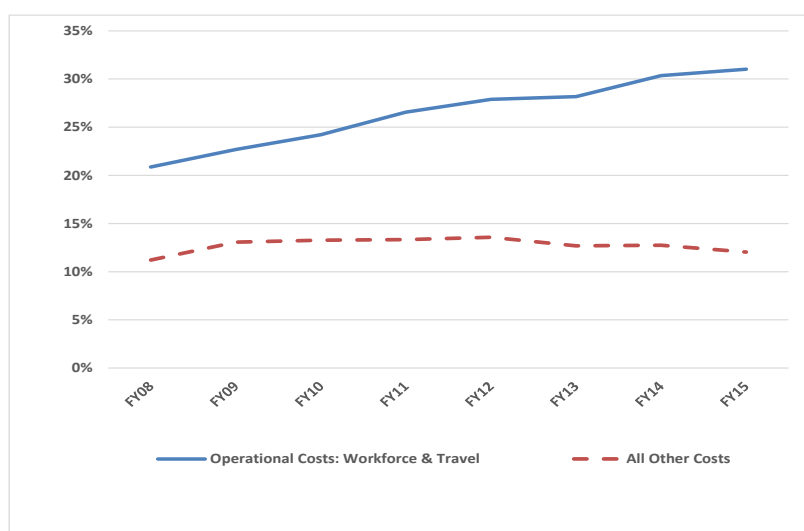
41. **The importance of External Funds has grown significantly over the last decade: they now finance over 40 percent of the activities carried out by Operational units, including half of the Bank's Country Engagement (CE) work.** As part of the new planning and budgeting framework introduced in FY15, Management is strengthening projections, planning and monitoring of EFs. A new methodology has been introduced to better project the use of BETFs, including correlation between

⁸ BETFs were projected to amount to \$782 million in FY15. Lower than expected use of BETFs over the last couple of months has prompted a revision of the FY15 estimate down to \$760 million.

BETF expenses and previous years' BETF commitments. These corporate projections were used as input and high level guide for unit-based detailed planning for FY15. Unit plans will be used as a basis against which the actual use of EFs during FY16 will be monitored.

42. **In FY15 Management developed, and presented to the Board, a new methodology for improved cost recovery and consistent attribution of costs across IBRD, IDA and EFs.** Trust Funds are financing an increasing share of the cost of personnel (staff and consultants) and travel in operational units but their share of all other associated costs (largely indirect costs) has remained unchanged, even after taking into account costs financed through TF fees and indirect rates (see Figure 3.3).

Figure 3.3: Trust Fund financed costs
(Share of total operational personnel & travel costs; Share of all other costs)



43. **In consultation with the WBG Board and development partners, Management is preparing to implement a new TF cost recovery framework in FY16.** Cost recovery arrangements for other types of EF will be reviewed and revised as appropriate by FY17. Gradual changes in the cost recovery framework are expected to increase TF contributions towards the Bank's indirect (IG&A) costs (see Box 3.1 below).

Box 3.1: Trust Fund Cost Recovery Framework

The new Trust Fund Cost Recovery Framework is guided by principles of transparency, fairness, simplification, standardization and consistent treatment across development partners. The envisaged measures include an increased indirect rate on staff and consultants financed by BETFs as well as a fee on RETFs. Management will regularly monitor the amount of indirect costs incurred, to ensure that the total amount of revenues generated through TF-related fees and indirect rates do not exceed the total amount of indirect costs attributed to TF.

3.7 EXPENSE LINE VIEW

44. **The Bank follows a dollar budget approach which allows managers flexibility to vary inputs as long as they stay within broad indicators (e.g., fixed cost ratio).** As a result, the Bank does not set specific budgets by expense category of total administrative budget such as for staff salaries and benefits. Table 3.5 provides an indicative decomposition of the FY16 budget, in comparison to FY15 and FY14 expenditures. It represents the current view of the most likely outcome; however, the actual composition of expenditure may vary as the unit work program evolves and managers make trade-offs across expense categories (e.g., hiring a Short-Term Consultant/Temporary (STC/STT) instead of filling a vacancy because it no longer requires full-time work) to respond to changing business needs. Consistent with the stability of expense line shares over the past few years, Management has projected FY15 year-end and FY16 expenses (all funding sources), as presented in the table below.

Table 3.5: Projected FY16 Administrative Expense by Expense Line

(\$ million)

Expenses by Type of Expense	FY14 Actuals		FY15 Projections		FY16 Projections	
	All Funds	As % OF UGE	All Funds	As % OF UGE	All Funds	As % OF UGE
Fixed Expenses	2,445	66.9%	2,409	65.3%	2,468	65.0%
<i>Of which:</i>						
Staff Salaries and Benefits (including contributions to SRP, SSRP, RSBP) ^{1/}	2063	56.5%	2049	55.5%	2104	55.4%
Communications & IT	91	2.5%	89	2.4%	90	2.4%
Depreciation	86	2.4%	94	2.5%	94	2.5%
Equipment and Building	201	5.5%	177	4.8%	178	4.7%
Indirects for the TF	5	0.1%	0	0.0%	3	0.1%
Variable Expenses	1,207	33.1%	1,281	34.7%	1,332	35.0%
<i>Of which:</i>						
ST Consultants & Temporaries	532	14.6%	584	15.8%	617	16.2%
Travel Costs	335	9.2%	330	8.9%	341	9.0%
Contractual Services	288	7.9%	311	8.4%	316	8.3%
Other Expenses ^{2/}	52	1.4%	56	1.5%	57	1.5%
Total Unit Gross Expenses (UGE)	3,652	100%	3,691	100%	3,800	100%
Grant Making Facilities (GMFs)	160		110		68	
Total Admin Expenses (incl. GMFs)	3,812		3,801		3,869	

^{1/} Includes staff salaries and benefits and ETC/ETT costs for all units as well as costs of contribution to staff retirement plans (i.e. contributions to SRP, SSRP, RSBP).

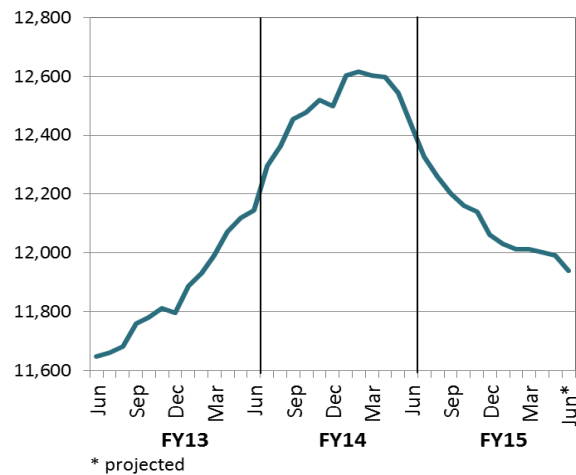
^{2/} Other expenses also include Representation and Hospitality as well as chargeback revenues for Food Services.

45. **As expected, staffing is the main expense category representing 55 percent of total unit gross expenses.** The average level of full-time Bank staffing in FY15 has been about 3.0 percent below the average of FY14. This resulted from a projected 5.4 percent decline in staffing from the introduction of employment controls in early March 2014 until end-FY15. The contraction was driven by a

slowdown in hiring, with the number of hires dropping by 53 percent in the twelve months since March 2014, whereas the number of staff exits from the Bank did not change. Staffing levels in FY16 will depend on the implementation of the FY16-18 strategic staffing plans for Operations and IG&A units that were endorsed by Senior Management as part of the overall business planning process early June 2015. Employment controls have been lifted. The goal is to ensure we have the right number of positions and skills mix needed to execute our strategy, in line with evolving client demand, business needs and funding parameters, to deliver results. The projected staff cost share remains consistent within the 55 percent range even after assuming staff cost structural increase. Management, therefore, deems that the staff remuneration increase is affordable within the proposed budget envelope (based on current staffing levels).

46. **Individually hired STC/STT (16 percent) and Travel (9 percent) costs are the two biggest components of total variable expenses.** The expected growing STC/STT costs reflect a potential increase in the use of contingent staffing as full-time staff declined under interim employment controls and staffing structures adjusted in the context of strategic staffing (see Figure 3.4). The expected share of travel cost (all funds) slightly decreasing from 9.2 percent in FY14 to projected 9.0 percent in FY16.

Figure 3.4: Full-time Bank Staff on Payroll



Note: Includes in FY14 the transfers of 137 IT, HR, and communications staff from IFC to integrated units at the Bank.

3.8 NON-UNIT SPECIFIC ACCOUNTS AND BUDGETS

Centrally-Managed Accounts

47. **In addition to unit specific budgets, the administrative budgets includes several Centrally-Managed Accounts (CMA)** that consolidate expenses not easily attributable to specific units, as well as institutional programs, typically managed by units but for which Management maintains discretion over the budget (see Table 3.6 for details).
48. **The recoveries from units due to internal transfer pricing are expected to increase by \$21 million (4 percent).** This is primarily due to increases in TF indirect rate recoveries (\$5 million), Staff Benefits recoveries from units (\$16 million) and Corporate Service recoveries (\$1 million), and offset by a slight decrease in Office Occupancy (\$1 million).
49. **Centrally-Managed Depreciation is expected to increase by \$3 million (5 percent)** primarily due to an increase in Centrally-Managed IT Depreciation.
50. **Funding for Institution programs will increase by \$25 million (31 percent).** This increase is partially due to the potential increase in staff separation as a result of the implementation of the strategic staffing plans. Expenditures for other institutional programs are projected to remain at current levels.⁹
51. **Corporate Contingency** is set at \$10 million;
52. **Centrally-Managed Staff benefits expenses are expected to increase by \$40 million (5 percent).** This increase is mainly due to an increase in Staff Retirement Accounts. Tax allowances and Centrally-Managed Benefits are expected to increase.

⁹ Management maintains discretion over the budget of Institutional Programs, which currently include programs managed by HRD (Staff Separation, Performance Awards, Young Professionals, etc.), ECR (Community Connections and Client Survey), GSD (Staff Association, 1818 Society, Carbon Offset, HQ real estate), and BPS Expenditure Review.

Table 3.6: Centrally-Managed Accounts

<i>\$ million</i>	FY15 Budget Document	FY15 Revised	FY16	\$ Change	% Change
Centrally-Managed Budget Recoveries from units due to internal transfer pricing	(598)	(574)	(596)	(21)	3.7%
Depreciation	73	71	75	4	5.2%
Institutional Programs	25	80	105	25	30.6%
Earmarked Funding	17	17	18	0	2.0%
Business continuity (GSD/ITS)	16	16	17	0	2.1%
Other	TBD	-	-	-	0.0%
Data for Povert Reduction funding (DEC) ¹	1	1	1	-	0.0%
Centrally-Managed Staff Expenses	736	739	780	40	5.5%
HRD-Managed Staff Benefits	235	240	246	6	2.6%
Tax Allowances	115	114	123	9	7.5%
Staff Retirement Accounts and PCRF ²	386	386	411	26	6.6%
Corporate Contingency	20	20	10	(10)	-50.0%
Unallocated Budget Flexibility	4	-	-	-	n/a
Total	282	354	392	38	10.6%

¹ SMT agreed \$1m funding for poverty data to be confirmed at mid-year, once internal review and needs assessment are complete.

² Post-Retirement Contribution Reserve Fund.

Staff Retirement and Related Plans

53. **Bank contributions to staff retirement plans are based on actuarial recommendation approved by the Pension Finance Committee (PFC).** Using the PFC's approved rates for FY16, contributions to the Staff Retirement and related plans are expected to reduce to an estimated total of \$351 million in FY16 compared to \$370 million in FY15.¹⁰ Total Staff Retirement Plan costs, comprised of contributions to the plans and contributions to the Post-Retirement Contribution Reserve Fund (PCRF) will increase from \$386 million to \$411 million due to an increase in contributions to the PCRF, as explained further below.

54. **In FY13, the PCRF was established to protect the budget from fluctuations in the required contribution.** It was agreed to maintain the total budgetary contribution rate at 35 percent of net

¹⁰ Overall Bank contribution rate for FY16 is 29.87 percent of net salaries (down from 32.25 percent in FY15) and is expected to decline further in FY17 and then level off from FY18 onwards, if all actuarial assumptions are met.

salaries, even if the rate currently recommended by the actuaries is lower, in order to build up the Fund. Annual contributions to the Fund are approved by Executive Directors in conjunction with the World Bank budget. The balance of the Fund is expected to be \$60 million at the end of FY15.

55. **Full PCRf contributions will continue to be made as per policy in effect.** While last year's budget decision reduced the FY15 contribution on an exceptional, one time basis in light of constrained budget flexibility, the full 35 percent contribution rate will be maintained in FY16 and FY17, consistent with the existing policy. An additional contribution will be made to the Fund in FY17, when budget flexibility is expected to have stabilized again (Table 3.7 provides further details). Management will review adequacy of the PCRf balance and determine the appropriate amount for contribution in FY18 and beyond.

Table 3.7: Projected Contributions to Staff Retirement and Related Plans

\$ million	FY15	FY16	FY17	FY18 ³
Staff Retirement Accounts Contribution ¹	370	351	352	350
Post-Retirement Contribution Reserve Fund Contribution ²	15	60	85	82
Total Contribution	386	411	437	432
Post-Retirement Contribution Reserve Fund Balance	60	120	205	287

¹ Contribution Rate Projections are based on 2015 Actuarial Valuations – Estimated May 1, 2015.

² Consistent with the actuarial review process for the pension plan, PCRf review should occur every 5 years, subsequent to each SRP experience review. The review process would involve the following areas: (a) target contribution rate (b) size and outlook of the PCRf, and (c) investment policy and governance arrangements. Please refer to "Smoothing Budgetary Contributions to the Post-Retirement Benefits Plans: Establishment of a Post-Retirement Contribution Reserve Fund" (June 8, 2012) for further details.

³ Subject to review.

Board-related budgets

56. **At the time of this writing, the total WBG Budget for the Boards, SEC and IEG is expected to remain broadly flat.** The FY16 recommended budget for Executive Directors will be subsequently adjusted to reflect the decisions of the Joint Committee on Remuneration and approval by the Board of Governors (see Table 3.8).

Table 3.8: FY15 and FY16 Board-related Budgets

<i>\$ millions</i>	FY15 Budget Document	FY15 Revised	FY16	\$ Change	% Change
Executive Directors (EDs)	73.8	75.5	77.1	1.6	2.1%
Board of Governors (BDG)	7.6	7.8	7.5	(0.3)	-3.3%
DC Secretariat (DCS)	1.8	1.8	1.8	(0.1)	-2.7%
Inspection Panel (IPN)	3.6	3.7	3.8	0.1	2.2%
Total: Boards ¹	86.8	88.7	90.1	1.4	1.6%
SEC ¹	14.1	15.8	15.5	(0.4)	-2.5%
IEG	34.1	34.2	34.0	(0.3)	-0.8%
IEG Reimbursables	(7.6)	(7.8)	(7.6)	0.2	-2.8%
Total ²	127.4	131.0	132.0	1.0	0.7%

¹ The Boards work program and the SEC work program are fully funded by Bank Budget independent of any cost sharing revenues received from IFC/MIGA. Therefore, funding from Reimbursables is shown only for IEG.

² Reflects varying levels of Expenditure Review savings across entities.

Grant-Making Facilities

57. As part of last year's Budget discussions, GMF¹¹ funding is now being brought into the budget as separate budget lines in the operational unit category and hence does not require separate "below the line" decisions. This would provide more transparency to trade-offs between GMF activities and regular work program.¹² Funding allocations would be considered through the strategic planning, budget and performance review process and reported regularly, with any changes addressed during the course of the fiscal year via the corporate contingency governance mechanism.

58. Management remains convinced that the activities carried out by the SPF and CGIAR are priorities to achieve the institution's long term poverty and prosperity goals. Thus, Management wants to ensure that their funding from WBG sources does not fall below a minimum threshold. The Bank will continue its strong involvement and support to countries with Fragile and Conflict-Affected Situations (FCS), see Table 3.9 below. Alternative funding options in addition to Bank Budget are being pursued (described in the following paragraphs) to ensure that overall funding levels do not fall below \$30 million for CGIAR.

59. **State and Peace-Building Fund (SPF):** Throughout the strategic planning, budget and performance review process, Management has emphasized the importance of addressing the challenges of fragility,

¹¹ State and Peacebuilding Fund (SPF), Consultative Group for International Agricultural Research (CGIAR), Global Partnership for Social Accountability (GPSA), Development Grant Facility (DGF), and Institutional Development Fund (IDF).

¹² Management is considering possible trade-offs with other operational activities such as: CGIAR/Global Engagement work with Agriculture (especially on Agriculture research), SPF/Operational activities (CE and CCSA funding) on Fragile and Conflict States and GPSA/Operational activities (CE and GE) in Social Development GP.

conflict and violence (FCV) and given priority to strengthening delivery across the WBG in affected countries. In response to rising FCV challenges, the WBG is significantly scaling up its support, including an estimated 44 percent increase in IDA allocations to FCS, increase in Bank budget (through both Global Engagement and Country Engagement envelopes), management of Trust Fund resources (including for country-level Multi-Donor Trust Funds), as well as IFC and MIGA investments. Around 12 percent of total operations funding (Bank Budget + BETFs) is now allocated towards supporting FCS (Table 3.9). As a flexible instrument, the SPF will continue to play a critical role in the overall WBG response while filling an important gap by (1) supporting countries in situations where access to IDA/IBRD is impossible/limited; (2) piloting innovative and/or high-risk responses to FCV issues to be brought to scale; and (3) developing, capturing, and disseminating global evidence, knowledge and learning.

Table 3.9: Funding Sources Supporting FCS
US\$M

	FCS FY15	Total FY15 ¹	% of Fund	FCS FY16 (Planned)	Total FY16	% of Fund
BB+Reimbursables²	168			181		
SPF	25			21		
Total	193	1,560	12.4%	202	1,457	13.9%
BETF (FY estimated)	75	643	11.7%	82	699	11.7%
Total (\$m) for FCS programs	268	2,203	12.2%	284	2,156	13.1%

¹Total FY15 and FY16 reflect Total Operational Units plus Security.

²Reimbursables is a collective term for all types of external funds (e.g., RAS, EFO) used to cover Bank Administrative costs with the exception of BETFs.

60. **The proposed approach in the short term is to help maintain the capacity of the SPF to complement other WBG investments in meeting the growing FCV demands** and in the medium to longer term to engage within the WBG and with donors on developing new instruments to meet needs not addressed through IDA/IBRD. This will entail: developing alternative financing options to mobilize resources for SPF, including increased donor contributions; continuing to rebalance SPF support towards innovative/high risk approaches, global engagement and increased support in crises/frontier countries; and continuing to implement the 2014 package of reforms adopted by the Board in October 2014. If required, Bank Budget would complement these financing options for FY18 and beyond by \$5-10 million.
61. **Consultative Group for International Research (CGIAR):** Management is committed to ensuring that despite the reduction in direct IBRD contributions CGIAR priorities remain sustainably funded in the future. Inside the Bank, the Agriculture GP will serve as the counterpart to CGIAR, and is expected to continue the technical leadership role the Bank has played in CGIAR over the years. Management has engaged with Executive Directors on the CGIAR transition plans including on donor fundraising updates. During the transition period towards an innovative financing model, total WBG funding to CGIAR will be enough to ensure a minimum level of transfers to CGIAR to the extent that CGIAR continues to improve its effectiveness.

62. **Management proposes to move forward across a combination of funding streams to provide sustainable financing**, while ensuring satisfactory CGIAR performance/results and implementation of its reform agenda. If required Bank Budget would complement these funding options for FY18 and beyond.

- *Option 1: Returnable Capital Fund:* Donor-funded investment utilizing an existing Returnable Capital Fund WBG platform to create an income stream for CGIAR. Income for CGIAR would be derived from interest (base plus spread) net of expected losses. Initial estimates show that \$1 billion in capitalization, with the additional replenishment, would potentially generate a stream of an average of \$30-40 million per year in annual interest income deployable to CGIAR over FY17-24. Additional benefits of this option are that apart from creating a sustainable funding flow for CGIAR, this option would also generate additional private investment in developing countries through the IFC portfolio, where part of the investment capital would be placed, and would help establish an innovative modality of long-term non-grant financing for CGIAR.
- *Option 2: IDA Regional Grant:* This option builds on the role that IDA is already playing in supporting regional agricultural research, including through regional IDA projects in West, East and Southern Africa. Going forward, Management is considering to scale up and broaden support through suitable regional organizations that qualify for regional IDA grants. The strong capacity and regional presence of CGIAR Research Centers make them very well placed to support the execution of the regional research agenda.

63. **Overall SPF and CGIAR Bank Budget funding:** In conclusion, depending on how much funding materializes through the alternative funding options and in order to maintain a minimum level, Management is considering Bank Budget allocations for the SPF and CGIAR in FY18. If needed, incremental support would ensure that overall funding levels for CGIAR do not fall below \$30 million. Allocations at this level would be affordable in FY18 in terms of projected financial anchors for both IBRD and IDA. Management will review these allocations in the future as we gather experience with the new funding and governance mechanisms for the CGIAR and SPF as well as from the updated IBRD and IDA anchors.

64. **Table 3.10 presents an overview of the planned FY16-18 funding trajectory for all facilities.** GPSA contributions, previously funded under the GMF envelope, and FY17-18 allocations for individual facilities will be reviewed during next year's planning cycle.

Table 3.10: FY16-18 Grant-Making Facility Phase-out Trajectories

<i>\$ million</i>	FY13	FY14	FY15	FY16	FY17 ¹	FY18 ¹	Proposed FY18 Additional Funding ²
State and Peace-Building Fund (SPF)	33	0	25	21			
Institutional Development Fund (IDF)	17	9	0	0			
Development Grant Facility (DGF)	56	51	33	12			
Global Partnership for Social Accountability (GPSA)	5	5	5	5			
Consultative Group for International Agricultural Research (CGIAR)	50	50	47	30			
Total Operational Activities Related to Grants	161	115	110	68	24	0	10-20

¹ Outer years (FY17-18) to be determined.² Potential additional funding, if needed, assumed in FY18 trajectory.

3.9 CAPITAL BUDGET SUMMARY

65. The FY16-18 capital investment program is \$538 million, with Technology and Systems accounting for \$309 million (57 percent of the total envelope) and the remaining \$229 million (43 percent) for Facilities. The FY16-18 capital program is \$47 million (10 percent) higher than the FY15-17 approved capital program of \$491 million. The increase is mostly due to increased investments in Facilities (\$56 million) offset by a decrease related to Technology and Systems investments (\$9 million) due to changes in capital threshold. Management has reviewed this year's capital investment plans with a particular view towards ensuring the long-term affordability of depreciations costs. Table 3.11 presents a summary of this program, with additional details provided in Annex B including an overview of capital budget in Box B.1.

Table 3.11: Capital Program Summary
FY16-18 Investment Schedule

Capital Funds (\$ Millions)							
	FY15 Approved	FY15 Released ¹	FY15-17 Total AIP ²	FY16 Budget	FY17 Plan	FY18 Plan	FY16-18 Total AIP
Technology and Systems	106	75	318	103	103	103	309
of which IBRD Only	80		240	80	80	80	240
WBG Projects ³	20		60	20	20	20	60
Small Investments < \$200,000 ⁴	6	0	18	3	3	3	9
Facilities	73	20	173	82	90	56	229
of which Washington	33	4	79	16	25	32	72
Country Office	40	16	94	67	65	24	156
Total Capital Budget (All Parts):	179	95	491	185	193	159	538
<i>Percent Utilization (FY15 YTD Release/FY15 Approved)</i>		<i>52.95%</i>					

¹ Data on capital release of funds as of April 22, 2015 for ITS and April 27, 2015 for Facilities² Annual Investment Plan (AIP) as per FY15 Budget Document.³ IFC and MIGA will pay their share of the administrative costs associated with WBG projects through Shared Service Agreements with IBRD.⁴ Small capital investments under \$200k, driven by FY15 policy change lowering the capitalization threshold to \$100k.

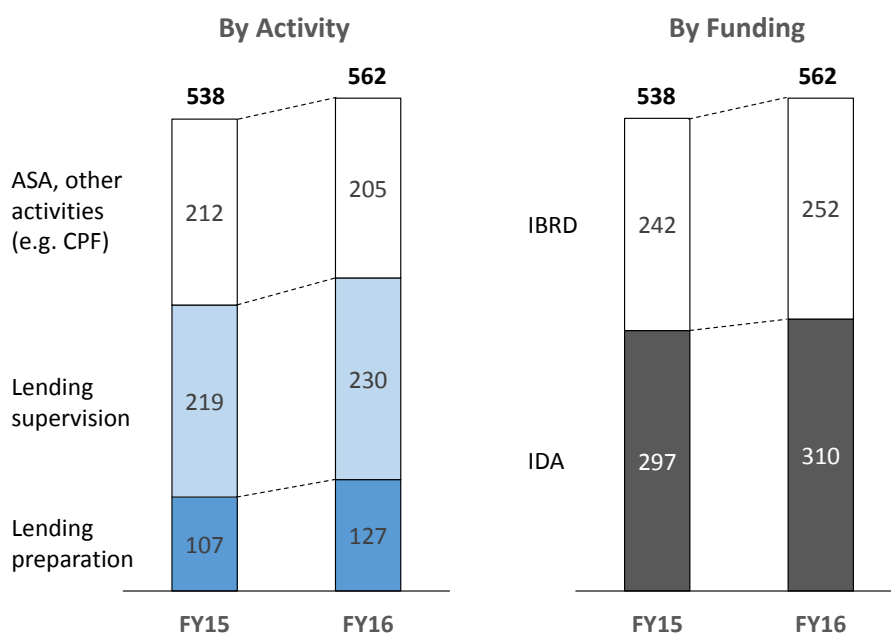
66. **The proposed FY16-18 Technology and Systems Capital envelope of \$309 million represents a 3 percent decrease over the FY15-17 capital program of \$318 million.** It includes investments linked to IT-related Expenditure Review measures, estimated to provide a gross savings of \$2 million in FY16 and \$9 million in FY17. Informed through the ITS Strategy and IT Implementation Roadmap, proposed funding will incorporate a performance driven work plan and disciplined expense planning to enhance delivery. The new envelope provides a budget line for small capital investments under \$200,000, which have a designated set-aside of \$3 million per policy change in FY15 that lowered the capitalization threshold to \$100,000. These investments cover rapid development of solutions.
67. **The total proposed Technology and Systems capital budget request for FY16 is \$103 million** and in addition to the \$3 million for small capital investments, consolidates related business outcomes within three segments: Business Programs, IT capabilities, and IT foundations:
- **Business Programs** solutions (\$57million) that directly support modernizing operations; information, knowledge and learning; modernizing HR; risk management; core financial and strategic budget systems; and end user / work experience.
 - Necessary enhancements to **IT capabilities** (\$28 million) in areas such as data management, analytics, information management, collaboration, connectedness, mobility, and security.
 - **IT Foundations** (\$16 million) represent replenishment investments to keep the business running.
68. **The proposed FY16-18 Facilities Capital envelope is estimated at \$229 million.** This includes a \$78 million investment to replace some large CO leasehold properties with Bank-owned buildings, part of real estate savings under the Expenditure Review exercise.
69. **The total proposed Facilities Capital budget for FY16 is \$82 million.**

4. WORK PROGRAM AND DELIVERABLES

This section provides an overview of the operational work program to be funded by the proposed FY16 net administrative budget – particularly in support of institutional priority areas.

70. **The FY16-18 work programs coordinated between Regions and Global Practices are fully consistent with the corporate priorities agreed for the planning period**, specifically to strengthen client services in key areas. For example, Work Program Agreement (WPA) outcomes reflect increased budget allocations to lending and IDA, and greater selectivity in the ASA portfolio (see Figure 4.1 below). The following section discusses work program trends – focus areas, allocations, and deliverables – by the new planning and funding structure, which distinguishes three core work program envelopes (Country Engagement, Global Engagement, Program and Practice Management – introduced last year to move away from unit-based incremental budgeting to a work program approach for operational units).

Figure 4.1: FY15 to FY16 Changes in WPA Plans



4.1 COUNTRY ENGAGEMENT WORK PROGRAM

71. **Increased Country Engagement funding (\$35 million of flexibility allocated to CE) is underpinning a scale-up in client services, particularly for IDA delivery.** Support to client services is growing overall, with planned use reflecting institutional and regional priorities. Lending plans were

closely reviewed, with a focus on IDA underpinned by the increased CE allocation to IDA clients. Projections indicate a robust lending delivery, with a strong FY16 pipeline. Management will continue to review the IBRD/IDA outlook, and monitor the use of currently unallocated funds (e.g., due to pending country circumstances) and available contingency funding.

72. **Country Engagement framework:** The new Strategic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs) are key building blocks for the Bank's strategic engagement with clients and guide operational work program plans and focus.
73. **Work program focus on Fragile and Conflict-affected Situations (FCS) and Small States is growing across Regions,** with efforts such as AFR increasing CE allocations to FCS countries by more than 10 percent, EAP providing a top-up premium in the final arbitration of county allocations for sea-locked small and fragile Pacific Islands, and ECA covering FCS countries through Regional work programs. As shown in the SPF section, more than 6 percent of total funding is now allocated towards supporting FCS.
74. **Safeguards funding is prioritized.** Priority has been given during the FY16 WPA process to fund safeguards support over the planning period. Allocations will be reviewed on an annual basis in particular to ensure they remain sufficient to deliver the commitments laid out in the new safeguards framework when they are implemented.
75. **Measures are being put in place to enhance the management of the Advisory Services and Analytics (ASA) portfolio,** identified in the FY16-18 planning process as a key area of focus for efficiency and ER savings to ensure improved resource utilization. Priorities discussed by Management during the corporate planning process include stable task planning, programming and delivery, cost control, as well as consistency in definitions and coding. Work in FY16 will focus on strengthening ASA management, governance and strategic relevance. Key actions to improve ASA efficiency include:
 - Strengthen selectivity and strategic relevance of ASA work;
 - Further streamline the portfolio by excluding non-ASA work (such as business development, relationship management and other process-oriented tasks) and bringing ongoing tasks to a close;
 - Simplify ASA task management and processing;
 - Systematic review at the corporate level as well as at the unit level, guided by common indicators such as expected portfolio size in number of tasks, expected budget allocated to new tasks, and share of tasks flagged for Management attention;
 - Improved cost management through more rigorous checkpoints on task progress and budget (e.g., to facilitate closer monitoring by task managers, cost data will be integrated in the operational portal).

4.2 GLOBAL ENGAGEMENT WORK PROGRAM

76. **Management will continue to be more selective in Global Engagements.** GE funding will support the twin goals directly by addressing key Global Public Goods, and indirectly by supporting global activities to bring country initiatives to scale across a number of countries. For FY16, the GPs and CCSAs will focus on a smaller number of engagements with the potential for transformative impact on our public and private sector clients. Selectivity among Global Engagements will focus resources on areas of strategic priority and greatest impact.
77. **Global Engagement Bank Budget funding for FY16 will be \$67.6 million, down from \$72.7 million in FY15,** and is projected to decline to \$60.4 million in FY18. Funding is planned to be allocated in four categories:
- Corporate Mandates (\$10-15 million): This category will fund selected corporate mandates from across the GPs. These include major external partnerships such as UN, SDGs, G7, G20; Board or senior Management mandated engagements; Internal WBG-wide activities designed to strengthen the quality of our global and country engagements, such as IDA17 commitments, gender monitoring, poverty data, CPIA Stats; Secretariat functions such as for SCD, FSAPs.
 - Strategic Multi-practice Engagements (\$5 million): This category will fund up to five major multi-practice activities where the WBG can bring a transformative impact to our clients. The Identity for Development Initiative would be one of these and the others will be chosen by mid-June.
 - Practice/CCSA Level Global Engagements (\$35-40 million): Each GP/CCSA will receive a block allocation of funding from which they will prioritize programmatic global engagements. Allocations and the GP's selected programmatic areas will be finalized by mid-June. Examples include System Assessment and Benchmarking for Education Results (SABER), which collects and analyzes policy data on education systems from around the world; participation in the Financial Stability Board and other standard setting bodies; and advocacy and knowledge activities to support getting to scale on Sanitation.
 - Operating Engagements (\$10 million): Each GP and CCSA will receive an allocation of \$500,000 to finance smaller global engagement activities at the practice level such as just smaller G20 requests; just in time global analytic work (e.g., on shocks); attendance at global fora; smaller partnership activities.
78. **Selection of specific activities to support will include consultations with the Regions, who would also participate in key concept reviews.** For FY17, GE programming decisions will be fully incorporated into the earlier phases of the strategic planning, budget and performance review process, and trust funding for Global Engagements will be handled as part of the new Trust Fund governance and prioritization process.

5. NEXT YEAR PLANNING OUTLOOK

79. **Building on last year's experience, the FY16-18 strategic planning, budget and performance review process was joint and coordinated across the WBG** – including associated Board Engagements, which strengthened the strategy-driven business planning and resource allocation approach, and continued to implement the more holistic budget framework.
80. **Planning discussions are more comprehensive now.** Previously based on unit-based incremental budgeting, constrained flexibility, and limited WBG-coordination, the strategic planning, budget and performance review process is now embedded in the overall WBG strategy framework, extends the planning horizon and provides a more structured and contestable approach to budget decisions. The planning framework is supported by the ER and Margins for Manoeuvre to increase funding flexibility. The process fosters greater WBG jointness through coordinated business planning across the Bank, IFC and MIGA during the strategic planning phase of the process. It also benefits from new mechanisms to reflect client demand and integrate work program planning (joint practices, Systematic Country Diagnostics, Country Partnership Frameworks). WBG-wide business reviews and Management discussions add regular monitoring and decision making fora to the process.
81. **Although significant progress has been made this year, more remains to be done.** Lessons learned and opportunities for improvement will guide the FY17-19 planning process.
82. **Management is also committed to continue working on key issues in the coming planning cycle** – including:
- sustainable implementation of GMF transition and phase out plans;
 - close monitoring of the institution's financial outlook, IBRD/IDA budget anchors and protection of reserves; and
 - delivering on this year's planning priorities and commitments, e.g., increased Country Engagement and focus on IDA delivery, implementation and adequate funding of safeguards and procurement reforms, prioritization and strategic alignment of Global Engagements, achieving greater ASA efficiency, and conducting regular IG&A business reviews and benchmarking.

ANNEX A: PROGRAM COST SUMMARY

1. The Program Cost Summary (PCS) table shows the FY16-18 budget by work program and unit, by funding source. All budget figures are now reported in nominal terms, consistent with the new World Bank financial framework, which considers revenue and expenditures holistically. Figures are reported in millions to the nearest thousand dollars (1 decimal place).
2. The PCS reflects framework adjustments since FY15 and takes another step towards a unified approach to planning for revenues and expenditures. The FY16 budget is constructed using holistic revenue and expense budgeting with respect to reimbursable revenues and IBRD/IDA funding. Reimbursable revenues have been classified as either *Coupled Reimbursable Revenues (CRR)* or *Decoupled Reimbursable Revenues (DRR)*. *CRR* is earned by the Bank for services that are directly related to the underlying expense incurred by a unit. Revenue is not earned unless there is a corresponding expense, similar to Bank-Executed Trust Funds (BETF). *DRR*, on the other hand, is earned by the Bank for services that are not directly driven by the underlying expenses incurred by the managing unit. Examples of these revenues include: Trust Fund fee income, health services and revenue from sub-letting office space to third parties.
3. Under the FY16 Budget Framework, expenditure authorization previously given as reimbursables expense budget associated with *DRR* is now allocated to units or programs as regular Bank Budget (i.e., it is “budgetized” and is now no different to a unit’s other Bank Budget allocations). Accordingly, there has been a budgetary increase to Bank Budget spending authority for the units/programs concerned. This facilitates better medium-term planning for the units, while allowing flexibility at the corporate level. All changes in Bank Budget allocation are now subject to the annual planning process as they are no longer linked to the revenue earned.
4. The portion of the All Funds Expenditure Envelope less Decoupled Reimbursable Revenue is the Bank Budget expenditure envelope (line H in TableA.1).
5. The PCS in this Budget Document also has an updated layout compared with the FY15 Budget Document. Grant Making Facilities (classified as Other Operational Activities Relating to Grants in the PCS) are now included within operational work so that overall resources supporting client engagement work can be more easily understood. Units included under Institutional, Governance and Administrative (IG&A) components of the budget have also been realigned, so they are grouped in accordance with the primary service they provide to the Bank: institutional services, governance services or administrative services.
6. Centrally-Managed Accounts have been reorganized into a more logical and clear structure, with six elements:
 - a. All budget recoveries due to internal transfer pricing are now grouped together;
 - b. Institutional depreciation accounts for Facilities and IT are now reported as a separate line item;

- c. All Institutional Programs are grouped together: these are programs that are mandated and funded at the corporate level, but managed and delivered at the unit level, for example the Young Professionals Program;
- d. Earmarked funding is for unit-managed programs where there is some contingency in the funding, e.g., where precise funding requirements are not yet known or where Management wishes to keep a line of sight on the funding e.g., business continuity. Earmarked funding items are set asides, with the budget transferred to units upon request and demonstrated need.
- e. Staff benefit and pension accounts are grouped together so the gross expenses (i.e., before any recoveries or transfer pricing) are easier to discern.
- f. Other Centrally-Managed Accounts hold the corporate contingency.

Table A.1: FY16-18 Work Program and Unit

FY16-18 WB Budget by Work Program				BB			Coupled Reimbursable Revenue (CRR)			BETF			ALL FUNDS		
\$ million				FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
1.0	Country Engagement														
1.1	AFRVP			188.5	186.0	178.8	17.8	19.2	20.5	159.8	166.2	172.9	366.1	371.4	372.2
1.2	EAPVP			80.3	78.7	78.4	5.3	5.9	6.3	100.7	104.7	108.9	186.3	189.2	193.6
1.3	ECAPV			74.6	70.7	70.5	24.1	26.4	28.6	45.6	47.4	49.3	144.2	144.5	148.4
1.4	LCRVP			85.6	81.9	81.5	10.4	11.4	12.5	48.0	49.9	51.9	144.0	143.2	145.9
1.5	MNAVVP			49.8	47.6	47.5	40.5	44.4	48.0	30.2	31.4	32.7	120.5	123.4	128.2
1.6	SARVP			82.6	84.9	84.7	1.9	2.0	2.1	86.4	89.9	93.5	171.0	176.8	180.3
	Sub Total			561.5	549.8	541.5	99.9	109.3	118.0	470.7	489.5	509.1	1,132.1	1,148.5	1,168.6
2.0	Global Engagement														
2.1	CCGVPU			10.1	10.3	10.3	6.8	4.4	4.3	36.1	37.5	39.0	53.0	52.3	53.7
2.2	GPVPU			67.6	62.4	60.4	3.8	6.0	6.5	119.6	124.4	129.4	191.0	192.8	196.2
2.3	CGIAR			30.0	TBD	TBD	-	-	-	-	-	-	30.0	TBD	TBD
	Sub Total			107.7	82.7	75.7	10.6	10.4	10.8	155.7	161.9	168.4	274.0	255.1	254.9
3.0	Other Operational Activities Related to Grants														
3.1	Development Grant Facility			12.0	TBD	TBD	-	-	-	-	-	-	12.0	TBD	TBD
3.2	Global Partnership for Social Accountability			5.0	TBD	TBD	-	-	-	-	-	-	5.0	TBD	TBD
3.3	Institutional Development Fund			-	TBD	TBD	-	-	-	-	-	-	-	TBD	TBD
3.4	State and Peace Building Fund			21.0	TBD	TBD	-	-	-	-	-	-	21.0	TBD	TBD
	Sub Total			38.0	14.0	5.0	-	-	-	-	-	-	38.0	14.0	5.0
A	TOTAL CLIENT ENGAGEMENT			707.2	646.5	622.2	110.5	119.7	128.8	626.4	651.4	677.5	1,444.1	1,417.6	1,428.5
4.0	Region PPM														
4.1	AFRVP			113.4	115.7	115.7	1.5	1.5	1.5	0.4	0.4	0.4	115.3	117.7	117.7
4.2	EAPVP			54.6	54.7	54.7	2.0	2.0	2.0	0.3	0.3	0.3	56.9	57.0	57.0
4.3	ECAPV			55.0	52.6	51.8	2.3	2.3	2.3	-	-	-	57.3	54.9	54.1
4.4	LCRVP			50.7	50.5	50.3	0.4	0.4	0.4	0.5	0.5	0.5	51.6	51.3	51.2
4.5	MNAVVP			34.1	32.8	31.6	0.5	0.5	0.5	0.4	0.4	0.4	35.0	33.7	32.5
4.6	SARVP			50.6	49.6	48.7	0.3	0.3	0.3	0.4	0.4	0.4	51.3	50.3	49.4
	Sub Total			358.3	355.9	352.8	6.9	6.9	6.9	2.0	2.1	2.2	367.2	364.9	361.9
5.0	GP/CCSA PPM														
5.1	CCGVPU			3.9	3.9	3.6	3.5	3.3	3.3	23.9	24.9	25.9	31.3	32.1	32.7
5.2	GPVPU			209.9	205.7	196.8	2.1	2.1	2.1	46.8	48.7	50.6	258.9	256.5	249.6
	Sub Total			213.8	209.6	200.4	5.6	5.4	5.4	70.7	73.5	76.5	290.1	288.5	282.3
B	TOTAL PROGRAM & PRACTICE MGMT.			572.1	565.5	553.2	12.5	12.3	12.3	72.7	75.6	78.6	657.4	653.4	644.2
C	TOTAL OPERATIONS			1,279.3	1,212.0	1,175.4	123.1	132.0	141.2	699.1	727.1	756.1	2,101.4	2,071.1	2,072.7

FY16 BUDGET DOCUMENT

Table A.1 (continued)

FY16-18 WB Budget by Work Program		BB			Coupled Reimbursable Revenue (CRR)			BETF			ALL FUNDS		
\$ million		FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
6.0	Institutional Services												
6.1	Budget, Performance & Strategy	74.5	68.4	68.0	3.3	3.3	3.3	-	-	-	77.8	71.6	71.2
6.2	Chief Risk Office	12.3	12.1	12.1	0.9	0.8	0.8	-	-	-	13.2	12.9	12.9
6.3	Controllers	37.6	37.1	37.0	7.0	7.1	7.2	-	-	-	44.6	44.2	44.1
6.4	Development Economics	48.9	46.3	46.1	6.4	6.0	5.3	31.8	33.1	34.4	87.1	85.4	85.8
6.5	Development Finance	20.0	18.6	18.5	5.4	5.5	5.5	32.6	33.9	35.3	58.1	58.0	59.3
6.6	External & Corporate Relations	44.4	42.2	42.0	11.3	11.7	12.1	1.6	1.7	1.7	57.2	55.6	55.9
6.7	Global Environment Fund	-	-	-	-	-	-	35.0	36.4	37.9	35.0	36.4	37.9
6.8	ICSID	2.2	2.3	2.3	-	-	-	-	-	-	2.2	2.3	2.3
6.9	Leadership, Learning & Innovation	47.6	44.3	44.1	1.6	1.7	1.7	15.5	16.1	16.8	64.8	62.1	62.5
6.10	Legal Services	30.5	30.1	30.1	1.9	1.9	1.9	-	-	-	32.4	32.1	32.0
6.11	Operational Policy & Country Services	43.1	40.0	39.9	0.0	0.0	0.0	1.0	1.0	1.1	44.1	41.1	41.0
6.12	Treasury	61.8	59.4	58.4	15.0	15.6	16.3	-	-	-	76.8	75.1	74.7
	Sub Total	423.0	400.8	398.5	52.9	53.5	54.0	117.5	122.2	127.1	593.3	576.6	579.6
7.0	Governance Services												
7.1	Boards	90.1	91.7	91.7	(0.0)	(0.0)	(0.0)	-	-	-	90.1	91.7	91.7
7.2	Corporate Secretariat	15.5	15.5	15.5	-	-	-	1.0	1.0	1.1	16.5	16.5	16.6
7.3	Independent Evaluation Group	26.4	26.3	27.1	7.5	7.5	7.7	1.0	1.0	1.1	35.0	34.8	35.9
7.4	Integrity Vice Presidency	18.4	18.5	18.4	0.3	0.3	0.3	-	-	-	18.6	18.7	18.7
7.5	Administrative Tribunal	1.6	1.6	1.6	0.6	0.6	0.6	-	-	-	2.1	2.2	2.2
7.6	Conflict Resolution System	3.7	3.8	3.8	1.3	1.3	1.3	-	-	-	5.0	5.1	5.1
7.7	Office of Ethics and Business Conduct	4.5	4.6	4.6	1.5	1.5	1.5	-	-	-	6.1	6.2	6.2
7.8	Office of Suspension & Debarment	1.5	1.5	1.5	-	-	-	-	-	-	1.5	1.5	1.5
7.9	Sanctions Board	1.6	1.6	1.6	-	-	-	-	-	-	1.6	1.6	1.6
7.10	Internal Audit	7.5	7.7	7.7	2.7	2.7	2.7	-	-	-	10.2	10.4	10.4
7.11	Managing Directors	9.7	9.9	9.9	-	-	-	-	-	-	9.7	9.9	9.9
7.12	Office of the President	7.7	5.4	5.4	-	-	-	-	-	-	7.7	5.4	5.4
	Sub Total	188.1	188.0	188.8	13.9	13.8	14.1	2.0	2.1	2.2	204.0	204.0	205.0
8.0	Administrative Services												
8.1	General Services and Facilities	130.9	132.0	131.7	44.8	44.8	44.8	-	-	-	175.7	176.9	176.6
8.2	Human Resources	47.9	45.6	45.4	13.0	13.0	13.0	-	-	-	60.9	58.6	58.4
8.3	Information & Technology Solutions	232.8	207.1	199.4	45.8	45.8	45.8	-	-	-	278.6	252.8	245.1
	Sub Total	411.7	384.7	376.5	103.5	103.6	103.6	-	-	-	515.2	488.3	480.1
D	TOTAL INSTITUTIONAL, GOVERNANCE & ADMIN	1,022.7	973.6	963.8	170.3	170.9	171.7	119.5	124.3	129.3	1,312.5	1,268.8	1,264.7
E	TOTAL: RUNNING THE BUSINESS (B+D)	1,594.8	1,539.1	1,517.0	182.8	183.3	184.0	192.2	199.9	207.9	1,969.8	1,922.3	1,908.9
F	TOTAL: ALL UNITS	2,302.0	2,185.6	2,139.1	293.3	302.9	312.9	818.6	851.3	885.4	3,413.9	3,339.9	3,337.4
9.0	Centrally Managed Accounts & Miscellaneous												
9.1	Budget recovery from units due to internal transfer pricing	(595.9)	(614.7)	(633.1)	63.0	70.6	84.4	-	-	-	(532.9)	(544.1)	(548.7)
9.2	Depreciation	75.2	89.1	91.7	-	-	-	-	-	-	75.2	89.1	91.7
9.3	Institutional Programs	105.1	84.5	43.5	-	-	-	-	-	-	105.1	84.5	43.5
9.4	Earmarked Funding	17.7	18.2	18.2	-	-	-	-	-	-	17.7	18.2	18.2
9.5	Staff Benefits & Pension	779.7	824.8	831.1	-	-	-	-	-	-	779.7	824.8	831.1
9.6	Other Centrally Managed Accounts	10.0	30.0	30.0	-	-	-	-	-	-	10.0	30.0	30.0
	Total Centrally-Managed Accounts & Programs	391.7	431.9	381.4	63.0	70.6	84.4	-	-	-	454.7	502.5	465.8
F	TOTAL ALL FUNDS EXPENDITURE ENVELOPE	2,693.7	2,617.4	2,520.5	356.4	373.6	397.3	818.6	851.3	885.4	3,868.7	3,842.3	3,803.1
G	o/w Funded by External Funds	163.8	168.5	172.3	356.4	373.6	397.3	818.6	851.3	885.4	1,338.7	1,393.4	1,455.0
H	o/w Admin Budget Funded by IBRD/IDA	2,529.9	2,448.9	2,348.2							2,529.9	2,448.9	2,348.2

ANNEX B: CAPITAL BUDGET

1. The total proposed capital budget over the FY16-18 period is \$538 million, with Technology and Systems accounting for \$309 million (57 percent of the total envelope) and the remaining \$229 million (43 percent) for Facilities. The FY16-18 capital program is \$47 million (10 percent) higher than the FY15-17 approved capital program of \$491 million. The increase due to investments in facilities (\$56 million) is offset by a decrease related to Technology and Systems investments (\$9 million), as presented in Table B.1.

Table B.1: Capital Program Summary – Investment Schedule FY16-18

Capital Funds (\$ Millions)							
	FY15 Approved	FY15 Released ¹	FY15-17 Total AIP ²	FY16 Budget	FY17 Plan	FY18 Plan	FY16-18 Total AIP
Technology and Systems	106	75	318	103	103	103	309
of which IBRD Only	80		240	80	80	80	240
WBG Projects ³	20		60	20	20	20	60
Small Investments < \$200,000 ⁴	6	0	18	3	3	3	9
Facilities	73	20	173	82	90	56	229
of which Washington	33	4	79	16	25	32	72
Country Office	40	16	94	67	65	24	156
Total Capital Budget (All Parts):	179	95	491	185	193	159	538
<i>Percent Utilization (FY15 YTD Release/FY15 Approved)</i>		52.95%					

¹Data on capital release of funds as of April 22, 2015 for ITS and April 27, 2015 for Facilities

²Annual Investment Plan (AIP) as per FY15 Budget Document.

³IFC and MIGA will pay their share of the administrative costs associated with WBG projects through Shared Service Agreements with IBRD.

⁴Small capital investments under \$200k, driven by FY15 policy change lowering the capitalization threshold to \$100k.

THE CAPITAL PROGRAM FOR TECHNOLOGY

2. The Technology and Systems three-year capital envelope of \$309 million represents a 3 percent decrease over the FY15-17 capital program of \$318 million. The new envelope provides a reduced budget line for small capital investments under \$200,000 per policy change to capital threshold in FY15.
3. The capital program for Technology continues to support the WBG strategy and change agenda through investment in transformative Information Technology (IT). In setting the course to deliver transformative IT, the Information Technology Solutions Group (ITS), a WBG provider, is using an IT Implementation Roadmap with specified outcomes to be achieved over a three to five year period. Each outcome is delivered as part of three waves: (i) narrowing information and process gaps, (ii) improving WBG operations and performance, and (iii) bringing transformative capabilities. The \$309 million capital envelope will incorporate a performance driven work plan and disciplined expense planning.
4. The FY16 capital budget request of \$103 million consolidates related business outcomes within three segments: Business Programs, IT capabilities, and IT foundations (see Table B.2):

- a. ***Business Programs solutions*** (\$56.8 million) will directly support business facing requirements. It includes six programs around which specific business outcomes have been defined:
- **Modern Operations:** Provide an enhanced product processing platform for the design and delivery of development solutions to our clients, with the objective of supporting the new delivery model through enhanced business alignment, simplification and integration, and improved team productivity.
 - **Information, Knowledge & Learning:** Strengthen WBG position as global leader of development solutions through three objectives: open information (transparency and accountability), information matters (support evidence-based solution design), and global knowledge and learning (facilitate knowledge flow).
 - **Modern HR:** Support business priorities such as Career Development, Talent Management, Total Rewards, and Global Mobility Benefits. Replace aged and outdated applications with state-of-the art tools to support WBG staff and managers (focus on ease of use, cloud-based solutions, mobile etc.). Leverage opportunities for further process & policy simplification and harmonization of processes and tools across WBG.
 - **Risk Management:** Modernize current systems to identify, measure, and respond to risks, volatility and uncertainty in the financial markets; improve credit risk and operational risk management tools; eliminate inefficient manual processes used today for comprehensive and time-sensitive risk measurement, analysis, monitoring, and reporting.
 - **Core Financial & Strategic Budget Systems:** Replace aging custom-built financial systems with fit-for-purpose market solutions that: align with core business requirements; leverage enterprise platforms and enhance the capabilities of existing financial systems to better support evolving business processes; reduce operational risk; increase transactional efficiency; and provide a unified platform for strategic and detailed business planning.
 - **End User/Work Experience:** Develop an end user computing environment that provides a seamless experience across devices wherever our users operate. Tier this environment based on end-user requirements and personas while minimizing customization to keep pace with market innovations. Empower users by providing a self-service, social-enabled, and context-aware support framework.
- b. ***The IT Capabilities*** (\$27.6 million) are the building blocks that enable business applications and information systems to be delivered with speed and flexibility, and to adopt market innovations. The following are the eight most critical areas where IT capabilities will be built and enhanced:
- **Data Management & Analytics:** Implement enhancements to Core BI program (Reporting, Dashboards) and support application development on the WBG Data Integration platform.
 - **Information Management:** Provide relevant information access and discovery tools for improving staff productivity based on a next generation search and provide a technology platform and ecosystem driven by industry trends and staff requirements.

- **Business Enablement:** Modernize the technology foundation of WBG collaboration platforms by implementing a Client Relationship Management and establish an enterprise-wide scalable Business Process Management platform that will enable seamless development of applications.
 - **Collaboration:** Provide a user-centric workplace to facilitate communications, collaboration and transactions.
 - **Communication:** Standardize and enable communication channels.
 - **Connectedness:** Provide WBG with a leading edge technology to increase network availability with improved access control.
 - **Mobility:** Continue to expand the coverage of mobile approval apps to support major approvals in operations, HR and financial business areas.
 - **Security:** related improvements.
5. **The IT Foundation** (\$15.6 million) to build a modern, robust and flexible IT infrastructure to keep the business running while also enabling foundational capabilities.
 6. **Small Capital Investments:** \$3 million for small capital investments under \$200,000 has been set aside per policy change in FY15 that lowered the capitalization threshold to \$100,000.

Table B.2: Programmatic View – IT Investment Schedule FY16

CAPITAL PROGRAM: BY THE NUMBERS		A
IT Program Tracks		FY16 Capital Budget
1	Business Programs ¹ :	59.8
2	IT Capabilities:	27.6
3	IT Foundation - Infrastructure/Steady State:	15.6
Grand Total (All Parts):		103.0

¹ Includes \$3m related to small capital investments under \$200k, driven by the recent policy change lowering the capitalization threshold to \$100k for Business Programs.

THE CAPITAL PROGRAM FOR WASHINGTON AND COUNTRY OFFICE FACILITIES

7. The Bank facilities capital budget proposal for FY16-18 is \$229 million, of which \$72 million is for Washington facilities, \$78 million is for Country Office facilities and the balance of \$77.8 million represents investments to replace some large CO leasehold properties with Bank owned buildings. WBG is proposing to realize cost savings in its real estate portfolio by a enhanced office-space setup in one of its larger owned properties and by replacing some large Country Office leasehold properties with owned buildings.

ADMINISTRATIVE BUDGET IMPACT OF THE CAPITAL BUDGET

8. The Bank's administrative budget will be affected in subsequent fiscal years based upon the level of capital spending authority approved by the Board. Budget expenses such as operation and maintenance

have a claim on a unit's budget resources. Once a capital project is completed and becomes an asset, depreciation may be the responsibility of the business unit if not centrally funded. In general, VPUs are responsible for these expenses over the life of the asset. A VPU must demonstrate that it can fund carrying costs of a capital investment over the asset's life cycle within their allocated budget before any release of funds.

9. **Technology and Systems.** Over the three-year planning period, Technology and Systems capital investments will not have an incremental impact on administrative budget expenses over and above what was incrementally budgeted in the FY15-17 planning cycle. However, depreciation will continue to rise in line with the new investments being made and is expected to peak to \$69 million in FY22 (up from \$39 million and \$41 million, respectively in FY15 and FY16) when all the proposed investments will start depreciating.¹³
10. In FY12, Senior Management endorsed the consolidation of IT depreciation within Central Accounts in order to ensure that: 1) the administrative budget was appropriately resourced to cover the existing IT asset base; 2) there was alignment between IT capital investment decisions and administrative budget planning; and 3) surplus or deficits in depreciation were handled at the corporate level. The three-year trajectory for IT depreciation is shown in Table B.3.

Table B.3: Technology and Systems – IT Depreciation in Central Accounts FY16-18

	FY15	FY16	FY17	FY18
(In Millions \$, FY16 \$s)	Budget	Budget	Plan	Plan
Technology and Systems				
Depreciation Baseline Trajectory ¹	43.1	41.1	53.3	53.3
FY16-18 Incremental Impact/Adjustments	(3.9)	0.0	0.0	0.0
Total²:	39.2	41.1	53.3	53.3

¹ As per FY15 Budget distribution.

² Total w/o PC Program, BCC, Below-the-Line units, and Optional chargeback since such depreciation does not reside within the Central Accounts. Budget expense related to TF Fee Income excluded.

11. **Washington Facilities.** Over the three-year planning period, Washington capital projects will decrease administrative budget expenses by \$0.7 million.
12. **Country Office Facilities.** Over the three-year planning period, Country Office capital projects will decrease administrative budget expenses by \$4.7 million. The administrative budget impact from the CO Facilities Phase II Global projects requirement of \$77.8 million (to replace some large CO leasehold properties with Bank-owned buildings as part of real estate savings under the Expenditure Review

¹³ In addition to the IT depreciation expenses reported in Table B.4, which are funded by the Institution through the central account for depreciation, ITSVP has own-managed depreciation of \$10-13 million per annum for the Business Continuity Center and the PC Program (latter is funded mainly through chargeback).

exercise) is not significant over this three year planning period given the lengthier implementation timeline of these projections. In addition, the long asset depreciation life cycle¹⁴ of Facilities projects tends to create minimal increases across fiscal years.

The above facilities related administrative expenses will be funded within the net administrative budget.

Box B.1: Capital Budgeting - Overview

Capital Budget is the expenditure plan approved by the Board to fund investments in:

- Technology and Systems, mostly computing infrastructure, hardware, software and systems assessment and development (including staff time), and
- Facilities, mainly land, buildings, building improvements, furniture, and equipment (including staff time), both in Washington and Country Offices.

Key eligibility criteria for capital expenditures include a minimum threshold of \$100,000 and the assets to be created or produced must have a useful life and provide an economic value that extends over a multiyear period.

The Capital Budget is distinct from and not fungible with the Administrative Budget though both have similar processes for planning and reporting. They are linked through depreciation (straight-line based on estimated useful life of acquired assets) and operating and maintenance costs. Administrative budget expenditures that are planned to be spent in direct support of or in conjunction with capital projects must be explicitly noted in capital budget submissions and built into unit budget trajectories (Regions, GSD and ITS for One-time project administrative expenses as well as Operating and Maintenance Costs; central account forecast for depreciation).

Units submit their capital budget proposals (Washington Facilities and Country Offices facilities) to the Bank's Senior Management Team as part of the annual business planning process. The central budget department (BPSCM) is responsible for evaluating Annual Investment Plans (AIP) for affordability and reasonableness.

A capital budget envelope is developed based on the prioritization of projects and submitted to the Board at the same time as the administrative budget (annually at end of a fiscal year for the next) for consideration and final approval. Major investments are clearly noted (e.g., a new building purchase) and details are provided to the Board.

Each investment incorporated in the current fiscal year capital budget is subject to a request for release of funds with an accompanying business case. The investment must be justified, financially viable and authorized by the Vice President of the requesting Unit(s). BPSCM ensures compliance with the above conditions before the approved funds are released.

The capital funding requested for the second and third planning year is indicative. The associated administrative expenses are not pre-approved and will be re-assessed on an annual basis.

¹⁴ Land is not depreciated per accounting rules, acquisitions are depreciated over 50 years and construction/repair projects are typically depreciated over 10 years.