FY17 World Bank Budget

September 22, 2016

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

BUDGET, PERFORMANCE REVIEW AND STRATEGIC PLANNING

This document contains forward-looking statements that are based on management's expectations, estimates, projections, and assumptions. Words such as "proposes," "plans," "estimates," "anticipates," "intends," and variations of these words and similar expressions are intended to identify forward-looking statements. Such statements are not guarantees of future performance. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Bank is under no obligation to update or alter its forward looking statements, whether as a result of such changes, new information, subsequent events or otherwise.

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Note: Totals in the tables may not add up due to rounding.

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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
GE	Global Engagement
GSD	General Services Department
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
ITS	Information & Technology Solutions
LCR	Latin America and Caribbean Region
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
RAS	Reimbursable Advisory Services
SAR	South Asia Region
SBO	Strategy and Business Outlook
SCD	Systematic Country Diagnostic
SPF	State and Peace-Building Fund
TRE	Treasury
VPU	Vice Presidential Unit
WBG	World Bank Group
WPA	Work Program Agreement

1. OVERVIEW AND RECOMMENDATIONS

This document, which supports the final engagement with Executive Directors in this year's planning discussions, presents the FY17 World Bank Budget for Board approval. This budget proposal reflects close consultations between Executive Directors and Management throughout the strategic planning, budgeting and performance management process for the World Bank Group.

1.1 OVERVIEW

1. **Business growth together with the combination of revenue increase and expenditure reduction measures implemented in the past few years have strengthened the Bank's long-term financial position, but short-term constraints remain.** The Bank has been able to deliver on higher lending commitments and supervise a growing portfolio without a commensurate growth in budget as a result of leverage, pricing, and Expenditure Review (ER) measures approved by the Board. Nevertheless, FY17 remains financially constrained with revenue growth and budget cuts only partially offsetting the adverse impact of low interest rates.
2. **Implementation of Expenditure Review measures is on track to achieve its goals by FY18**. World Bank Group savings could reach slightly above US$400 million, of which the Bank will yield about US$340 million. Business reviews of Institutional, Governance, and Administrative units (IG&A) are also being conducted to reinforce and embed value for money and continuous improvement practices. The emerging financial flexibility is timely as demand for Bank's financing is expected to remain robust.
3. **Management is proposing a budget for FY17 of US$2,524 million.** While the proposed aggregate amount remains constrained and is US$6 million (0.2 percent) lower than the Board-approved FY16 WB Budget, Management believes that through reallocations it will also be able to fund the growing demand for services both in scale and scope from our clients.
4. **Management plans to implement the following key budget priorities**:
    - Channel the majority of budget flexibility to operations, in particular to increased country engagement envelopes to address, among other things, expanding activities in IDA countries, gender, climate change, Fragile and Conflict-Affected Situations (FCS), social and environmental safeguards, fiduciary standards, and refugees;
    - Further streamline the Advisory Services and Analytics (ASA) portfolio to optimize knowledge services and unlock additional resources for lending and supervision activities;
    - Strengthen the new categorization and governance process for Global Engagement funding;
    - Conduct business reviews of the Human Resources Department, External and Corporate Relations, and Internal Audit Department in FY17;
    - Continue implementing external funds management enhancements to increase cost recovery, improve governance, and lower transaction costs; and

- Develop and engage with the Board on key principles on allocating resources arising from Budget Anchor space anticipated in FY18 and onward.

1.2 FY17 BUDGET RECOMMENDATIONS

5. **Management seeks Board approval of the following FY17 Budget recommendations:**

- That the total administrative budget (Bank Budget) be set at US$2,524 million, managed within a range of +/- 2 percent. This includes:
  - ✓ Board-related FY17 funding:
    - o An indicative budget of US$79.0 million for Executive Directors;
    - o US$12.7 million for Board of Governors, Development Committee, and Inspection Panel; and
    - o US$15.5 million for the Corporate Secretariat.
- That the capital budget be set at US$210 million.
- That the catch-up contribution of US$16 million to the Post-retirement Contribution Reserve Fund (PCRF), deferred from FY15 to FY17, be further deferred to FY18. The PCRF is distinct from Staff Retirement Plans (SRP), and is established for the purpose of managing budget volatility arising from Bank's contributions to SRP. Therefore, the deferment has no impact on the Bank's contributions to SRP, which are based on actuarial recommendations.
- That the revised IBRD/IDA cost attribution methodology (as set out in Section 3.4), which more fairly distributes costs between both institutions, be implemented for IBRD and IDA for FY17 and beyond.

2. BUDGET SUSTAINABILITY

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

2.1 INCREASING BUDGET FLEXIBILITY

6. **Budget sustainability measures as monitored through Budget Anchors[1] have placed the Bank on firmer financial footing**. New loan pricing and Expenditure Review (ER) measures would potentially help the Bank meet its administrative budget needs without recourse to equity related earnings by FY18.

7. **A strong and financially sustainable Bank is critical to maintaining relevance and achieving the aspirations of shareholders articulated as part of the ongoing "Forward Look" exercise**.[2] The goal of leveraging more external resources can only be achieved if the Bank is able to fully use its capital and income to respond to client demand for high and sustainable financing volumes. Secondly, the goal of remaining "fit for purpose" requires sufficient budget space to enable prudent reinvestment in priorities; delivery of uninterrupted high-quality services to clients; fulfillment of additional demand for IDA financing; and flexibility in responding to the emerging development challenges. In line with demand, both IDA and IBRD financing pipelines would need to be properly funded in preparation for FY18.

8. **Despite expected improving revenue conditions, the Budget Anchor space is still susceptible to potential shortfalls in loan spread income and external funds**. Therefore, Management will continuously identify further flexibilities within the budget framework, ensure ER measures are on track and business reviews performed as scheduled, and monitor the availability and use of external funds.

9. **Notwithstanding business growth and expanded scope of activities, Management has carefully calibrated proposed trajectory adjustments to maintain budget discipline**. The FY17 WB Budget proposal preserves past efficiency gains, and better aligns the budget with work program requirements and demand trends. In addition, the proposal, together with indicative outer year planned trajectories (as detailed in the next section), were formulated taking into account the following key principles:

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[1] The Bank has two Budget Anchors that define its budget sustainability rules. For IBRD, budget sustainability means, in the medium-term, IBRD expenses do not exceed loan spread income (after waivers); and for IDA, budget sustainability means that IDA expenses do not exceed IDA revenue from service charges, while minimizing recourse to the commitment charge.

[2] The Forward Look exercise is an initiative undertaken by Board and Management to discuss and develop action plans on how the World Bank Group would remain "fit for purpose" in addressing ambitious sustainable development goals by 2030.

- *Identify flexibility (additional resources) within the existing budget framework as a first resort to fund new needs.* Total resources identified in FY17 was US$108 million.[3]
- *Channel resources to Country Engagement allocations with emphasis on strengthening IDA delivery and FCS engagements; reinforcing practice management; adequately funding fiduciary and safeguards; and encouraging selectivity in the ASA portfolio while optimizing global engagement allocations; maintaining CGIAR support pending alternative funding options; containing IG&A budgets.* As a result of the additional flexibility mentioned above, their deployment in favor of operations, and tight restraint of IG&A budgets, the amount channeled to operations (including from proposed trajectory addition) was US$119 million.

2.2 EXPENDITURE REVIEW

10. **Expenditure Review measures and ongoing business reviews support implementation of Budget Anchors**. The program is on track and broadly delivering as planned, as shown in Table 2.1 below. To further enhance resource management, the Bank has conducted reviews of five Institutional, Governance, and Administrative (IG&A) units with more planned in FY17 and beyond to eventually cover all IG&A units. Other efforts to identify more efficient and effective ways of managing the business will continue as Management seeks to preserve the gains, and to create more internal budget flexibilities that can be redeployed to emerging priorities or allowed to flow through net income to reserves under prudent management of expected Budget Anchor space.

Table 2.1: Expenditure Review Total Savings Estimates, May 2016 (FY18 US$ million)

	Ref: June 2015	LATEST WBG ESTIMATES MAY 2016	IBRD/IDA			IFC	MIGA
			TOTAL	o/w BB	o/w BETF		
Immediate Measures	110	126	96	71	25	29	1
Group-Wide Measures	54	40	29	24	5	11	1
Finance, Tech & Corporate	84	81	72	71	1	9	0
Operations	100	100	96	96	-	4	-
Additional Measures	48	54	42	33	9	12	0
Total	397	402	335	295	40	66	1
Board Related Savings	8	8	6	6	-	2	0
TOTAL	**404**	**409**	**340**	**300**	**40**	**68**	**1**

Note: Numbers have moved across packages from the WB FY17-19 SBO due to re-classification, but totals remain the same.

11. **The Expenditure Review is projected to deliver slightly above US$400 million in savings across the World Bank Group**. These savings constitute targeted reductions against an "Everything–Else–

[3] "Flexibility" in this context is defined as the difference between the resources available (Bank Budget trajectory as agreed in the FY16 Budget Document plus forecasted increase in revenues) and the resources already programmed (i.e., already factored in units' budget trajectories).

Being–Equal" baseline budget projection[4] beginning in FY15. A recent Internal Audit (IAD) review confirmed that Management has instituted an effective governance framework to oversee the ER implementation, and to realize the program's goals by FY18.

[4] The "Everything–Else–Being–Equal" baseline budget is inflation adjusted, and its trajectory reflects prevailing budget assumptions prior to the implementation of the ER program. The ER savings represent the total difference between this baseline, and the current proposed budget trajectories that fully incorporate the ER measures.

3. FY17-19 BUDGET FRAMEWORK

This section presents the specifics of the FY17 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 ADMINISTRATIVE BUDGET PROPOSAL

12. **After careful consideration of the impact of the proposed budget trajectory adjustment on financial sustainability, Management seeks approval of a FY17 WB Budget of US$2,524 million**. The total FY17 envelope including external funds is expected to be around US$3,871 million. The proposed Budget is US$6 million lower than last year's Board approved budget of US$2,530 million (although it represents a US$75 million addition to the indicative FY17 budget trajectory in the FY16 WB Budget).

3.2 SOURCES AND USES OF FLEXBILITY

13. **The total FY17 budget flexibility amounts to US$183 million.** This amount includes US$108 million of internal flexibilities (as explained in paragraph 9) and US$75 million from the proposed trajectory increase over the indicative FY17 trajectory presented in the FY16 WB Budget.

Table 3.1: FY17 Sources of Flexibility (US$ million)

Flexibility Available for FY17 (US$ million) - BB Only	WB Budget
A = Budget Trajectory per FY16 WB Budget	2,449
B = Programmed resources	2,419
C = A-B = Initial Budget Flexibility	30
D = Additional cost recovery	17
E = Additional ER Savings	11
F = Delay in PCRF catch-up contribution	16
G = Other savings identified	34
• Regions PPM rebalancing	12
• Re-organization Changes[1]	20
• ICSID Clawback	2
H = (C+D+E+F+G) Total Internal Flexibility identified	**108**
I = Proposed increase in trajectories	**75**
• IBRD	26
• IDA	49
K = Total Flexibility (H+I)	**183**

[1] Of this, US$6 million is earmarked in FY17 (to CE) for Equitable Growth, Finance and Institutions.

14. **The total flexibility of US$183 million for FY17 was distributed based on the proposed budget actions described below**. Overall, for unit allocations, US$119 million (65 percent of the total) will go toward supporting operations and only US$39 million (21 percent of the total) to support IG&A units (refer to Table 3.2 below).

Operations

- Country engagement (CE): US$58 million increase in country engagement trajectory in FY17 with resources allocated to address the growing demand for IBRD and IDA activities. Implicit in the allocations to IBRD and IDA are the effect of the increase in lending preparation and supervision average cost coefficients in order to fund expanding work scope and encourage more selectivity.
- Program and practice management (PPM): US$41 million increase in program and practice management trajectory in FY17 with resources allocated to fund operational effectiveness, including greater decentralization of Global Practices staff to the field.
- Grant-making Facilities (GMF): In line with last year's decision, US$20 million has been added to the FY17 trajectory to ensure minimum transfers of US$ 30 million to the Consultative Group for International Agricultural Research (CGIAR) while alternative options are being explored.

IG&A Units

- Security costs: US$5 million to further bolster security and safety measures at headquarters and country offices.
- External funds policy changes: US$5 million to compensate IG&A units that are no longer able to directly charge certain costs to external funds, but instead receive a regular budget allocation. There are still a few units that continue to charge staff costs to trust funds (e.g. to Financial Intermediary Fund Secretariats & Trustees).
- ITS operations and maintenance costs: US$15 million largely to support capital projects that have already been approved and are being implemented.
- Support to senior corporate staff: US$6 million to fund executive and senior management offices.
- IDA+ and operational support: US$6 million allocated for IDA+ (US$3 million), and to units that provide support to operational units (US$3 million), including operational procurement and safeguard reforms.
- Other allocations: US$2 million to various governance units to handle increased initiatives under HR programs.

Centrally Managed Accounts

- In addition to the US$4 million allocated to depreciation, another US$1 million was deemed necessary following technical revisions to asset classes and project completion dates.
- Furthermore, another US$8 million released from internal efficiency efforts has been set aside for possible additional costs.

Corporate Contingency

- Additional US$2 million has been has been set aside to address unforeseen contingencies.

Table 3.2: FY17 Uses of Flexibility (US$ million)

Proposed Uses of Flexibility for FY17 (US$ million) - BB Only	WB Budget
A = Country Engagement	58
B = PPM	41
• *Global Practices July 2015 Adjustment*	*25*
• *Span of Control*	*8*
• *Decentralization of GP staff*	*8*
C = Grant Making Facilities	20
D = Total Operations (A+B+C)	**119**
E = Corporate Contingency	12
F = IG&As	39
• *Security*	*5*
• *Compensation for TF Policy Change*	*5*
• *ITS O&M*	*15*
• *EXC/MD/SVP Group*	*6*
• *IDA+*	*3*
• *Support to Operations*	*3*
• *Governance units increased case loads*	*1*
• *Staff support (health & safety/visa program/gender)*	*1*
G = Centrally Managed Accounts	13
• *Depreciation*	*5*
• *Other Costs*	*8*
H = Unallocated Flexibility	-
I = Corporate Contingency, total IG&A and Central Accounts (E+F+G+H)	**64**
J = Total Uses of Flexibility (D+I)	**183**
Operations as Share of Total Uses of Flexibility	***65%***

3.3 BUDGET ALLOCATIONS BY UNITS

15. **The total administrative budget by work program and units reflect management's decisions and guidance received from the Board during the FY17-19 strategic planning process**. Table 3.3 below presents the budget breakdown as a result of these interactions and the key budget actions on the use of the flexibility mentioned above:

Table 3.3: FY17-19 Budget by Work Program and Funding Source (US$ million)

	BB				All Funds			
	FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19
CLIENT ENGAGEMENT	639	674	721	766	1,376	1,465	1,516	1,568
Country Engagement	562	601	648	692	1,132	1,218	1,272	1,321
Global Engagement	78	73	73	74	244	247	244	247
Program & Practice Management	572	602	610	630	657	699	708	728
Total Operational Units	**1,211**	**1,276**	**1,331**	**1,395**	**2,033**	**2,164**	**2,224**	**2,296**
Grant Making Facilities	68	44	30	25	68	44	30	25
Total Operations	**1,279**	**1,320**	**1,361**	**1,420**	**2,101**	**2,208**	**2,254**	**2,321**
IG&A PROGRAMS	1,023	981	997	1,024	1,313	1,246	1,261	1,291
Institutional Services	423	362	369	374	593	505	513	520
Governance Services	188	199	204	209	204	217	221	226
Administrative Services	412	420	423	441	515	524	527	546
TOTAL: ALL UNITS	**2,302**	**2,301**	**2,357**	**2,444**	**3,414**	**3,454**	**3,515**	**3,612**
TOTAL: ALL UNITS (excl. GMFs)	*2,234*	*2,257*	*2,327*	*2,419*	*3,346*	*3,410*	*3,485*	*3,587*
CENTRALLY MANAGED ACCOUNTS	**392**	**407**	**364**	**385**	**455**	**418**	**376**	**397**
o/w Unallocated Flexibility	-	-	1	19	-	-	1	19
Corporate Contingency	10	12	12	15	10	12	12	15
TOTAL TRAJECTORY	**2,694**	**2,708**	**2,722**	**2,829**	**3,868**	**3,871**	**3,891**	**4,010**
o/w Funded by External Funds	164	184	196	207	1,338	1,347	1,365	1,387
Net Trajectory Funded by IBRD/IDA	**2,530**	**2,524**	**2,526**	**2,622**	**2,530**	**2,524**	**2,526**	**2,622**

16. **The relative share of the Bank Budget (BB) allocated to operational units and programs (excluding GMF) increases from 54 percent to 57 percent between FY16 and 17, and is projected to rise to 58 percent in FY19** (refer to Table 3.4 below). The same increasing trend applies when all funds are considered. In the same way, the relative share of the CE envelope would rise from 25 percent to 27 percent in FY17 and continue upward to 29 percent in FY19. On the other hand, the IG&A units' share is planned to fall from 46 percent to 43 percent and eventually to 42 percent.

Table 3.4: FY17-19 Budget Share by Work Program and Funding Source

	BB				All Funds			
	FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19
CLIENT ENGAGEMENT	29%	30%	31%	32%	41%	43%	43%	44%
Country Engagement	25%	27%	28%	29%	34%	36%	36%	37%
Global Engagement	3%	3%	3%	3%	7%	7%	7%	7%
Program & Practice Management	26%	27%	26%	26%	20%	20%	20%	20%
Total Operational Units	**54%**	**57%**	**57%**	**58%**	**61%**	**63%**	**64%**	**64%**
IG&A PROGRAMS	**46%**	**43%**	**43%**	**42%**	**39%**	**37%**	**36%**	**36%**
Institutional Services	19%	16%	16%	15%	18%	15%	15%	14%
Governance Services	8%	9%	9%	9%	6%	6%	6%	6%
Administrative Services	18%	19%	18%	18%	15%	15%	15%	15%
TOTAL: ALL UNITS (excl. GMFs)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

17. **The Country Engagement (CE) allocation to all regional units will increase over the next three years** (refer to Table 3.5). Allocations to Africa and the South Asian regions reflect management's commitment to IDA countries and operations. As a result of some adjustments made to PPM budgets, management staffing and decentralization of staff to the field, Global Practices (GPs) and Cross-Cutting Solution Areas (CCSAs) units would have better calibrated PPM budgets.

Table 3.5: FY17-19 Operational Budget Envelopes (US$ million)

	BB				All Funds			
	FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19
AFR								
CE	189	207	221	241	366	403	419	441
PPM	113	107	110	113	115	111	113	116
Total	302	315	331	354	481	513	532	557
EAP								
CE	80	84	96	102	186	180	193	201
PPM	55	54	55	56	57	55	57	58
Total	135	138	151	159	243	236	250	259
ECA								
CE	75	78	82	85	144	154	159	163
PPM	55	58	58	60	57	59	60	61
Total	130	135	141	145	201	213	219	225
LCR								
CE	86	89	93	96	144	143	148	151
PPM	51	49	50	52	52	50	51	52
Total	136	138	143	147	196	193	199	204
MNA								
CE	50	51	55	57	121	149	154	157
PPM	34	33	32	33	35	38	38	39
Total	84	84	87	90	155	187	192	195
SAR								
CE	83	93	102	110	171	189	199	208
PPM	51	48	48	49	51	49	50	51
Total	133	141	149	159	222	239	248	259
All Regions								
CE	**562**	**601**	**648**	**692**	**1,132**	**1,218**	**1,272**	**1,321**
PPM	**358**	**349**	**354**	**362**	**367**	**363**	**369**	**377**
Total for Regions and All CE	**920**	**950**	**1,003**	**1,054**	**1,499**	**1,581**	**1,641**	**1,698**
GP/CCSA GE								
GE	78	73	73	74	244	247	244	247
Total	78	73	73	74	244	247	244	247
GP/CCSA PPM								
Equitable Growth, Finance and Institutions	59	72	72	76	59	84	85	89
Human Development	31	37	37	39	31	45	45	47
Sustainable Development	75	84	85	88	75	105	106	110
GP Front Offices and CCSA [1,2]	50	61	61	64	126	101	102	106
Total GP PPM	214	253	256	267	290	336	339	352
Total GP/CCSA	**291**	**326**	**328**	**342**	**534**	**583**	**583**	**599**
Operational Grant Making Facilities[3]	**68**	**44**	**30**	**25**	**68**	**44**	**30**	**25**
Total Operations	**1,279**	**1,320**	**1,361**	**1,420**	**2,101**	**2,208**	**2,254**	**2,321**

[1]Includes externally assigned benefits for all GPs/CCSA staff.

[2]External Funds were not classified by GP VPUs for FY16 and therefore show against GP front offices.

[3]Consists of US$14 million State and Peace-Building Fund (SPF) and US$30 million CGIAR BB funding in FY17. In FY16, Global Partnership for Social Accountability (GPSA) and Development Grant Facility (DGF) were also funded.

18. **External Funds (EFs) continue to be an important source of funding in operational units**. Close to 85 percent of the total EFs expected in FY17 (US$617 million for CE) was also integrated in work program agreement conversations between Regions and Global Practices. EFs are managed and monitored in conjunction with Bank Budget so as to provide full costs of delivering products and services.

19. **The IG&A units allocation would fall by 4 percent from US$1,023 million to US$981 million between FY16 and 17 with a slight increase of 2 percent per annum in the next two years** (refer to Table 3.6 below). The declining FY16-17 trajectory factors in Expenditure Review related reductions, and the integration of certain functions into other operational and IG&A units.

Table 3.6: FY17-19 IG&A Budget Envelopes (US$ million)

		BB				All Funds			
		FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19
1.0	**Institutional Services**								
1.1	Budget, Performance & Strategy	75	69	72	73	78	69	72	73
1.2	Chief Risk Office	12	13	14	13	13	14	15	13
1.3	Development Economics	49	47	48	48	87	94	96	96
1.4	Development Finance	20	22	22	23	58	60	59	60
1.5	External & Corporate Relations	44	35	36	36	57	37	38	39
1.6	Global Environment Fund	-	-	-	-	35	32	32	33
1.7	ICSID	2	-	-	-	2	-	-	-
1.8	Leadership, Learning & Innovation[1]	48	-	-	-	65	-	-	-
1.9	Legal Services	31	32	33	33	32	34	34	35
1.10	Operational Policy & Country Services	43	45	45	46	44	46	46	47
1.11	Treasury	62	59	60	61	77	75	76	78
1.12	WBG Finance & Accounting	38	38	39	40	45	44	45	46
	Sub-Total	423	362	369	374	593	505	513	520
2.0	**Governance Services**								
2.1	Administrative Tribunal	2	2	2	2	2	2	2	2
2.2	Boards	90	92	94	96	90	92	94	96
2.3	Conflict Resolution System	4	4	4	5	5	7	6	6
2.4	Corporate Secretariat	15	15	16	16	16	17	17	17
2.5	Independent Evaluation Group	26	26	28	28	35	35	37	38
2.6	Integrity Vice Presidency	18	18	19	19	19	19	19	19
2.7	Internal Audit	8	8	8	8	10	10	10	11
2.8	Office of Ethics and Business Conduct	5	7	7	7	6	9	9	9
2.9	Office of the President	8	7	7	7	8	7	7	7
2.10	Office of Suspension & Debarment	1	2	2	2	1	2	2	2
2.11	Managing Directors[2]	10	16	17	17	10	16	17	17
2.12	Sanctions Board	2	2	2	2	2	2	2	2
	Sub-Total	188	199	204	209	204	217	221	226
3.0	**Administrative Services**								
3.1	General Services and Facilities	131	138	143	147	176	176	181	185
3.2	Human Resources	48	57	58	60	61	70	71	72
3.3	Information & Technology Solutions	233	225	222	235	279	277	276	289
	Sub-Total	412	420	423	441	515	524	527	546
TOTAL INSTITUTIONAL, GOVERNANCE & ADMIN.		**1,023**	**981**	**997**	**1,024**	**1,313**	**1,246**	**1,261**	**1,291**

[1]LLI has been integrated into other operational and IG&A units.

[2]Also includes the transfer of the New York and Geneva offices.

3.4 NON-UNIT SPECIFIC ALLOCATIONS

Centrally-Managed Accounts

20. **In addition to unit specific budgets, the administrative budget includes a number of 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 (refer to Table 3.7 for details).

- Recoveries due to internal transfer pricing are expected to increase by US$17 million (3 percent) over FY16 primarily due to Staff Benefits recoveries from units and increases in external funds indirect rate recoveries.
- Centrally-Managed Depreciation is expected to increase by US$21 million (28 percent) over FY16 primarily due to an increase in Centrally-Managed Depreciation.
- Funding for Institutional Programs is increasing by US$3 million (3 percent) mainly due to increases in HQ Real Estate Strategy expenses and corporate liability insurance costs.
- Earmarked funding will increase by US$7 million (39 percent) over FY16 due to new allocations for the HQ Office utilization project and evacuation costs.
- Centrally-Managed Staff Benefits expenses are expected to stay flat with Staff Retirement Accounts expected to increase by US$13 million while Centrally-Managed Benefits are expected to decrease by a similar amount.
- Corporate Contingency is set at US$12 million in FY17.

Table 3.7: Centrally-Managed Accounts (US$ million)

	FY16 WB Budget	FY17	$ Change	% Change
Budget Recoveries	**(596)**	**(613)**	**(17)**	**2.9%**
Centrally-Managed Depreciation	75	96	21	27.7%
Institutional Programs	**105**	**108**	**3**	**3.0%**
Earmarked Funding	**18**	**25**	**7**	**38.6%**
Centrally-Managed Staff Benefits	**780**	**779**	**(1)**	**-0.1%**
HRD-Managed Staff Benefits	246	233	(13)	-5.1%
Tax Allowances	123	122	(1)	-0.8%
Staff Retirement Accounts and PCRF[1]	411	424	13	3.1%
Corporate Contingency	**10**	**12**	**2**	**20.0%**
Total	**392**	**407**	**15**	**3.8%**

[1] Post-Retirement Contribution Reserve Fund

Staff Retirement and Related Plans

21. **The Bank's contributions to the staff post-retirement plans are based on actuarial recommendations approved by the Pension Finance Committee (PFC)**. FY17 contributions are expected to increase to US$363 million from US$349 million in FY16. This change is driven by a slight increase in the contribution rate to 29.99 percent from FY16's rate of 29.87 percent, as well as by the projected impact of changes in salaries. Total Staff Retirement Plan costs, comprising contributions to the plans and contributions to the Post-Retirement Contribution Reserve Fund (PCRF) will increase from US$409 million projected in FY16 to US$424 million in FY17 (refer to Table 3.8 below).

22. **The PCRF was established in FY13 as a budget stabilization tool to reduce budget volatility in the event of large extraordinary contributions to the staff post-retirement plans in any given year**. It is important to note that the PCRF is distinct from staff retirement plans that the Bank contributes to separately based on actuarial recommendations. The Reserve Fund is built by taking the excess between the actual contribution rate recommended by the actuaries and a 35 percent of net salaries rate set by the Bank itself. The balance of the Fund is expected to be US$181 million at the end of FY17.

23. **In FY15, a recommendation was approved by the Board to reduce the contribution to the Fund by US$16 million in light of constrained budget flexibility and to defer the payment to FY17**. The constrained financial situation anticipated in FY17 will make it a challenge to absorb the FY15 deferral amount of US$16 million. Therefore, a recommendation is being made to the Board to delay the US$16 million reserve contribution from FY17 to FY18 when increased budget flexibility is expected. With the exception of FY15, the full 35 percent contribution rate has been maintained every year including FY17 to build up the Reserve Fund.

Table 3.8: Projected Contributions to Staff Retirement and Related Plans (US$ million)

	FY16 (Proj.)[3]	FY17	FY18	FY19
Staff Retirement Accounts Contribution[1]	349	363	354	365
Post-Retirement Contribution Reserve Fund Contribution[2]	60	61	101	89
Total Contribution	**409**	**424**	**455**	**454**
Post-Retirement Contribution Reserve Fund Balance	**120**	**181**	**282**	**371**

[1] Contribution Rate Projections are based on 2016 Actuarial Valuations – Approved May 9, 2016.

[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] Note FY16 figures are projected actuals (not Budget).

Board-related Budgets

24. **The FY17 WBG Budget for the Boards, SEC, and IEG is expected to grow by 1 percent in FY17.** The FY17 budget for Executive Directors is subject to the decisions of the Joint Committee on Remuneration and approval by the Board of Governors (refer to Table 3.9 for details).

Table 3.9: FY16 and FY17 Board-Related Budgets (US$ million)

	FY16 WB Budget	FY17	$ Change	% Change
Executive Directors (EDs)	77.1	79.0	2.0	3%
Board of Governors (BDG)	7.5	7.3	(0.2)	-3%
DC Secretariat (DCS)	1.8	1.7	(0.0)	-2%
Inspection Panel (IPN)	3.8	3.6	(0.1)	-3%
Total Boards[1]	**90.1**	**91.7**	**1.6**	**2%**
SEC	**15.5**	**15.5**	**0.0**	**0%**
IEG	**33.9**	**34.2**	**0.2**	**1%**
IEG Reimbursables	**(7.5)**	**(7.9)**	**(0.4)**	**5%**
Total	**132.0**	**133.4**	**1.4**	**1%**

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

Grant-making Facilities

25. **Management remains committed to previously discussed transition plans for Grant-making facilities**. The Board approved trajectories for Grant-making facilities are shown in Table 3.10 below.

Table 3.10: Grant-making Facilities Budgets (US$ million)

	FY15	FY16	FY17	FY18	FY19
State and Peace-Building Fund (SPF)	25	21	14	TBD	TBD
Development Grant Facility (DGF)	33	12	-	-	-
Global Partnership for Social Accountability (GPSA)	5	5	-	-	-
Consultative Group for International Agricultural Research (CGIAR)	47	30	30	TBD	TBD
Total Operational Activities Related to Grants	**110**	**68**	**44**	**30**	**25**

26. **The Bank remains committed to the success of the Consultative Group for International Agricultural Research (CGIAR)**, recognizing that the agricultural research and development of the kind CGIAR provides is essential to the achievement of the twin goals of eliminating extreme poverty and boosting shared prosperity. Consequently, the Bank will continue to maintain leadership and trustee roles in the CGIAR system and work is ongoing to find an alternative financing mechanism.

27. **The State and Peace-Building Fund (SPF) provides the Bank unique access to supporting Fragile and Conflict-Affected Situations (FCS) clients, which is a corporate priority**. It allows the Bank to remain engaged with countries in arrears (e.g. Libya and Somalia) or non-members (e.g. West Bank and Gaza), and be at the forefront of undertaking research studies in novel situations such as the mass refugee and migration crisis. There is recognition that while activities funded by the SPF are critical in support of the FCS priority, its business, and operating model will require upgrading from a Bank-funded recipient-executed grants mechanism to a co-financed technical-assistance facility. Fragility, Conflict and Violence CCSA management has already started discussions with current and potential development partners for this re-purposing of the SPF. This facility may ultimately be integrated under a larger umbrella platform for crisis response financing that is currently under discussion. Management is committed to strengthening delivery across the WBG in FCS countries.

IBRD/IDA Cost Attribution Methodology

28. **Management is seeking Board approval to change the IBRD/IDA cost attribution methodology for Grant-making Facilities activities, from being fully attributable to IBRD (the current approach) to the weighted average ratio of the operational costs for IBRD and IDA**. The Bank's administrative budget is a single resource envelope that funds the combined work programs of IBRD and IDA. Budgeted resources are managed, and costs are recorded as a single organization recognizing the institution-wide approach to setting work program priorities. Management uses an allocation methodology to attribute fiscal year administrative expenses to IBRD and IDA. BPS conducts periodic reviews to ensure a fair allocation of expenses between the two organizations and as a result management is seeking Board approval for the above change. This is consistent with the treatment of GMFs as part of the operational work program in the administrative budget hierarchy since FY16, and results in a more equitable sharing of the expenses of these programs between the two entities.

29. **As part of this review, Management is also seeking Board approval to allocate recently centralized security costs using the relevant IBRD/IDA country classifications**, rather than using weighted average ratios. There are also minor technical adjustments being proposed to better reflect the operationalization of the new budget model and to avoid reliance on allocation drivers that are low in value and so susceptible to sharp movements from year to year. All proposed changes are set to be made effective from FY17.

3.5 EXPENSE FUNCTIONAL VIEW

30. **The Bank follows an approach which allows budget holders flexibility to vary inputs as long as they stay within prudent parameters (e.g. fixed cost ratios).** As a result, the Bank does not set specific budgets by expense category of total administrative budget such as for staff salaries and benefits.

31. **The functional expense line view presented in Table 3.11 is an illustrative decomposition of the administrative budget by expense line item**. Nevertheless, as the relative share of the expense items have remained relatively stable over the years, the estimates below represents the current view of the most likely outcome. The actual outcome may differ because work programs may vary during the year, and decisions are made to respond to changing business needs that may entail trade-offs between different expense categories.

Table 3.11: FY17 Functional Expense View of Administrative Expenses (All Sources - US$ million)[1]

Expenses by Type of Expense	FY15 Actuals		FY16 Projections		FY17 Projections	
Fixed Expenses	**2,458**	**67%**	**2,479**	**66%**	**2,496**	**65%**
Of which:						
Staff Salaries and Benefits (including contributions to SRP, SSRP, RSBP) [2]	2,062	56%	2,079	55%	2,086	55%
Other Fixed [3]	396	11%	400	11%	410	11%
Variable Expenses	**1,235**	**33%**	**1,302**	**34%**	**1,332**	**35%**
Of which:						
ST Consultants & Temporaries	578	16%	637	17%	657	17%
Travel Costs	331	9%	335	9%	345	9%
Contractual Services	280	8%	280	7%	280	7%
Other Variable [4]	48	1%	50	1%	50	1%
Total Unit Gross Expenses	**3,693**	**100%**	**3,781**	**100%**	**3,827**	**100%**
Grant Making Facilities (GMFs)	**110**		**68**		**44**	
Total Admin. Expenses (incl. GMFs)	**3,803** [5]		**3,849**		**3,871**	

[1] Actual figures may differ from external financial reporting due to certain year-end financial accounting adjustments made to comply with accounting principles generally accepted in the U.S. (US GAAP). In addition, FY16-17 expenses are projections presented in the Board-approved FY17 WB Budget of June 23, 2016 and will differ from actuals reported in the external financial statements.

[2] 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).

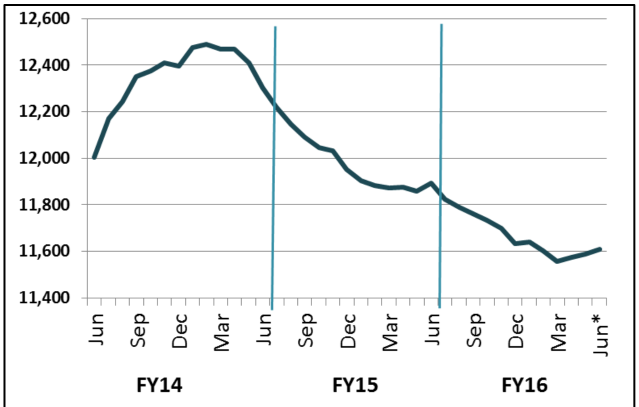
[3] Other fixed expenses include Communications & IT, Equipment & Building, Depreciation, and TF Indirects.

[4] Other variable expenses also include Representation and Hospitality as well as chargeback revenues for Food Services.

[5] FY15 actuals exclude US$ 10 million in year-end financial accounting adjustments.

32. **Staffing represents about 56 percent of total unit gross expenses in FY15**. The average level of full-time Bank staffing in FY16 has been about 2.7 percent below the average of FY15 (refer to Figure 3.1). Separation of full-time staff, including those related to the phasing out of the Extended Term Consultants/Temporaries and Junior Professional Associates, continued to exceed the number of hires. Management will continue to implement staffing plans, strengthen technical skills, and align demand with the business needs and corporate priorities, while remaining within the proposed budget envelope.

Figure 3.1: Full-time Bank Staff on Payroll



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

3.6 CAPITAL BUDGET

33. **The proposed capital budget for FY17 is US$210 million within a total US$534 million program proposed for the FY17-19 period.** Technology and Systems accounts for US$275 million (51 percent) and the remaining US$259 million (49 percent) is for Facilities. The FY17-19 capital program is marginally lower by US$4 million than the one proposed in the FY16-18 planning cycle, with increased investments in facilities offset by decreased IT investments. The decrease in IT investments is driven by Management's decision to cap the Bank's Technology and Systems capital budget, based on affordability constraints and the need to shift resources to front line operations. Management has concluded that the IT annual investment plan would be maintained at US$105 million in FY17 but is expected to decline to US$85 million from FY18 onward (refer to Table 3.12 for a summary). Additional details are provided in Annex II.

Table 3.12: Capital Program Summary - Investment Schedule FY17-19 (US$ million)

	FY16 Budget	FY16-18 Total AIP[1]	FY17 Budget	FY18 Plan	FY19 Plan	FY17-19 Total AIP
Technology and Systems	**103**	**309**	**105**	**85**	**85**	**275**
of which: IBRD Only	80	240	70	50	50	170
WBG Projects [2]	*20*	*60*	*35*	*35*	*35*	*105*
Small Investments < $200,000 [3]	*3*	*9*	-	-	-	-
Facilities	**82**	**229**	**105**	**113**	**41**	**259**
of which: Washington	*16*	*72*	*31*	*29*	*24*	*84*
Country Office	*67*	*156*	*74*	*84*	*17*	*175*
Total Capital Budget (All Parts):	**185**	**538**	**210**	**198**	**126**	**534**

[1] Annual Investment Plan (AIP) as per FY16 WB Budget.

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

[3] Small capital investments under US$0.2 million, driven by FY15 policy change and lowering the capitalization threshold to US$0.1 million.

34. **The proposed FY17-19 Technology and Systems capital envelope is estimated at US$275 million**. The FY17 IT capital budget request of US$105 million is spread across three segments, as follows:

- Business Programs solutions (US$78 million or 74 percent) that directly support modernizing operations; information, knowledge and learning; HR; risk management; core financial and strategic budget systems; and end user work experience.
- IT Capabilities Enhancements (US$10 million or 10 percent) in areas such as data management, analytics, information management, collaboration, connectedness, mobility, and security.
- IT Foundations (US$17 million or 16 percent) representing IT replenishment investments.

4. BUDGET ALLOCATIONS TO WORK PROGRAMS

This section provides an overview of the operational work program to be funded by the proposed FY17 net administrative budget, in support of strategic directions and institutional priority areas.

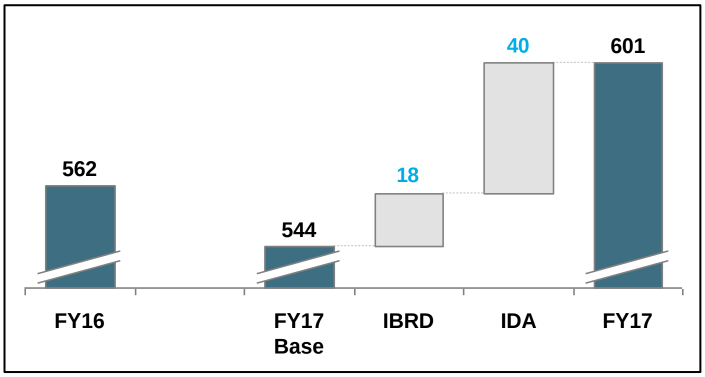
4.1 COUNTRY ENGAGEMENT WORK PROGRAM

35. **As noted before, robust demand for Bank services was one of the key drivers that shaped the Country Engagement (CE) budget allocation**. IBRD lending is expected to remain firm, while the goals for IDA are to utilize the full IDA17 allocation, build the pipeline for IDA 18, and focus on FCS countries.

36. **To properly manage the demand for financing, leverage WBG synergies, and optimize the use of scarce resources, the Bank will continue to systematically follow a country engagement framework** that entails the use of Strategic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs). These tools constitute key building blocks for the Bank's strategic engagement with clients and guide operational work programs and strengthen engagement in priority thematic areas of focus.

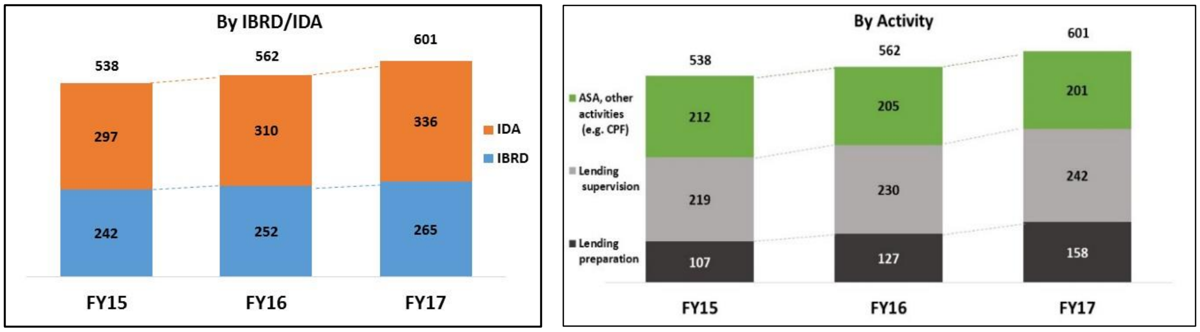
37. **Given the demand outlook and other priorities, additional budget needs were factored in to arrive at a proposed FY17 Country Engagement (CE) envelope of US$601 million** with all sources funding for CE estimated to reach US$1,218 million in FY17. To maintain Management's commitment to Expenditure Review measures, the FY17 Bank funding base trajectory was reduced by US$18 million from US$562 million to a new US$544 million base. Subject to Board approval of the overall budget, additional resources for Regional CE envelopes would comprise US$18 million for IBRD programs and US$40 million for IDA programs (including IDA+), a net increase of US$58 million from the FY17 base to meet growing demand and increased operational requirements (refer to Figure 4.1 below).

Figure 4.1: Evolution of the Country Engagement Budget from FY16 to FY17 (US$ million)



38. **In alignment with business growth and an ongoing policy to channel resources to operations, the CE envelope will continue its steady growth into FY17** (refer to Figure 4.2). Outcomes of the work program agreement process reflect the effect of streamlining the ASA portfolio, partly as a result of increased allocations to lending and supervision activities facilitated by increases in coefficients that constrain the remaining CE budget for ASA activities, as well as the ongoing effort to tie knowledge generation to project design, adopt a more programmatic approach, and to be demand led.

Figure 4.2: FY15 to FY17 Changes in WPA Plans (US$ million)



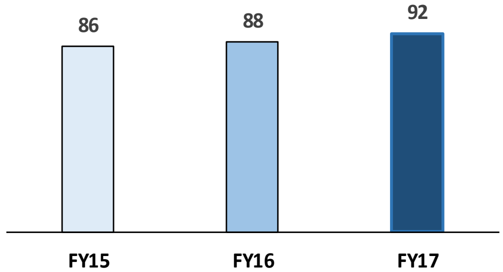
39. **CE allocations to lending preparation are increasing by US$31 million (24 percent) and lending supervision by US$12 million (5 percent)**. Beyond the increase in fiduciary and safeguards, together with lending and supervision coefficients (by 6 and 2 percent respectively), the significant increase in lending preparation supports increased operational quality and compliance requirements, and pipeline development in anticipation of IDA+. Additionally, the higher coefficients and resulting allocations encourage further selectivity, improve quality and effectiveness, decrease fragmentation, and help reduce the significant strain on task teams to meet new priorities for operations (greenhouse gas accounting, climate risk assessments, gender, etc.).

40. **Attention to fiduciary issues and environmental and social standards remain a priority and these areas are adequately funded**. FY17 allocations for fiduciary, including procurement, increased 28 percent over last year to US$51 million. Safeguard allocations also increased 15 percent to US$39 million. Together, these important allocations represent 15 percent of the CE envelope.

41. **Work program focus on Fragile and conflict-affected situations (FCS) continues to receive attention** with US$92 million (15 percent of total CE) allocated in the original work program agreement for FY17, up US$4 million from FY16 and US$6 million from FY15. Regional units are committed to further increasing allocations to FCS in FY17 from their contingencies, in particular when further progress is made on determining the new and increased IDA allocation rules to FCS in IDA18 and pipeline needs become firmer.

Figure 4.3: Allocations to FCS (US$ million)[5]

Region	FY15	FY16	FY17
AFR	44	45	49
EAP	8	8	9
ECA	4	3	4
LCR	4	3	4
MNA	13	15	14
SAR	12	12	12
Total	**86**	**88**	**92**



42. **Continued management oversight of the Advisory Services and Analytics (ASA) portfolio** has helped to streamline the number and refocus the use of ASA as intended, i.e. for strategic development of knowledge, building capacity, informing project and program design, and for the delivery of technical assistance. Allocations were directed to foster completion of existing ASA tasks and reduce supply-driven ASA with better key performance indicators covering cost, timeliness, and quality. Other process tasks such as policy dialogue, and economic monitoring were addressed to reduce the proliferation of miscoded ASA tasks and avoid ASA over-programming.

4.2 GLOBAL ENGAGEMENT WORK PROGRAM

43. **Management continues to seek selectivity and transparency in the choice of Global Engagement activities**. While all sources of funding are expected to increase slightly, Bank funding is planned to remain relatively flat in the next two years. All funding sources for Global Engagements are estimated to reach US$247 million in FY17 with Bank funding set at US$73 million (a US$5 million decrease of Bank funding allocated in FY16).

44. **The FY17 funding decisions reflect a broader assessment of Global Engagement activities across the Bank.** In order to optimize alignment and efficiency, related activities in IG&A units were assessed as part of the decision-making process. As a result, such activities were integrated and funds transferred to the GPs as part of institutional realignment. This process of strengthening governance arrangements over the Global Engagement funding allocation process across VPUs is expected to be strengthened further in FY18.

45. **Priorities will include public goods such as climate change, fragility, pandemics, refugees, and gender.** Bank funding has been allocated between four categories, as follows:

- <u>Corporate commitments (US$31 million)</u>: This category includes corporate priorities, such as IDA18 replenishment, that are proposed by Practice Group Vice Presidents and endorsed by Senior Management.

[5] The amounts shown exclude PPM related costs such as security, assignment benefits, etc.

- Cross-cutting strategic engagements (US$10 million): These activities are multi-sectorial and constitute priorities raised to the Board by the operational units.
- Innovation, product development, and partnerships (US$8 million): Knowledge products that address emerging demands, and maintain the WBG's leadership in global public goods fall under this category.
- Global operational support (US$23 million): This is comprised of knowledge services and activities requiring rapid and flexible operational response (includes US$18 million for CCSAs).

5. ENHANCING THE BUDGET FRAMEWORK

46. **The strategic planning, budget and performance review exercise is now firmly established as part of the performance management process**. At the Group level, it has fostered closer collaboration between the Bank, IFC, and MIGA, and has enhanced the monitoring of progress by integrating with related processes throughout the fiscal year. Through various efforts under the strategy-driven business planning approach, the Board and Management had extensive discussions that linked the short and medium terms as well as spanned the entire WBG. Collectively, these interactions were not only instrumental in formulating the FY17 Budget proposals, but also guided further Management actions identified below.

47. **From a performance management perspective, Management has a comprehensive agenda of key issues to work on,** that includes:

- <u>Strengthening the link between the corporate scorecard and planning/budgeting</u>. This constitutes ongoing efforts to deepen and broaden performance ownership and accountability in the Bank as well as to ensure issues and actions arising from the dialogue created are subsequently reflected in the strategic planning and budgeting process.

- <u>Consolidating and locking-in Expenditure Review savings</u>. In addition to the Internal Audit (IAD) review that was previously mentioned in Section 2.2, an ex-post review will be conducted in the first half of FY18. Beyond the savings that have already been embedded into the budget, several other initiatives were identified, continue to be developed, and will deliver efficiencies beyond the three-year ER window. Additionally, ongoing business reviews will yield further efficiency opportunities.

- <u>Developing key principles to inform decisions on the use of the "Budget Anchor space</u>" <u>and to set budget envelopes</u>. These principles could include: alignment with the Forward Look, and existing and other emerging priorities; meeting growing demand in the volume and scope of business; using available of internal flexibilities first, with systematic use of business reviews to maintain efficiency and effectiveness and find new flexibilities; maintaining a buffer under the Budget Anchor to absorb revenue and external funds shortfalls (in particular, in critical areas); and accounting for cost pressures and institutional mandates.

- <u>Continuing to implement ongoing external fund reforms</u>. These reforms are aimed at raising cost recovery; reducing transaction costs of processing, negotiating, managing, and reporting on trust funds; and improving governance. The Bank is also preparing guidance notes on donor reporting and on managing for results in trust funds in order to improve quality and standardization in these two important areas. Additionally, Management will continue to work on improvements around annualizing multi-year BETFs for better planning and monitoring, and planning for allocations of programmatic EFs across projects, Regions, and Global Practices.

- <u>Phasing out Bank-financing of Grant-making Facilities</u>. Management will continue the transition of these programs as was the case for the Development Grant Facility, and Global Partnerships for Social Accountability in FY16. Alternative funding for CGIAR continues to be a priority.

- Continuing to strengthen selectivity and governance of the ASA portfolio. The effect of prioritizing lending and supervision activities by raising the coefficients along with emphasis on fiduciary and safeguards have already facilitated this process. However, this process had already begun earlier, and will continue with renewed focus on knowledge creation that supports project design, capacity building, and a programmatic or demand-led approach through Reimbursable Advisory Services (RAS).
- Prioritizing Global Engagement activities by using the new categorization and governance process to optimize global engagement funding. The aim going forward is to drive further selectivity and transparency, avoid overlaps with country-led activities, and crowd-in external funding. Funding would be prioritized for activities that position the Bank as a leader in setting global priorities, and the development of global tools and databases in support of evidence-based policy making.
- Optimizing IT operations and maintenance expenditures. As a follow-up to last year's business review, Information and Technology Solutions (ITS) is currently reviewing how it organizes and manages operations and maintenance (O&M) activities in the Bank. This review aims at (i) delivering a new O&M operating framework to better plan, operate, manage and budget its O&M activities; (ii) providing increased visibility into O&M activities, particularly what, where and how IT resources are aligned to drive operating costs and efficiencies; and (iii) identifying further optimization opportunities with recommendations to increase IT asset management efficiency and effectiveness, using comparative benchmarking where appropriate. The outcomes of this review are expected by the end of FY16 with implementation commencing in FY17.

ANNEX I: PROGRAM COST SUMMARY

Table I.1: FY17-19 Funding for WB Work Program and Unit (US$ million)[1]

		BB				External Funds				All Funds			
		FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19
1.0	**Country Engagement[2]**												
1.1	AFRVP	188.5	207.0	221.0	241.5	177.6	195.6	197.8	199.6	366.1	402.6	418.9	441.0
1.2	EAPVP	80.3	83.9	95.9	102.4	105.9	96.5	97.5	98.4	186.3	180.4	193.3	200.8
1.3	ECAVP	74.6	77.6	82.2	85.5	69.7	76.4	77.2	77.9	144.2	154.0	159.4	163.4
1.4	LCRVP	85.6	88.7	92.8	95.9	58.4	54.1	54.7	55.2	144.0	142.9	147.5	151.1
1.5	MNAVP	49.8	50.9	54.7	56.6	70.7	98.2	99.2	100.1	120.5	149.1	153.9	156.7
1.6	SARVP	82.6	93.2	101.5	109.7	88.3	96.1	97.1	98.1	170.9	189.4	198.7	207.8
	Sub-Total	561.5	601.4	648.2	691.5	570.5	617.0	623.6	629.4	1,132.0	1,218.3	1,271.8	1,320.9
2.0	**Global Engagement**												
2.1	GPs/CCSAs	77.7	72.9	72.5	74.1	166.3	174.0	171.2	172.9	244.0	246.8	243.7	247.0
	Sub-Total	77.7	72.9	72.5	74.1	166.3	174.0	171.2	172.9	244.0	246.8	243.7	247.0
3.0	**Operational Grant Making Facilities**												
3.1	CGIAR	30.0	30.0	TBD	TBD	-	-	-	-	30.0	30.0	TBD	TBD
3.2	State and Peace Building Fund	21.0	14.0	TBD	TBD	-	-	-	-	21.0	14.0	TBD	TBD
3.3	Development Grant Facility	12.0	-	-	-	-	-	-		12.0	-	-	-
3.4	Global Partnership for Social Accountability	5.0	-	-	-	-	-	-	-	5.0	-	-	-
	Sub-Total	68.0	44.0	30.0	25.0	-	-	-	-	68.0	44.0	30.0	25.0
A	**TOTAL CLIENT ENGAGEMENT**	707.2	718.2	750.7	790.7	736.9	790.9	794.8	802.2	1,444.1	1,509.1	1,545.5	1,592.9
4.0	**Region PPM**												
4.1	AFRVP	113.4	107.5	110.2	112.7	1.9	3.0	3.1	3.1	115.3	110.5	113.3	115.7
4.2	EAPVP	54.6	53.7	55.1	56.3	2.3	1.7	1.7	1.7	56.9	55.4	56.8	58.0
4.3	ECAVP	55.0	57.8	58.4	59.7	2.3	1.5	1.5	1.5	57.3	59.3	59.9	61.2
4.4	LCRVP	50.8	49.4	50.5	51.6	0.9	0.9	0.9	0.9	51.6	50.3	51.4	52.5
4.5	MNAVP	34.1	32.8	32.4	33.1	0.9	5.5	5.5	5.5	35.0	38.2	37.9	38.6
4.6	SARVP	50.6	47.5	47.9	48.9	0.7	1.8	1.8	1.8	51.3	49.3	49.7	50.7
	Sub-Total	358.2	348.7	354.5	362.3	9.0	14.4	14.5	14.5	367.2	363.1	369.0	376.8
5.0	**GP/CCSA PPM**												
5.1	Equitable Growth, Finance and Institutions	58.6	71.5	72.4	75.6	-	12.8	12.9	13.1	58.6	84.3	85.3	88.6
5.2	Human Development	30.5	37.1	37.4	39.0	-	7.8	7.8	7.9	30.5	44.8	45.2	46.9
5.3	Sustainable Development	74.9	83.8	84.7	88.4	-	21.6	21.8	22.0	74.9	105.3	106.4	110.4
5.4	Front Offices and CCSAs[3]	49.9	60.9	61.4	64.5	76.3	40.4	40.8	41.2	126.2	101.3	102.2	105.7
	Sub-Total	213.8	253.2	255.8	267.4	76.3	82.6	83.4	84.2	290.1	335.8	339.1	351.6
B	**TOTAL PROGRAM & PRACTICE MGMT.**	572.1	601.9	610.2	629.7	85.3	97.0	97.8	98.7	657.3	698.9	708.1	728.4
C	**TOTAL OPERATIONS**	1,279.2	1,320.1	1,361.0	1,420.3	822.1	887.9	892.6	900.9	2,101.4	2,208.0	2,253.6	2,321.3

Table I.1 (Continued)

		BB				External Funds				All Funds			
		FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19
6.0	**Institutional Services**												
6.1	Budget, Performance & Strategy	74.5	68.8	71.9	73.4	3.3	-	-	-	77.8	68.8	71.9	73.4
6.2	Chief Risk Office	12.4	13.4	14.2	12.6	0.9	0.7	0.7	0.7	13.2	14.1	14.9	13.3
6.3	Development Economics	48.9	47.3	48.2	48.2	38.2	47.0	47.6	48.0	87.1	94.3	95.8	96.2
6.4	Development Finance	20.0	22.5	22.1	22.5	38.0	37.0	37.3	37.2	58.1	59.5	59.3	59.7
6.5	External & Corporate Relations	44.4	34.8	35.5	36.3	12.9	2.2	2.2	2.3	57.2	37.0	37.7	38.5
6.6	Global Environment Fund	-	-	-	-	35.0	32.0	32.3	32.6	35.0	32.0	32.3	32.6
6.7	ICSID	2.2	-	-	-	-	-	-	-	2.2	-	-	-
6.8	Leadership, Learning & Innovation[4]	47.7	-	-	-	17.1	-	-	-	64.8	-	-	-
6.9	Legal Services	30.5	32.0	32.7	33.4	1.9	1.9	1.7	1.7	32.4	33.9	34.5	35.1
6.10	Operational Policy & Country Services	43.1	45.4	45.3	46.3	1.0	0.7	0.6	0.5	44.1	46.1	45.9	46.8
6.11	Treasury	61.8	59.4	59.8	61.1	15.0	16.0	16.6	17.3	76.8	75.4	76.4	78.4
6.12	WBG Finance & Accounting	37.6	38.5	39.3	40.1	7.0	5.7	5.5	5.5	44.6	44.2	44.7	45.6
	Sub-Total	423.0	362.1	368.9	374.1	170.4	143.3	144.5	145.7	593.4	505.3	513.4	519.9
7.0	**Governance Services**												
7.1	Administrative Tribunal	1.6	1.7	1.7	1.8	0.6	0.5	0.5	0.5	2.1	2.2	2.2	2.2
7.2	Boards	90.1	91.7	93.7	95.8	-	-	-	-	90.1	91.7	93.7	95.8
7.3	Conflict Resolution System	3.7	4.3	4.4	4.5	1.3	2.5	1.3	1.3	5.0	6.9	5.7	5.8
7.4	Corporate Secretariat	15.5	15.5	15.8	16.2	1.0	1.2	1.2	1.2	16.5	16.7	17.0	17.4
7.5	Independent Evaluation Group	26.4	26.3	27.7	28.4	8.6	8.7	8.9	9.2	35.0	34.9	36.7	37.5
7.6	Integrity Vice Presidency	18.4	18.5	18.9	19.3	0.3	0.1	0.1	0.1	18.6	18.6	19.0	19.4
7.7	Internal Audit	7.6	7.7	7.9	8.1	2.7	2.5	2.5	2.5	10.2	10.2	10.4	10.5
7.8	Office of Ethics and Business Conduct	4.5	6.6	6.7	6.9	1.5	2.3	2.3	2.3	6.1	8.9	9.0	9.1
7.9	Office of the President	7.7	7.0	7.1	7.3	-	-	-	-	7.7	7.0	7.1	7.3
7.10	Office of Suspension & Debarment	1.5	1.6	1.7	1.7	-	-	-	-	1.5	1.6	1.7	1.7
7.11	Managing Directors[5]	9.7	16.4	16.7	17.1	-	-	-	-	9.7	16.4	16.7	17.1
7.12	Sanctions Board	1.6	1.7	1.7	1.7	-	-	-	-	1.6	1.7	1.7	1.7
	Sub-Total	188.1	198.9	204.2	208.7	15.9	17.7	16.7	17.0	204.0	216.6	220.9	225.7
8.0	**Administrative Services**												
8.1	General Services and Facilities	130.9	138.4	142.7	146.7	44.8	38.0	37.9	37.9	175.7	176.4	180.6	184.6
8.2	Human Resources	47.9	57.3	58.3	59.6	13.0	12.8	12.2	12.2	60.9	70.1	70.5	71.8
8.3	Information & Technology Solutions	232.8	224.6	222.4	234.6	45.8	52.4	53.5	54.6	278.6	277.1	275.9	289.2
	Sub-Total	411.7	420.3	423.4	441.0	103.5	103.3	103.6	104.7	515.2	523.6	527.0	545.7
D	**TOTAL INSTITUTIONAL, GOVERNANCE & ADMIN.**	1,022.7	981.3	996.5	1,023.8	289.8	264.2	264.9	267.4	1,312.6	1,245.5	1,261.4	1,291.2
E	**TOTAL: ALL UNITS**	2,302.0	2,301.4	2,357.5	2,444.1	1,112.0	1,152.1	1,157.5	1,168.4	3,414.0	3,453.6	3,515.0	3,612.5
9.0	**Centrally Managed Accounts & Programs**												
9.1	Budget recovery[6]	(595.9)	(613.0)	(665.9)	(684.2)	63.0	11.3	11.8	11.8	(532.9)	(601.7)	(654.1)	(672.3)
9.2	Corporate Contingency	10.0	12.0	12.0	15.0	-	-	-	-	10.0	12.0	12.0	15.0
9.3	Depreciation	75.2	95.9	109.6	115.2	-	-	-	-	75.2	95.9	109.6	115.2
9.4	Earmarked Funding	17.7	24.6	27.2	27.9	-	-	-	-	17.7	24.6	27.2	27.9
9.5	Institutional Programs	105.1	108.2	58.8	55.9	-	-	-	-	105.1	108.2	58.8	55.9
9.6	Staff Benefits & Retirement	779.7	778.9	821.4	836.5	-	-	-	-	779.7	778.9	821.4	836.5
9.7	Unallocated Flexibility	-	-	1.0	18.9	-	-	-	-	-	-	1.0	18.9
	Total Centrally-Managed Accounts & Programs	391.8	406.6	364.2	385.3	63.0	11.3	11.8	11.8	454.8	417.9	376.1	397.1
F	**TOTAL ALL FUNDS EXPENDITURE ENVELOPE**	2,693.7	2,708.0	2,721.7	2,829.4	1,175.0	1,163.4	1,169.3	1,180.2	3,868.7	3,871.5	3,891.1	4,009.6
G	**o/w Funded by External Funds DRR[7]**	(163.8)	(184.0)	(195.7)	(206.9)		-	-	-	(163.8)	(184.0)	(195.7)	(206.9)
H	**o/w Funded by External Funds CRR[7]**	-	-	-	-	(356.4)	(322.3)	(319.8)	(322.2)	(356.4)	(322.3)	(319.8)	(322.2)
I	**o/w Funded by External Funds BETF**	-	-	-	-	(818.6)	(841.1)	(849.5)	(857.9)	(818.6)	(841.1)	(849.5)	(857.9)
J	**o/w Admin Budget Funded by IBRD/IDA**	2,529.9	2,524.0	2,526.0	2,622.5	-	-	-	-	2,529.9	2,524.0	2,526.0	2,622.5

[1]All budget figures are reported in nominal terms.

[2]Country Engagement BB includes US$5.7 million in FY17 earmarked for Equitable Growth, Finance and Institutions.

[3]In FY16 all External Funds were distributed to the GP VP.

[4]LLI has been integrated into other operational and IG&A units.

[5]Also includes the transfer of the New York and Geneva offices.

[6]Includes staff benefits recoveries from internal transfer pricing, rebates, TF recoveries, and Corporate Services.

[7]Reimbursable revenues have been classified as either:

- Coupled Reimbursable Revenues (CRR) are 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
- Decoupled Reimbursable Revenues (DRR), on the other hand, are earned by the Bank for services that are not directly driven by the underlying expenses incurred by the managing unit.

Table I.2: Overview of External Funds Projected Revenues FY16-FY19 by Unit (US$ million)

		Coupled Reimbursable Funds (CRR)				Bank Executed Trust Funds (BETF)				External Funds			
		FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19	FY16 WB Budget	FY17	FY18	FY19
1.0	**Country Engagement**												
1.1	AFRVP	17.8	30.4	31.0	31.1	159.8	165.2	166.8	168.5	177.6	195.6	197.8	199.6
1.2	EAPVP	5.3	6.2	6.3	6.3	100.7	90.3	91.2	92.1	105.9	96.5	97.5	98.4
1.3	ECAVP	24.1	24.2	24.4	24.6	45.6	52.2	52.8	53.3	69.7	76.4	77.2	77.9
1.4	LCRVP	10.4	11.3	11.4	11.5	48.0	42.9	43.3	43.7	58.4	54.1	54.7	55.2
1.5	MNAVP	40.5	61.0	61.7	62.3	30.2	37.2	37.5	37.9	70.7	98.2	99.2	100.1
1.6	SARVP	1.9	6.6	6.8	6.8	86.4	89.5	90.4	91.3	88.3	96.1	97.1	98.1
	Sub-Total	99.9	139.7	141.6	142.6	470.7	477.3	482.0	486.8	570.5	617.0	623.6	629.4
2.0	**Global Engagement**												
2.1	GPs/CCSAs	10.6	4.5	-	-	155.7	169.5	171.2	172.9	166.3	174.0	171.2	172.9
	Sub-Total	10.6	4.5	-	-	155.7	169.5	171.2	172.9	166.3	174.0	171.2	172.9
A	**TOTAL CLIENT ENGAGEMENT**	110.5	144.2	141.6	142.6	626.4	646.8	653.2	659.7	736.9	790.9	794.8	802.2
3.0	**Region PPM**												
3.1	AFRVP	1.5	1.4	1.4	1.4	0.4	1.7	1.7	1.7	1.9	3.0	3.1	3.1
3.2	EAPVP	2.0	0.3	0.3	0.3	0.3	1.4	1.5	1.5	2.3	1.7	1.7	1.7
3.3	ECAVP	2.3	1.5	1.5	1.5	-	-	-	-	2.3	1.5	1.5	1.5
3.4	LCRVP	0.4	0.2	0.2	0.2	0.5	0.7	0.7	0.8	0.9	0.9	0.9	0.9
3.5	MNAVP	0.5	4.6	4.6	4.6	0.4	0.9	0.9	0.9	0.9	5.5	5.5	5.5
3.6	SARVP	0.3	0.3	0.3	0.3	0.4	1.5	1.5	1.6	0.7	1.8	1.8	1.8
	Sub-Total	7.0	8.1	8.1	8.1	2.0	6.3	6.3	6.4	9.0	14.4	14.5	14.5
4.0	**GP/CCSA PPM**												
4.1	Equitable Growth, Finance and Institutions	-	1.3	1.3	1.3	-	11.5	11.6	11.8	-	12.8	12.9	13.1
4.2	Human Development	-	1.1	1.1	1.1	-	6.7	6.7	6.8	-	7.8	7.8	7.9
4.3	Sustainable Development	-	0.6	0.6	0.6	-	21.0	21.2	21.4	-	21.6	21.8	22.0
4.4	Front Offices and CCSAs [1]	5.6	0.3	0.3	0.3	70.7	40.2	40.6	41.0	76.3	40.4	40.8	41.2
	Sub-Total	5.6	3.3	3.3	3.3	70.7	79.3	80.1	80.9	76.3	82.6	83.4	84.2
B	**TOTAL PROGRAM & PRACTICE MGMT.**	12.5	11.4	11.4	11.4	72.7	85.6	86.4	87.3	85.3	97.0	97.8	98.7
C	**TOTAL OPERATIONS**	123.0	155.5	152.9	153.9	699.1	732.4	739.7	747.0	822.1	887.9	892.6	900.9
5.0	**Institutional Services**												
5.1	Budget, Performance & Strategy	3.3	-	-	-	-	-	-	-	3.3	-	-	-
5.2	Chief Risk Office	0.9	0.7	0.7	0.7	-	-	-	-	0.9	0.7	0.7	0.7
5.3	Development Economics	6.4	5.8	5.9	5.9	31.8	41.3	41.7	42.1	38.2	47.0	47.6	48.0
5.4	Development Finance	5.4	6.0	6.0	5.6	32.6	31.0	31.3	31.6	38.0	37.0	37.3	37.2
5.5	External & Corporate Relations	11.3	0.4	0.4	0.4	1.6	1.8	1.8	1.8	12.9	2.2	2.2	2.3
5.6	Global Environment Fund	-	-	-	-	35.0	32.0	32.3	32.6	35.0	32.0	32.3	32.6
5.7	Leadership, Learning & Innovation	1.6	-	-	-	15.5	-	-	-	17.1	-	-	-
5.8	Legal Services	1.9	1.9	1.7	1.7	-	-	-	-	1.9	1.9	1.7	1.7
5.9	Operational Policy & Country Services	-	0.3	0.3	0.1	1.0	0.4	0.4	0.4	1.0	0.7	0.6	0.5
5.10	Treasury	15.0	15.6	16.3	16.9	-	0.3	0.3	0.4	15.0	16.0	16.6	17.3
5.11	WBG Finance & Accounting	7.0	5.7	5.5	5.5	-	-	-	-	7.0	5.7	5.5	5.5
	Sub-Total	52.9	36.5	36.7	36.8	117.5	106.8	107.9	108.9	170.4	143.3	144.5	145.7
6.0	**Governance Services**												
6.1	Administrative Tribunal	0.6	0.5	0.5	0.5	-	-	-	-	0.6	0.5	0.5	0.5
6.2	Conflict Resolution System	1.3	2.5	1.3	1.3	-	-	-	-	1.3	2.5	1.3	1.3
6.3	Corporate Secretariat	-	-	-	-	1.0	1.2	1.2	1.2	1.0	1.2	1.2	1.2
6.4	Independent Evaluation Group	7.6	7.9	8.2	8.4	1.0	0.7	0.8	0.8	8.6	8.7	8.9	9.2
6.5	Integrity Vice Presidency	0.3	0.1	0.1	0.1	-	-	-	-	0.3	0.1	0.1	0.1
6.6	Internal Audit	2.7	2.5	2.5	2.5	-	-	-	-	2.7	2.5	2.5	2.5
6.7	Office of Ethics and Business Conduct	1.5	2.3	2.3	2.3	-	-	-	-	1.5	2.3	2.3	2.3
	Sub-Total	13.9	15.8	14.8	15.0	2.0	1.9	2.0	2.0	15.9	17.7	16.7	17.0
7.0	**Administrative Services**												
7.1	General Services and Facilities	44.8	38.0	37.9	37.9	-	-	-	-	44.8	38.0	37.9	37.9
7.2	Human Resources	13.0	12.8	12.2	12.2	-	-	-	-	13.0	12.8	12.2	12.2
7.3	Information & Technology Solutions	45.8	52.4	53.5	54.6	-	-	-	-	45.8	52.4	53.5	54.6
	Sub-Total	103.5	103.3	103.6	104.7	-	-	-	-	103.5	103.3	103.6	104.7
D	**TOTAL INSTITUTIONAL, GOVERNANCE & ADMIN.**	170.3	155.5	155.0	156.5	119.5	108.8	109.8	110.9	289.8	264.2	264.9	267.4
E	**TOTAL: ALL UNITS**	293.4	311.0	308.0	310.4	818.6	841.1	849.5	857.9	1,112.0	1,152.1	1,157.5	1,168.4
8.0	**Centrally Managed Accounts & Programs**												
8.1	Other Centrally Managed Accounts	63.0	11.3	11.8	11.8	-	-	-	-	63.0	11.3	11.8	11.8
	Total Centrally-Managed Accounts & Programs	63.0	11.3	11.8	11.8	-	-	-	-	63.0	11.3	11.8	11.8
F	**TOTAL EXTERNAL FUNDS**	356.4	322.3	319.8	322.2	818.6	841.1	849.5	857.9	1,175.0	1,163.4	1,169.3	1,180.2

[1] In FY16 all External Funds were distributed to the GP VP.

ANNEX II: CAPITAL BUDGET

1. The proposed US$210 million capital budget for FY17 is part of the US$534 million three-year capital investment program proposed over the FY17-19 period. Technology and Systems accounts for US$275 million (51 percent of the total envelope) and Facilities accounts for US$259 million (49 percent). The FY17-19 capital program is marginally lower than the one envisioned in the FY16-18 planning cycle, with increased investments in facilities (US$30 million, mostly in country offices) offset by decreased IT investments (US$34 million). The decrease in IT investments is driven by Management's intention to cap the Bank's Technology and Systems capital budget at US$85 million annually, based on affordability constraints and the need to shift resources to front line operations. Management has reached the view that the IT annual investment plan will be maintained at US$105 million in FY17 to fund – among other priorities – critical investments in Treasury systems before reducing to US$85 million from FY18 onwards. Refer to Table III.1 below for a summary.

Table II.1: Capital Program Summary - Investment Schedule FY17-19 (US$ million)

	FY16 Budget	FY16-18 Total AIP[1]	FY17 Budget	FY18 Plan	FY19 Plan	FY17-19 Total AIP
Technology and Systems	**103**	**309**	**105**	**85**	**85**	**275**
of which: IBRD Only	80	240	70	50	50	170
WBG Projects [2]	*20*	*60*	*35*	*35*	*35*	*105*
Small Investments < $200,000 [3]	*3*	*9*	*-*	*-*	*-*	*-*
Facilities	**82**	**229**	**105**	**113**	**41**	**259**
of which: Washington	*16*	*72*	*31*	*29*	*24*	*84*
Country Office	*67*	*156*	*74*	*84*	*17*	*175*
Total Capital Budget (All Parts):	**185**	**538**	**210**	**198**	**126**	**534**

[1] Annual Investment Plan (AIP) as per FY16 WB Budget.

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

[3] Small capital investments under US$0.2 million, driven by FY15 policy change and lowering the capitalization threshold to US$0.1 million.

TECHNOLOGY CAPITAL PROGRAM

2. The indicative FY17-19 Technology and Systems capital program envelope of US$275 million represents an 11 percent decrease from the FY16-18 capital program of US$309 million presented in last year's Budget document. It includes investments linked to IT-related Expenditure Review measures, estimated to generate savings of about US$8 million in FY17 and US$3 million in FY18.

3. The capital program for Technology continues to support the WBG strategy through investment in transformative Information Technology (IT). The Information Technology Solutions Group (ITS), a WBG provider, is following its IT Implementation Roadmap which specifies 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.

4. The FY17 IT capital budget request of US$105 million has three segments:

   a. **Business Programs Solutions** (US$78 million or 74 percent) that directly support business facing requirements include six programs:

      - Modern Operations to enhance the client solutions design and delivery platform in line with new delivery model through business alignment, simplification, integration, and productivity.
      - Information, Knowledge & Learning to strengthen WBG services by supporting open information (transparency and accountability), information matters (support evidence-based solution design), and global knowledge and learning (facilitate knowledge flow).
      - Modern HR to support Career Development, Talent Management, Total Rewards, and Global Mobility Benefits, replacing aged and outdated applications with new tools to support WBG staff and managers (focus on ease of use, cloud-based solutions, mobile etc.).
      - Risk Management to modernize 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, enhanced analysis, monitoring, and reporting.
      - Core Financial & Strategic Budget Systems to replace aging financial systems with solutions that: align with core business requirements; leverage enterprise platforms and enhance the capabilities of existing financial systems; reduce operational risk; increase transactional efficiency; and provide a unified platform for strategic and business planning.
      - End User/Work Experience to develop a seamless experience across devices, driven by end-user requirements with minimal customization; and provide self-service, social-enabled, and context-aware support framework.

   b. **IT Capabilities Enhancements** (US$10 million or 10 percent) to enable new and existing applications to be delivered with speed and flexibility with focus in the following critical areas:

      - Data Management & Analytics to enhance the Business Intelligence (BI) program (Reporting, Dashboards, etc.) and support new applications on the WBG Data Integration platform.
      - Information Management to improve access and provide tools to improve productivity by providing a robust platform.
      - Business Enablement to enable Client Relationship Management platforms that establish scalable tools across WBG and support rapid development of applications.
      - Collaboration to provide tools to facilitate communications, collaboration, and transactions.
      - Communication to standardize and enable communication channels.
      - Connectedness Technology to increase network availability with improved access control.
      - Mobility to implement mobile apps supporting operations, HR, and financial approvals.

- Security to enhanced access control across WBG with proactive defense against system threats.

c. **The IT Foundation** (US$17 million or 16 percent) to build a modern, robust and flexible IT infrastructure.

FACILITIES CAPITAL PROGRAM

5. The indicative FY17-19 Facilities capital program envelope of US$259 million represents a US$30 million (13 percent) increase over the FY16-18 capital program of US$229 million. The FY17 Facilities capital budget request of US$105 million includes US$31 million for Washington facilities, US$51 million for Country Office (CO) facilities, and US$23 million for investments to replace some large CO leasehold properties with owned buildings.

ADMINISTRATIVE BUDGET IMPACT OF THE CAPITAL BUDGET

6. The Bank's administrative budget will be affected by depreciation in subsequent fiscal years based upon the level of capital budget approved by the Board. Budget expenses such as operations and maintenance have a claim on a unit's budget resources. Once a specific capital project is completed and becomes an asset, depreciation commences and if not centrally funded, may be the responsibility of the business unit. VPUs must demonstrate the ability to fund carrying costs of a capital investment within their allocated budget, over the asset's life cycle, before any release of funds.

7. ***Technology and Systems*.** Over the three-year planning period, Technology and Systems capital investments have an incremental depreciation impact of approximately US$62 million over the three-year estimates presented in the FY16-18 planning cycle. Moreover, IT depreciation is expected to continue to rise in line with new investments and peak at approximately US$96 million in FY21 (up from US$55 million and US$74 million, respectively in FY16 and FY17) by when all proposed investments will be depreciating.[6] The three-year trajectory for IT depreciation is shown in Table V.3. The administrative budget impact associated with the IT capital investment plan also includes one-time project administrative and incremental operations and maintenance (O&M) costs which are estimated to be approximately US$15 million in FY17.

[6] The assumptions used to project depreciation costs have been updated to take into account a recent acceleration of IT project delivery times and the shift of WB project mix towards a short asset life. In addition, for clearer presentation, the total depreciation expense irrespective of source of funding has been reported both in Table III.2 and in this paragraph, whereas in previous years, only the centrally-managed depreciation was reported.

Table II.2: Technology & Systems –Total IT Depreciation FY17-19 (US$ million)

	FY16 Budget	FY16-18 Total AIP[1]	FY17 Budget	FY18 Plan	FY19 Plan	FY17-19 Total AIP
Total Depreciation - Technology and Systems	**55.4**	**189.6**	**73.5**	**88.3**	**89.9**	**251.7**
of which: Centrally-managed Depreciation[2]	41	148	58	69	71	198
ITSVP's Own-managed Depreciation [3]	*13*	*34*	*11*	*14*	*14*	*39*
Depreciation Charged to non-IBRD Units (IFC, MIGA, TFs) [4]	*2*	*8*	*4*	*5*	*5*	*15*

[1] Annual Investment Plan (AIP) as per FY16 WB Budget.

[2] Centrally-Managed depreciation expenses are funded by the Institution. In FY12, Management endorsed a centralization of IT depreciation expenses with the main objective of better aligning IT capital investment decisions with the administrative budget planning while also ensuring that the existing IT asset base is adequately funded.

[3] ITSVP's own-managed depreciation for the Business Continuity Center and the PC Program is funded mainly through chargeback.

[4] IFC and MIGA will pay their share of the depreciation costs associated with WBG projects through Shared Service Agreements with IBRD.

8. ***Washington Facilities.*** Over the three-year planning period, Washington capital projects will increase administrative budget expenses by approximately US$4 million.

9. ***Country Office Facilities.*** Over the three-year planning period, Country Office capital projects will increase administrative budget expenses by about US$3 million. The administrative budget impact from the CO Facilities Phase II Global projects requirement of US$23 million (to replace some large CO leasehold properties with Bank-owned buildings) is not very significant over this three-year planning period given the lengthier implementation timeline of these projects. In addition, the long asset depreciation life cycle[7] of Facilities projects tends to create minimal increases across fiscal years.

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