

# **FY20 World Bank Budget**

## **Text for Public Disclosure**

September 6, 2019

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION



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## ACRONYMS

AFR	Africa Region
AI	Artificial Intelligence
ASA	Advisory Services and Analytics
BB	Bank Budget
BETF	Bank Executed Trust Fund
CE	Country Engagement
CGIAR	Consultative Group for International Agricultural Research
CMA	Centrally Managed Accounts
CO	Country Office
CODE	Committee on Development Effectiveness
COGAM	Committee on Governance and Executive Directors’ Administrative Matters
CPF	Country Partnership Framework
DEC	Development Economics
DFI	Development Finance
EAP	East Asia and Pacific Region
ECA	Europe and Central Asia Region
EF	External Funds
EFO	Externally Financed Output
ER	Expenditure Review
ESF	Environmental and Social Framework
FCS	Fragile and Conflict-Affected Situations
FCV	Fragility, Conflict and Violence
FIF	Financial Intermediary Funds
FSF	Financial Sustainability Framework
GBV	Gender-Based Violence
GCI	General Capital Increase
GDI	Graduation Discussion Income
GE	Global Engagement
GMF	Grant-Making Facilities
GP	Global Practice
GPSA	Global Partnership for Social Accountability
HCP	Human Capital Project
HQ	Headquarters
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IG&A	Institutional, Governance, and Administrative Units
IPF	Investment Project Financing
ITS	Information and Technology Solutions

LCR	Latin America and Caribbean Region
LIC	Low Income Countries
LMIC	Lower-Middle Income Countries
MFD	Maximizing Finance for Development
MIC	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
MNA	Middle East and North Africa Region
PforR	Program-for-Results
PG	Practice Group
PPM	Program and Practice Management
PSW	Private Sector Window
RAMP	Reserves Advisory and Management Program
RAS	Reimbursable Advisory Service
RETF	Recipient-executed Trust Fund
SALL-adj	Buffer-adjusted Sustainable Annual Lending Limit
SAR	South Asia Region
SBL	Single Borrower Limit
SEC	Corporate Secretariat
SPF	State and Peace-Building Fund
SSA	Shared Service Agreement
TF	Trust Fund
VPU	Vice Presidential Unit
WB	World Bank
WBG	World Bank Group
WPA	Work Program Agreement
YOY	Year over Year





## 1. OVERVIEW AND RECOMMENDATIONS

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*This document presents the FY20 World Bank Budget for Board approval. The proposed budget 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

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- 1. *Shareholders endorsed the Forward Look in 2016, which defines how the World Bank Group will support its clients to achieve the Twin Goals and the 2030 Development Agenda.***

In the Forward Look, shareholders and Management have agreed on an approach to advance the 2030 development agenda as well as the World Bank Group Twin Goals of ending poverty and boosting shared prosperity. The World Bank Group (WBG) is becoming “bigger and better” with the clear focus to maximize development impact. The IDA-18 Replenishment finalized in December 2016 and the capital package for IBRD and IFC agreed during the 2018 Spring Meetings have provided significant guidance on effectiveness and additional funding capacity with which the WBG can support its clients and further its mission.

The World Bank has made significant progress towards the implementation of the IDA-18 and Forward Look commitments. Updates on the implementation progress of the IDA-18 Replenishment and Forward Look commitments have been presented in detail to the Board and the Governors. Implementation of the capital package is also underway, with a view to achieving capital package commitments over the FY19-30 period.
- 2. *The strategic planning and budgeting process ensures alignment of resources with strategic priorities.***

During this year’s strategic planning process, Management identified key focus areas to support the delivery on the commitments for becoming more effective. These focus areas inform the resource allocation and budgetary trajectories.
- 3. *Based on the capital package, and adding to the ongoing IDA scale up, the Bank will be able to significantly increase lending volumes.***

The IBRD capital increase and the IDA-18 replenishment will result in a more effective World Bank with sustainable lending limits above US\$50 billion annually (with a crisis buffer set aside within IBRD). These increased lending levels also affect the size of the stock of projects under supervision as the increased annual lending levels flow into the active portfolio year-on-year.

4. ***Operating as a “bigger” and “better” Bank will have implications not just for the scale of our business but also its nature.*** Increasing the volumes of annual financing, with a rising share in low income and fragile states, as well as the resulting expansion of the portfolio will bring opportunities for greater development impact. However, it will also result in increased risks, complexity and related cost pressures. The business mix is also shifting to more complex and riskier operations. The Cost of Doing Business analysis in Section 2.3 looks at a range of sectors, country income groups, financing instruments, degree of riskiness and geographic locations.
5. ***As agreed in the capital package, the World Bank is committed to additional cumulative savings from efficiencies and economies of scale by 2030.*** The World Bank has been implementing initiatives to contain expenditure and increase efficiency and cost recovery, both in operations and supporting units. Initiatives include the Expenditure Review (US\$340 million annual savings); implementation of the Trust Funds Cost Recovery Framework (US\$100 million annual savings); offshoring to Chennai (estimated US\$100 million annual savings); reducing Grant-Making Facilities (GMF) funding (US\$80 million annual savings); and other efficiency initiatives which have helped embed savings of over US\$50 million in unit trajectories.
- The World Bank has agreed to achieve additional cumulative savings by FY30 which will stem from efficiency gains and from economies of scale. This will help contain and, to some extent, offset increased cost of doing business.
- A monitoring framework is being developed to track progress on efficiencies and economies of scale. On a yearly basis, the monitoring framework will track cumulative efficiencies and economies of scale savings from FY19 to FY30 using the FY18 budget as a baseline. Progress will be reported after each year-end throughout this period.
6. ***Management proposes a Bank administrative budget of US\$2,721 million for FY20, as part of a broader total funds estimate of US\$4,516 million.*** Striving to maintain budget discipline and considering strategic priorities, increasing costs of doing business, and savings derived from efficiencies and economies of scale, Management proposes a budget increase of 4.2 percent in nominal terms (1.8 percent in real terms) for FY20.
- The proposed FY20 budget will maintain budget sustainability and contribute to the Bank’s financial strengthening. As part of the capital package, new IBRD budget anchor targets have been agreed with shareholders. Management is aware that the agreed new anchor goals are challenging, but it is committed to remain within the agreed

target zones for each year until 2030. The proposed FY20 budget will result in the IBRD budget anchor being in line with the anchor target zone range agreed under the capital package for this period, and in the IDA budget anchor being below the 100 percent ceiling.

Management is committed to further increase the share of resources allocated to operations and front-line services. As a result, the share of Bank Budget resources allocated to operations will increase from 59.1 percent in FY19 to 60.4 percent by FY20, or an increase of US\$109 million. The Institutional, Governance and Administrative (IG&A) units budget will decline slightly in real terms. Staffing implications of the proposed budget will be reflected in revised Workforce Plans.

- 7. *External Funds will continue to be an important vehicle to help support priority development issues.***

The outlook for Recipient Executed Trust Funds (RETFs) is stable. Bank Executed Trust Funds (BETFs) are expected to continue to grow, with a strong focus on regional and global work. The use of all External Funds for Bank-performed activities is expected to stabilize at around 40 percent of “All Funds”. Shifts in External Funds contributions, trends and patterns are taken into consideration as part of the planning and budgeting process. Progress continues to be made on trust funds cost recovery, with the BETF actual costs to revenue ratio dropping by 10 percentage points since FY15 to 112 percent in FY19.

- 8. *The proposed capital budget for FY20 remains unchanged at US\$190 million.***

Capital investment planning is an integral part of the World Bank’s strategic planning and budgeting cycle. The FY20 Facilities Capital Investment Plan is US\$105 million. The FY20 IT Capital Investment Plan is US\$85 million. Management is continuing its scrutiny of the annualized costs of the Bank’s investment plans.

## 1.2 FY20 BUDGET RECOMMENDATIONS

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**9. *Management seeks Board approval of the FY20 Budget.***

Management seeks Board approval of the following FY20 Budget recommendations:

- That the total administrative budget (Bank Budget) be set at US\$2,721 million, managed within a range of +/- 2 percent. This includes:
  - An indicative budget of US\$84.4 million for Executive Directors. This is subject to a separate endorsement process by COGAM.
  - US\$30.2 million for the Independent Evaluation Group. This is subject to a separate endorsement process by CODE.
- That the capital budget be set at US\$190 million.

## 2. STRATEGIC DIRECTIONS AND BUSINESS OUTLOOK

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*This section discusses the World Bank’s strategic context and business outlook for FY20. Lending and portfolio volumes are increasing for both IBRD and IDA. Costs of doing business are rising, especially as a result of increasing work in low and lower-middle income and fragile countries. Efficiency efforts across the World Bank continue and will partly offset these rising cost pressures. This section highlights these elements of the strategic context and business outlook which sets the stage for the FY20 budget to be presented in Sections 3-5.*

### 2.1 STRATEGIC CONTEXT

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**10. *The Forward Look, endorsed by shareholders in 2016, defines how the World Bank Group will support its clients to achieve the Twin Goals and the 2030 Development Agenda.***

The Forward Look outlines the commitments between shareholders and Management to advance the 2030 development agenda as well as the World Bank Group Twin Goals of ending poverty and boosting shared prosperity.<sup>2</sup>

To maximize development impact, the WBG is pursuing a “bigger and better” organization that will be more effective for development. The IDA-18 Replenishment, finalized in December 2016, and the capital package for IBRD and IFC agreed during the 2018 Spring Meetings have provided significant additional funding capacity with which the WBG can support its clients and further its mission.

**11. *The World Bank has made significant progress towards implementing the Forward Look and the IDA-18 and capital package commitments.***

Updates on the implementation progress of the IDA-18 Replenishment<sup>3</sup> and Forward Look commitments have been presented in detail to the Board. Implementation of the IBRD-IFC capital package policy commitments is also underway, with a view to achieving capital package targets over the FY19-30 period. Regional and Practice Group updates to the Board also presented key strategic directions. Key areas of progress are highlighted below.

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<sup>2</sup> See “Forward Look – A Vision for the World Bank Group in 2030 – Main Messages”, DC2016-0008, Sept. 20, 2016.

<sup>3</sup> See “IDA18 Mid-Term Review: Implementation and Results Progress Report”, IDA/SecM2018-0231, Oct. 24, 2018.

**12. Serving all clients:  
*Significant progress is being made to expand Bank services and develop innovative solutions across all client groups.***

IDA-18 has enabled the Bank to expand its services for low income countries, double assistance to countries affected by fragility, conflict and violence, significantly increase assistance to small states, as well as expand IFC and MIGA services in these countries through the Private Sector Window (PSW). IDA-18 implementation is progressing well, with strong delivery reflected both in terms of record IDA lending and solid progress in delivering policy commitments, with increasing focus on work in countries affected by Fragility, Conflict and Violence (FCV), delivering IDA support in new and innovative ways, and mobilizing private investment to the most difficult markets. The successful introduction of IDA to capital markets with the issuance of IDA’s first bond in April 2018 added an important new funding channel for the world’s poorest countries. Sustaining this trend is a key priority for FY20 and related budget plan.

The recently endorsed IBRD/IFC capital package will enable the WBG to channel more resources to countries at the lower to middle range of the client income spectrum while at the same time continuing to engage with all clients across the income spectrum. Significant policy reforms have already been undertaken to support these objectives. As of July 1, 2018, IBRD’s loan pricing and Single Borrower Limit (SBL) became differentiated based on borrower income. For clients above the IBRD Graduation Discussion Income (GDI), an enhanced approach to Country Partnership Frameworks (CPFs) has been implemented. Progress has also been made in increasing support to small states.

The objective of serving our clients has been further strengthened by the recent realignment of the senior responsibilities within the Practice Groups (PGs) to strengthen links and cooperation between Global Practices (GPs) and regions.

**13. Leading on global issues:  
*The Bank continues to enhance its engagement and focus on issues that transcend national boundaries.***

The World Bank is continuing to lead in promoting innovative responses where coordinated global action is critical. A new set of climate targets for 2021-2025 and an Action Plan on Climate Change Adaptation and Resilience have been introduced. The Human Capital Project (HCP) is being operationalized with enhanced support for measurement and research, country engagement work and private solutions.

In FY20, the focus will be on corporate engagements including the Human Capital Project, the climate change agenda, gender, FCV, debt sustainability and transparency, and jobs (including digital transformation).

**14. Creating markets:  
*WBG entities are working in partnership to mobilize financing for development.***

Implementation of the Maximizing Finance for Development (MFD) agenda and the “Cascade” approach continues to gain momentum through investment-enabling WB upstream policy operations and IFC market creation projects, aided by a more strategic and systematic approach (including IFC Country Strategies and Business Plans), the deployment of innovative investment platforms and products, as well as new processes and tools (including private sector diagnostics, applying IFC’s Anticipated Impact Measurement and Monitoring framework to assess development impact of IFC projects ex-ante, and risk mitigation, and mobilization platforms). Organizational realignment to implement this approach is ongoing, including twelve joint WBG MFD Accelerator pods to address challenges and speed up program and project delivery at the country level; and new WBG-wide Sector Groups to coordinate Cascade priorities at the global sectoral level.

In FY20, the focus will be on continuing to scale up this approach, through firmly anchoring the mobilization of finance in Country Partnership Frameworks, joint implementation plans and development of a comprehensive Results Measurement Framework to hardwire the Cascade approach into WBG operations.

**15. Improving the business model: *The Bank will continue to improve its effectiveness by promoting operational agility and administrative simplification, and by enhancing its financial sustainability.***

The World Bank continues to improve its financial sustainability and enhance its efficiency, performance and agility. The implementation approach for IBRD’s new Financial Sustainability Framework (FSF) was approved by Executive Directors in December 2018, with work under way on its implementation for FY20 lending. While the institution is only a few months into the implementation of the efficiency commitments under the capital package, significant progress has already been made. The revised compensation methodology for HQ-appointed staff has been implemented as of July 2018 and the revised Country Office-appointed staff compensation methodology, approved by Executive Directors in March 2019, will be implemented starting in FY20. Efficiency measures in the areas of corporate procurement, workforce structure, real estate and other measures are being

implemented. Productivity gains are also being sought through agile approaches, administrative simplification and the use of technology.

**16. *The strategic planning and budgeting process ensures alignment of resources with strategic priorities.***

The annual strategy and planning process ensures the alignment of resources with World Bank goals and strategic priorities. In this year’s process, Management identified five business priorities for FY20 to support the delivery on the commitments for becoming a “bigger and better” Bank: (i) the IBRD scale-up and implementation of capital package commitments; (ii) continued strong delivery of IDA (IDA-18 and beyond), with continued focus on fragile countries and small states; (iii) supervision of the portfolio and implementation of the new Environmental and Social Framework (ESF) and of the Gender-Based Violence Action Plan; (iv) prioritizing and strengthening support for key global priorities/public goods both at the global and country level; and (v) investments to strengthen institutional support for delivery.

Management has identified three modalities to ensure alignment of the budget with new funding requirements under these business priorities: (i) reallocations within unit budget trajectories; (ii) efficiency measures and productivity gains; and (iii) incremental additions to unit budget trajectories with priority given to operational needs. These focus areas and budget adjustment modalities have informed the resource allocation and FY20 Budget, as discussed in more detail in Sections 3-5.

## **2.2 LENDING OUTLOOK**

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**17. *The World Bank will achieve a sustainable financing volume surpassing US\$50 billion annually.***

The IBRD capital increase and the IDA-18 replenishment will result in a “bigger” World Bank able to sustain lending levels above US\$50 billion annually (with further capacity set aside as a crisis buffer). These increased lending levels also affect the size of the stock of projects under supervision as the increased annual lending levels flow into the active portfolio year-on-year, increasingly already for IDA and shortly for IBRD.



**18. The endorsed capital package enables IBRD to increase lending volumes compared to pre-capital increase levels.**

IBRD has started implementing the new financing package to support the expected growth in lending. The package includes a US\$7.5 billion paid-in and US\$52.6 billion callable capital increase, and internal measures (adjusted IBRD loan terms, continued focus on budget efficiencies and balance sheet optimization).

IBRD lending projections underlying the FY20 budget reflect the sustainable annual lending level adjusted for a crisis buffer (SALL-adj.) as discussed with the Board in April 2019 and in line with the Management’s recommendation in June 2019. The projected FY20 IBRD lending shown in Table 2.1 represents an increase of US\$8 billion compared to the ‘pre-capital increase’ scenario shown in last year’s Budget Document.

**19. Combined IBRD and IDA lending is expected to grow from US\$47 billion in FY18 to about US\$53 billion in FY20, with US\$8 billion more annual lending in FY20 than assumed for the pre-capital increase scenario.**

As set out in Table 2.1 below, IBRD and IDA lending combined is expected to grow by US\$6 billion by FY20 compared with FY18 levels. More significantly, this is US\$8 billion more per year in FY20 than it would have been without the IBRD capital package (and hence US\$8 billion more than assumed in our budget trajectory last year).

*Table 2.1: FY18-20 IBRD and IDA Lending Scenarios (US\$ billion)*

	FY18	FY19	FY20
	Actual	Projection	Projection
IBRD Pre Capital Increase Scenario	23.0	22.0	20.0
IBRD Post Capital Increase Scenario	<b>23.0</b>	<b>22.7</b>	<b>28.1</b>
IDA <sup>1</sup>	<b>24.0</b>	<b>23.2</b>	<b>25.2</b>
IBRD and IDA pre Capital Increase	47.0	45.2	45.2
IBRD and IDA post Capital Increase	<b>47.0</b>	<b>45.9</b>	<b>53.3</b>
Lending Increase Since Capital Increase	N/A	0.7	8.1

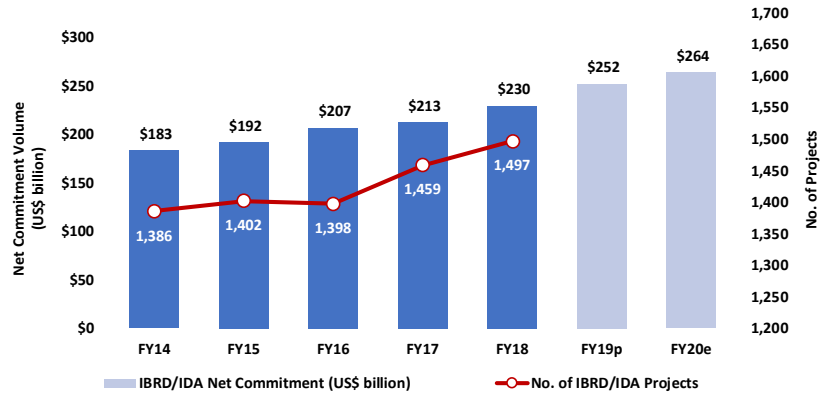
Notes:

<sup>1</sup>The IDA FY20 lending projection excludes the allocation to the Private Sector Window.

**20. Continuing on the growth path that started in FY14, IBRD/IDA portfolio volume and project counts are expected to further increase.**

IBRD/IDA portfolio volume and project counts have grown since FY14. Continuing on this path, the IBRD lending scale-up and the continued focus on IDA delivery are expected to further increase the number of operations under implementation and the dollar size of the supervision portfolio of the World Bank.

*Figure 2.1: IBRD/IDA Supervision Portfolio*



## 2.3 COST OF DOING BUSINESS

**21. Delivering as a “bigger” and “better” Bank will have implications on the cost of doing business.**

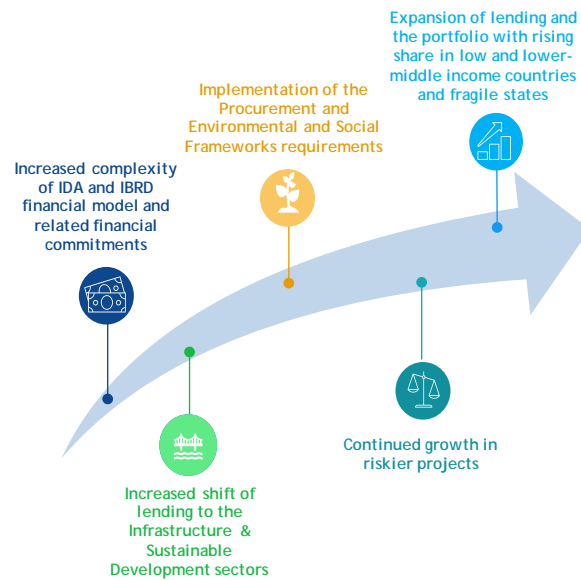
Delivering larger lending volumes will result in an expansion of the portfolio with a rising share of new lending in low and lower-middle income countries and fragile states. This expansion will bring opportunities for greater development impact but will result in increased risks, complexity and related cost pressures. Other operational trends are also contributing to increased cost of doing business, notably a rising number of operations in specific sectors and using some lending instruments reflecting client demand, increased presence on the ground to support clients, and the implementation of the Fiduciary and Safeguard Frameworks. Some of the policy commitments will also increase the costs of doing business, including for work on financial adequacy and sustainability frameworks.

The detailed Cost of Doing Business analysis looks at a range of sectors, country income groups, financing instruments, degree of riskiness and geographic locations. The analysis provides further

information on the impact that shifts in the work program are having on costs.

Four main business dynamics emerge from the cost of doing business analysis: (1) expansion of financing and the portfolio with a rising share in low and lower-middle income countries and fragile states where operating is more expensive; (2) the shift towards costlier and riskier operations; (3) implementation of the procurement framework and the new Environmental and Social Framework; and (4) the increased complexities of the hybrid IDA financial model and the capital package financial commitments.

*Figure 2.2: Costs of Doing Business*



**22. Analyzing the cost of doing business is important to understand cost pressures resulting from the changing nature of our business.**

As the nature of the business changes, the underlying cost structure changes. Understanding and analyzing these emerging cost trends is the goal of the costs of doing business exercise. It is important to stress that how the World Bank is shaping its business is not based principally on associated costs, but on the expected development impact for total development dollars, of which the budget is a relatively small part. The choice of financing instrument, project location, sector and related degree of risks is based on expected development impact which drives budget allocations, and not the other way around. During the work programming phase, Country Directors in consultation with their clients decide on the activities to be funded based on the Country Partnership Framework (CPF), which reflects national development priorities as well as Systematic

Country Diagnostics and draws lessons from completion reporting experience, IEG work and other evaluations.

***23. The Bank is significantly expanding its services to low and lower-middle income countries and to fragile states where the cost of doing business is higher.***

Preparing operations in low and lower-middle income countries is on average more expensive. This puts upward pressure on WB administrative costs as the share of projects for these countries has increased in recent years (from 69 percent in FY15-16 to 73 percent in FY17-18). The cost of preparing operations in the Africa (AFR), South Asia (SAR) and Middle East and North Africa (MNA) regions is also higher than in other regions, while their share of projects has increased from 54 percent in FY15-16 to 61 percent in FY17-18.

In addition, the Bank is expanding its footprint in fragile and small states, where operating is more complex and riskier. The average cost of putting a staff in a fragile country is about 40 percent higher than in non-fragile countries – mainly due to related assignment benefits for staff decentralized to the field, and rising facilities and security needs. The tilt toward low and lower-middle income countries and to fragile states will continue as scaled-up IDA-18 lending in low income countries flows into the IDA portfolio and as IBRD capital package commitments to lend more in lower-middle income countries and recent IDA graduates are implemented.

The World Bank is also looking into options to further enhance its presence on the ground to better support its clients, especially in fragile and lower income countries.

**24. *The Bank is pursuing more complex and riskier operations which are costlier to prepare.***

Reflecting client demand, the Bank’s business mix has shifted towards Investment Project Financing (IPF) and Program-for-Results (PforR) operations, which are costlier to prepare. Also, average preparation costs for operations in Agriculture, Water, Energy, Environment, Transport, Governance and Social Protection continue to be above the average, and client demand for many of these sectors continues to increase. The share of riskier operations (with high/substantial risks) also continues to rise, now representing about 80 percent of the projects delivered annually. Given their complexity, riskier projects have preparation costs which are 1.1 times the average.

**25. *Budget allocations for fiduciary and safeguards work have increased in recent years.***

The implementation of the procurement reform and the new Environmental and Social Framework (ESF) is ongoing with increased resources provided to support the preparation of new guidance and procedures, training of staff, familiarization of borrowers, and supporting infrastructure. Further, increased resources for the implementation of the new ESF are needed, including for enhanced quality control by the Environmental and Social management as well as for the retrofitting of projects to ensure that Gender-Based Violence (GBV) Action Plan is implemented.

**26. *The increased complexities of the hybrid IDA financial model and the capital package financial commitments generate additional responsibilities for the Finance units.***

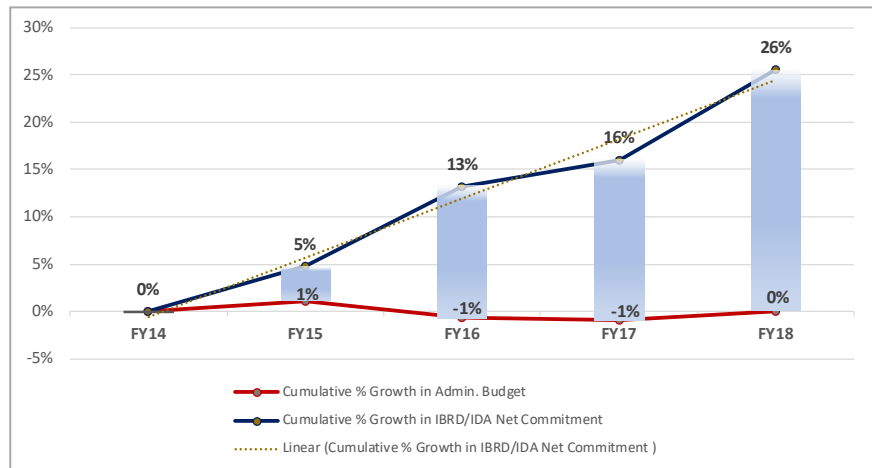
The Finance Units face additional responsibilities, including to support the introduction of market leverage of the IDA balance sheet, with changes to the IDA asset-liability management framework and liquidity policy, the increased number and complexity of IDA financing instruments, including the Private Sector Window, the IDA Scale-up Facility and the transitional support for IDA graduates, and work on capital package financial commitments such as Capital Adequacy Framework, and the Financial Sustainability Framework. While some of these demands have been met with within-unit reallocations, others require increased resources.

## 2.4 CONTINUED FOCUS ON EFFICIENCIES

**27. Since FY14, Management has aggressively promoted budget efficiency and process improvement initiatives.**

To balance increasing financing and supervision volumes as well as rising costs of doing business, the World Bank has been consistently and successfully implementing initiatives to contain expenditures and increase efficiency and cost recovery, both in operations and supporting units. Initiatives include a wide range of measures, among which are the Expenditure Review which resulted in US\$340 million savings for the World Bank; implementation of the Trust Funds Cost Recovery Framework which has led to recovery of an additional US\$100 million; offshoring to Chennai with an estimated annual savings of US\$100 million; reducing Grant-Making Facilities funding (US\$80 million annual savings); and other efficiency initiatives (including rationalization of workforce structure and compensation, organizational realignments, and business reviews of IG&A units) which have helped embed efficiency related savings of over US\$50 million in unit trajectories. As a result, the Bank’s productivity has significantly increased as demonstrated by its ability to deliver a cumulative 26 percent growth of its IBRD/IDA active portfolio volume (net commitments) between FY14 and FY18 within a flat nominal budget (see Figure 2.3).

**Figure 2.3: Cumulative Growth in IBRD/IDA Portfolio Volume vs. Admin. Budget since FY14**



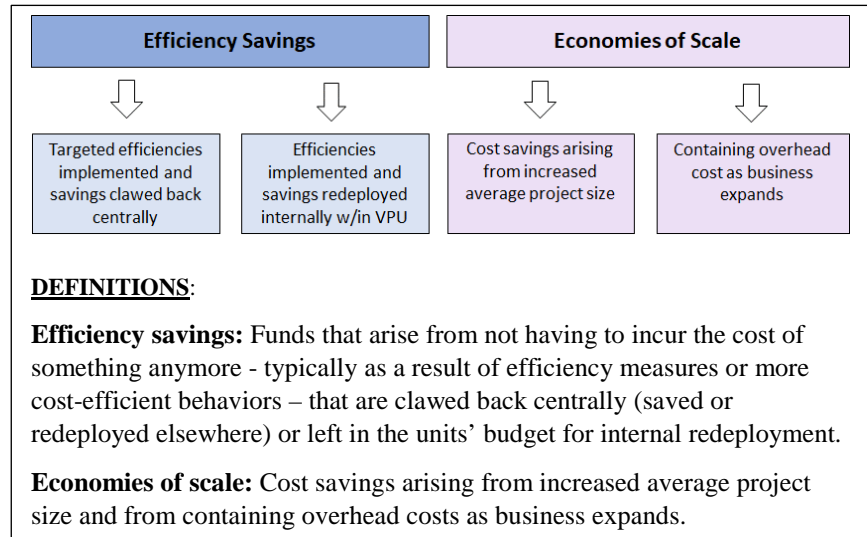
**28. As part of the capital package, the World Bank is committed to further cumulative savings from efficiencies and economies of scale by 2030.**

As agreed in the capital package, the World Bank has committed to achieve additional cumulative savings by FY30 from efficiency gains and from economies of scale. The latter will arise from increased average project size and from containing overhead costs as business expands. Over time, the increase in average project size will also impact the portfolio.

**29. A monitoring framework is being developed to track progress on efficiencies and economies of scale.**

The monitoring framework will track cumulative efficiencies and economies of scale from FY19 to FY30 using the FY18 budget as the baseline. Efficiencies and economies of scale will be tracked on a yearly basis and will continue to inform the annual discussions around associated budget claw-backs and allocation decisions. Progress will be reported after each fiscal year-end throughout this period.

**Box 2.1: IBRD Package – Efficiencies Monitoring Framework**



**30. Significant progress has already been made to achieve the capital package commitments.**

While only a few months into the implementation of this 12-year commitment, significant progress has already been made to achieve the capital package commitment to accrue cumulative efficiencies’ savings by FY30. Key measures include:

- **Real estate:** Management is developing a Real Estate Strategy for Headquarters which has a two-phase approach: (i) phase 1 consisting of vacating leased spaces to reduce costs; and (ii) phase 2 introducing more efficient space standards in Bank-owned buildings, incorporating flexibility and adaptability to

support changing business needs, with the possible roll out to Country Offices.

- Compensation: Changes introduced in the Headquarters and Country Office staff compensation methodologies will moderate structure adjustments in FY20. Management will conduct a study on the WBG competitiveness for salaries and benefits in FY22.
- Workforce structure: Other workforce measures implemented include using attrition to control overall position count growth and optimizing grade mix. Performance management has been strengthened with an enhanced performance evaluation and feedback framework.
- Corporate procurement: In FY19, Management enhanced efforts to achieve savings and cost avoidance in the procurement/negotiation of corporate contracts by benchmarking cost of goods and services, targeting savings at the contract level, clawing back savings targeted from budget units and setting up a monitoring mechanism.
- Other measures: Management continues to exercise tight oversight of travel expenditures (including through oversight over travel exceptions, the introduction of a mandatory global travel card, the use of an external hotel vendor and tighter control over global participation in events and conferences), rationalization of external contractor use and oversight in discretionary spend on food services.

Savings resulting from these efficiency measures were already clawed back from unit trajectories as detailed in the FY19 Budget Document<sup>4</sup> and additional efficiency measures have been identified for the FY20 budget and related budgetary claw-backs are presented in Section 4.2.

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<sup>4</sup> See “FY19 World Bank Budget – Text for Public Disclosure”, SecM2018-0271; September 11, 2018, Table 4.3.



**31. *Business Reviews have identified significant savings, process improvements and organizational realignments.***

Following and building upon the successful implementation of the Expenditure Review, Business Reviews for twelve IG&A units have been completed to date. Business Reviews have identified significant savings, process improvements and organizational realignments. Four remaining business reviews are expected to be completed soon and will be reported in the efficiency progress reporting after the fiscal year-end (see para. 29).

**32. *Agile approaches, administrative simplification and the use of technology are pursued to achieve additional productivity gains.***

Additional productivity gains are being sought through agile initiatives and administrative simplification efforts. It is important to note that these efforts involve continuous piloting, testing and evaluation of ideas which have been generated by staff. Furthermore, IG&As are reviewing three end-to-end processes using value chain analysis, with the goal to identify opportunities for process optimization, improved customer experience and cost savings. The processes analyzed are procure to pay, travel, and staff hire-to-retire.

In addition, units across the Bank are piloting the use of innovative technologies to improve internal efficiencies, increase knowledge, and help identify and test technology enabled development solutions. ITS has reallocated resources towards the Technology and Innovation Unit; pilots on Robotic Process Automation (RPA), blockchain, artificial intelligence (AI) and machine learning are also ongoing.

### 3. FY20-22 BUDGET FRAMEWORK

*This section sets out the aggregate funding for the World Bank Budget and External Funds and demonstrates the consistency of this medium-term budget framework with the principles of financial sustainability and efficiency.*

#### 3.1 AGGREGATE BANK BUDGET

**33. Management proposes a 4.2 percent Bank Budget increase in nominal terms (1.8 percent in real terms) for FY20.**

Striving to maintain budget discipline and considering strategic priorities, increasing costs of doing business, and savings derived from efficiencies and the impact of the revised compensation methodology, Management proposes a Bank Budget increase of 4.2 percent in nominal terms and 1.8 percent in real terms for FY20 (See Table 3.1).

*Table 3.1: Bank Budget (US\$ million)*

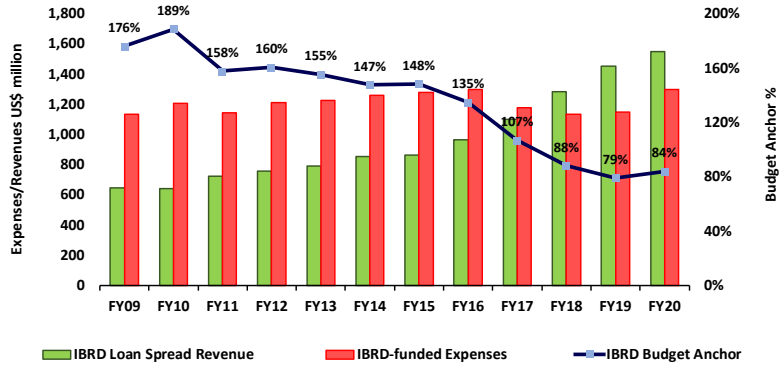
	FY19	FY20
Current Trajectory (FY19 and FY20 as per FY19 WB Budget Document)	2,611	2,669
Revision to Trajectory		52
<b>Revised Trajectory (Nominal)</b>	2,611	2,721
<b>% Change YOY (Nominal)</b>		<b>4.2%</b>
<b>Proposed FY20 Budget (in FY19\$)</b>	2,611	2,657
<b>% Change YOY (Real in FY19\$)</b>		<b>1.8%</b>
<b>IBRD Anchor</b>	<b>79%</b>	<b>84%</b>
Available for IBRD net income retention/transfer	305	252
<b>IDA Anchor</b>	<b>98%</b>	<b>85%</b>
Available for other uses of IDA income	24	245

**34. The proposed FY20 budget will maintain budget sustainability and contribute to the Bank's financial strengthening.**

As part of the capital package, new IBRD budget anchor targets have been agreed with shareholders. The new IBRD anchors are specified in the form of target zones identified for 3-year intervals from FY19 to FY30. Target zones rather than specific point targets were agreed upon given that loan revenues may be affected by factors beyond Management control, including borrower decisions and global developments affecting loan maturities, and lending demand and supply; and given that the administrative expense ratio for IBRD versus IDA is subject to change depending on the size of future IDA replenishments. The agreed goals are demanding, but Management is committed to remain within agreed target zones for each year until 2030.

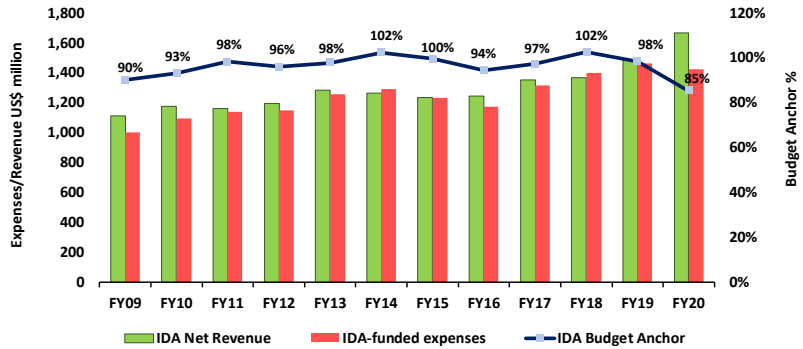
The IBRD anchor (i.e., the ratio of IBRD expenses over IBRD loan spread income) for the proposed FY20 Budget is projected to be 84 percent (see Figure 3.1). This level is in line with the budget anchor target zone ranges agreed under the capital package for this period.

*Figure 3.1: IBRD Budget Anchor*



IDA’s budget anchor (i.e., the ratio of IDA expenses over IDA net revenue) under the proposed budget trajectory is estimated to be 85 percent in FY20. The decline in the IDA anchor reflects the expected growth in revenues driven by the larger volume of IDA lending as well as growing revenue from less-concessional IDA windows. Despite the positive outlook, there is considerable uncertainty in the revenue projections and related IDA budget anchor due to the complexity of the new IDA-18 hybrid financial model and the sensitivity of the projections to assumptions of IDA lending terms and disbursements.

**Figure 3.2: IDA Budget Anchor**

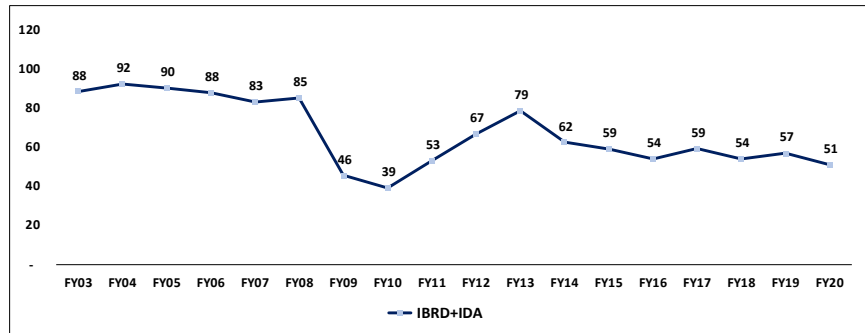


**35. The aggregate budget reflects the World Bank’s improved productivity, despite the growing volume and increased scope and complexity of work.**

Two years ago, the World Bank introduced twelve indicators to track the efficiency of resource use at the aggregate level by comparing the total administrative budget of the World Bank to the size of lending and portfolio, the largest driver of Bank costs, measured both by dollar volume and by number of projects. These indicators are used to measure total budget deployed per unit of produced output. As illustrated in Figures 3.3-3.6, the FY20 Budget compared with the expected commitments and the size of the portfolio, by dollar amount and project count, demonstrates the Bank’s continued aggregate efficiency despite the growing volume and increased scope and complexity of work. Annex II provides a detailed breakdown of these indicators for IBRD and IDA respectively (along with other indicators of budget strategic alignment and sustainability).

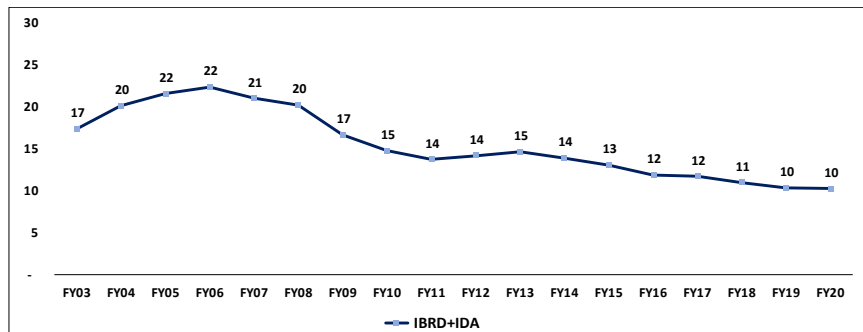
- The total administrative budget per US\$ billion of loans approved:** This efficiency indicator decreases in FY20 as the rising cost of doing business is more than compensated by efficiency measures and economies of scale. The indicator is expected to decline by approximately 35 percent in FY20 compared to FY13.

**Figure 3.3: Total Administrative Budget per US\$ Billion of Loans Approved (US\$ million)**



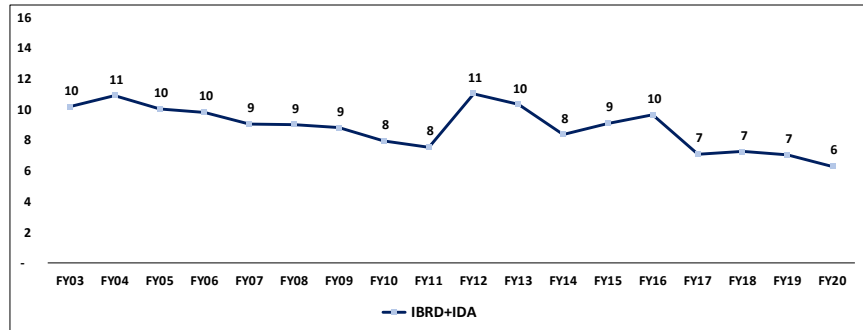
- The total administrative budget per US\$ billion of portfolio under supervision:** This indicator continues to decline as the administrative budget is growing more slowly than the portfolio. This indicator is expected to decline by 33 percent in FY20 compared to FY13. All of this is achieved in the context of a rising share of the portfolio in low and lower-middle income countries and fragile states with more difficult and riskier operating environments.

**Figure 3.4: Total Administrative Budget per US\$ Billion Portfolio under Supervision (US\$ million)**



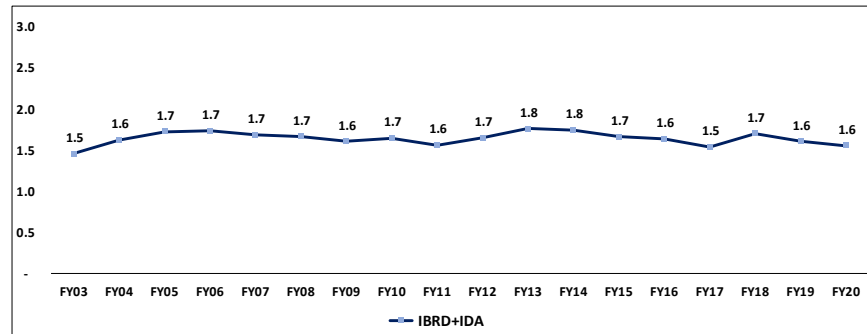
- The total administrative budget per lending project approved:** This indicator is projected to decrease in FY20 despite a growing pipeline with projects facing higher costs of doing business. As compared to FY12, this indicator is expected to decline by 45 percent in FY20.

*Figure 3.5: Total Administrative Budget per Lending Project Approved (FY19US\$ million)*



- The total administrative budget per project under supervision:** This indicator is slightly declining in FY20 as the administrative budget will grow more slowly than the number of projects in the portfolio. This decline is achieved despite a rising share of the projects in low and lower-middle income countries and fragile states.

*Figure 3.6: Total Administrative Budget per Project under Supervision (FY19US\$ million)*



### 3.2 EXTERNAL FUNDS OUTLOOK

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**36. *Bank-Executed Trust Funds are expected to grow further, albeit at a slower pace.***

External Funds support development activities as either: (i) funding channeled to the Bank for Bank-performed activities (e.g., Bank-Executed Trust Funds (BETFs), Reimbursable Advisory Services (RASs), Externally Finance Outputs (EFOs), the Reserve Asset Management Program (RAMP) and some miscellaneous reimbursable activities); or (ii) funds channeled through the Bank to recipients (e.g., Recipient Executed Trust Funds (RETFs) and Financial Intermediary Funds (FIFs)) for which the Bank receives fees for services.

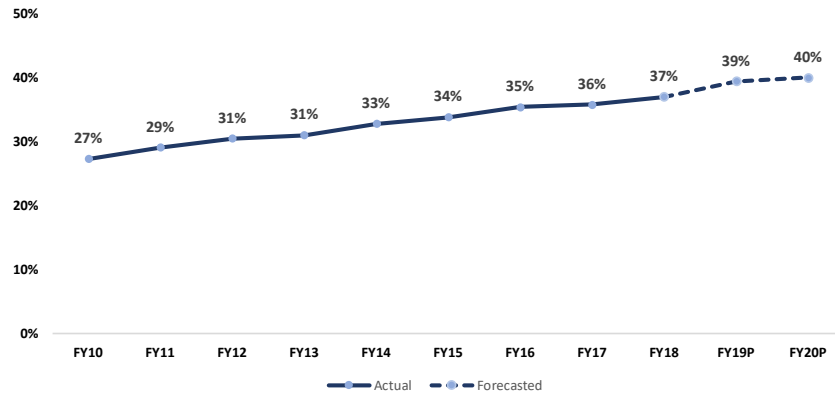
The growth of BETFs use has slowed down, from 12 percent in FY18 to 5 percent in FY19 (YTD), with growth in FY20 estimated to be around 6 percent. Continued growth is underpinned by slightly improved BETF fund balances and growth in projected contributions under new Trust Fund agreements in FY19. More than half of BETF disbursements support country specific and global Advisory Services and Analytical (ASA) work, and around a quarter of total BETF disbursements are related to projects in the Africa region.

Reimbursable Advisory Services (RAS) and Externally Financed Outputs (EFO), which combined account for 10 percent of all External Funds that directly fund the Bank, are growing by 15-20 percent in FY19, with continued strong growth projected for FY20. Inflows from RAS are expected to reach around US\$140 million in FY20. As discussed under the capital package, clients' demand for RAS tends to increase as their income rise and efforts are underway to better support this financing instrument, including centralized and standardized billing as well as a simplified accruals process.

**37. *The share of external funds to total administrative spending plans is envisaged to stabilize at around 40 percent.***

Based on the above projections, total revenue from External Funds is expected to reach US\$1.8 billion in FY20, with the part funding operational activities reaching over US\$1.5 billion (of which US\$1.2 billion from BETFs and around US\$140 million from RASs) accounting for over 80 percent of total revenue from External Funds. Management expects that the share of external funds for Bank-executed services will stabilize at around 40 percent of the Bank's total administrative spending, following the significant growth in recent years (see Figure 3.7).

*Figure 3.7: Share of External Funds to All Funds*



***38. Shifts, trends and patterns of External Funds contributions are taken into consideration as part of the planning and budgeting process.***

In the environment outlined above, planning of BETFs and other External Funds becomes critical. Forecasting of External Funds trends and usage and their alignment with the Bank’s strategic priorities are a part of the aggregate budget trajectory planning. Also, planning of BETFs and other external funds is increasingly integrated into operational plans during detailed work programming.

There are two key priorities of the ongoing Trust Fund Reform which are expected to improve BETF projections in the future. First, fewer, larger trust funds are expected to lead to improved managerial oversight, better alignment with the strategic planning and budgeting process, and, therefore, greater predictability in terms of BETF projections required to deliver on key Bank priorities. Second, synchronizing trust fund allocations with strategic planning and budgeting process will help Bank Management get a better overview of stocks and flows of BETFs to meet the Bank’s current and future priorities.

In addition, a revised set of directives and guidelines has been issued recently to equip the World Bank with a more flexible and responsive operational framework for RAS. A Global RAS unit has been set up to share best practice for achieving quality and impact, harmonize business development approach, prepare strategic guidance, provide training for staff, and enhance communications with stakeholders.

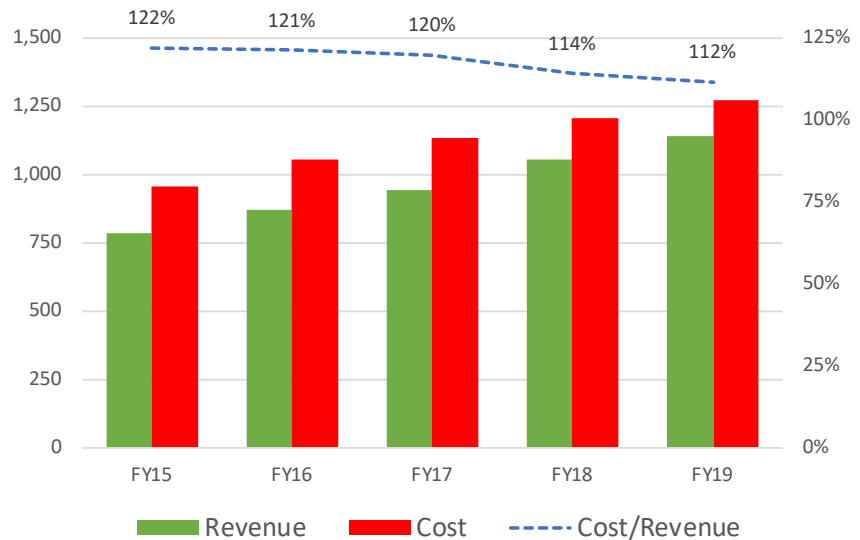


**39. The trust funds cost recovery reform has been implemented successfully and will generate an additional US\$100 million annually from FY19 onward.**

In FY15, the Board endorsed the goal of increasing Trust Fund cost recovery by US\$100 million annually. At the start of FY16, Management introduced a new cost recovery framework for Trust Funds, endorsed by the Board. This framework specifies: (i) a tiered fee scale on RETFs; (ii) a uniform indirect rate on staff and consultants; (iii) benefits rates that reflect the actual cost of staff benefits and pensions; and (iv) more standardized Administration Agreements with development partners as well as report automations.

As a result, satisfactory progress has been made towards the goal of achieving additional cost recovery of US\$100 million by FY20, with the actual costs to revenue ratio dropping by 10 percentage points since FY15 to 112 percent in FY19 (see Figure 3.8). However, the World Bank administrative budget (and so implicitly from IDA and IBRD contributions) continues to subsidize the costs associated with activities financed by Trust Funds and other types of External Funds and Management is examining options for addressing this issue.

*Figure 3.8: Cost Recovery from BETFs (US\$ million)*



### 3.3 AGGREGATE BANK BUDGET AND EXTERNAL FUNDS TRAJECTORIES

40. *An aggregate resource envelope for FY20 has emerged from the discussion on the strategic framework and the External Funds outlook.*

The “All Funds” trajectory for the sum of the Bank Budget (BB) and External Funds (including BETFs, RASs and EFOs) shows a nominal growth of 4.8 percent in FY20.

*Table 3.2: FY19 & FY20 Budget and External Funds Projections (US\$ million)*

	FY19	FY20
<b>Nominal</b>		
Bank Budget (BB) Trajectory	2,611	2,721
External Funds (EF) Projections <sup>1</sup>	1,697	1,795
<b>Total (Nominal)</b>	<b>4,308</b>	<b>4,516</b>
<i>Y-o-Y Growth</i>		4.8%
<b>Real (in FY19\$)</b>		
Bank Budget (BB) Trajectory	2,611	2,657
External Funds (EF) Projections <sup>1</sup>	1,697	1,753
<b>Total (Real in FY19\$)<sup>2</sup></b>	<b>4,308</b>	<b>4,410</b>
<i>Y-o-Y Growth</i>		2.4%

<sup>1</sup> FY19 EF projections as of Q3.

<sup>2</sup> Deflator of 2.4% was applied.

## 4. FY20 ADMINISTRATIVE BUDGET

*This section presents specific details of the FY20 administrative budget proposal, the allocation to the main budget categories and their alignment with the WBG strategic directions. It provides details on allocations for operational programs, IG&A units, other non-unit specific budgets, as well as an estimated expense line view.*

### 4.1 ADMINISTRATIVE BUDGET PROPOSAL

**41. Management is proposing a Bank administrative budget of US\$2,721 million for FY20, as part of a broader total funds estimate of US\$4,516 million.**

The proposed administrative budget for FY20 is US\$2,721 million as set out in Table 4.1 below. The proposed budget represents an increase of 4.2 percent in nominal terms and 1.8 percent in real terms for FY20.

*Table 4.1: FY19 & FY20 WB Budget (US\$ million)*

	FY19	FY20
Proposed FY20 Budget Trajectory (Nominal)	2,611	2,721
<b>% Change YOY (Nominal)</b>		<b>4.2%</b>
Proposed FY20 Budget Trajectory (in FY19\$)	2,611	2,657
<b>% Change YOY (Real in FY19\$)</b>		<b>1.8%</b>

### 4.2 ADJUSTMENTS TO THE BUDGET

**42. The business priorities and outlook discussed in the second section of this paper are shaping the FY20 Budget and how resources are allocated.**

Five business priorities have informed the sizing of the FY20 Budget and adjustments to allocations:

- the IBRD scale-up and implementation of capital package commitments;
- strong delivery of IDA (IDA-18 and beyond), with continued focus on fragile countries and small states;
- supervision of the portfolio and implementation of the new Environmental and Social Framework (ESF) and of the work program on Gender-Based Violence;
- prioritizing and strengthening support to key global priorities and public goods at the global and country level; and
- investments to strengthen institutional support for delivery.

Management has identified three modalities to adjust the budget presented in the FY19 Budget Document to ensure alignment with

funding requirements under these business priorities: (i) reallocations within unit budget trajectories; (ii) incremental additions to unit budget trajectories with priority given to operational needs; and (iii) efficiency measures, economies of scale and incremental cost recovery to free resources to partially fund these incremental additions.

**43. *The IBRD scale-up and implementation of capital package commitments are key priorities impacting the FY20 Budget.***

The IBRD lending amounts underpinning the FY20 Budget are US\$8 billion per year more than those anticipated in the FY19 Budget (as presented in the FY19 Budget Document) which was constructed on a pre-capital increase scenario. The IBRD scale-up will require additional funding. In FY19, US\$35 million was added through the flexibility band to unit trajectories to support the IBRD capital package implementation, especially for the re-building of the lending pipeline. This incremental funding will also be required for the following years, and will increase over time, as higher levels of lending flow through and increase the size of the IBRD portfolio. Incremental funding is also required to support the implementation of the capital package commitments – in particular, the additional financing for IBRD countries below the GDI level. Management is allocating additional resources of US\$65 million in FY20 from the approximately<sup>5</sup> US\$700 million of base IBRD operational budget initially allocated in FY19 before the start of the IBRD capital package implementation.

**44. *Resources will continue to be prioritized for IDA delivery, including for fragile countries.***

Significant resource increases for IDA scale up and delivery, including in FCVs, have already been reflected in the base budget trajectory in previous years. As part of the FY20 Budget, Management is making some further small increases resulting in gross resources allocated to IDA operations growing to approximately US\$935 million in FY20. Incremental funding for FY20 has focused on strengthening risk management and supervision, enhanced field presence and increased security costs in IDA countries.

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<sup>5</sup> The references to IBRD and IDA budget in these bullets are notional approximations because the World Bank budget is approved and managed as an aggregate for IBRD and IDA combined, with actual expenses distributed between IBRD and IDA after the fact, based on a Board-approved methodology, primarily determined by actual expenses on IDA related and IBRD related work. Estimates for IBRD and IDA base operational budgets are shown net of claw backs discussed in subsequent paragraphs.

- 45. *Additional funding has been provided for the supervision of the portfolio and implementation of the new Environmental and Social Framework and of the work program on Gender-Based Violence.***
- Funding for supervision of the portfolio and implementation of the new ESF and the Gender-Based Violence Action Plan has been increased. This reflects the Bank’s growing and riskier portfolio as well as the implementation of the new ESF. Funding has increased by 43 percent since FY17-19 to strengthen safeguards work and support the introduction of the new ESF, including for the preparation of new procedures, training of staff, and familiarization of borrowers. Additional funding has been provided in FY20 for enhancing managerial quality control in the implementation of the new ESF, supporting changes recently introduced to strengthen accountability and compliance. Incremental funding in FY20 will also support the retrofitting of the project portfolio and further work related to the implementation of the Gender-Based Violence Action Plan.
- 46. *Funding for work on key global priorities and public goods has been increased and, within that funding, efforts have been made to reduce fragmentation and enhance synergies.***
- A concerted effort has been made through this year’s planning and budgeting process to prioritize within the funding provided for Global Engagement (GE), reduce fragmentation in tasks, and enhance synergies with the work program and resources of Development Economics (DEC). In addition, some incremental funding has been provided to support the delivery of corporate engagements as well as of global priorities/public goods work as detailed in the following section. The incremental funding for the IBRD scale-up and IDA delivery will also help to further integrate global priorities and public goods into country specific country engagements, both project and analytical work.
- 47. *Management has identified some incremental funding required to strengthen institutional support for operational delivery.***
- Further institutional funding includes support to finance units for the implementation of the capital package financial commitments; staff health and safety; upgrading Bank capability for cyber-security risk; development of a risk appetite framework for Bank operations; funding for the Data Privacy Office; and adjustments to central accounts. In addition, a small upfront investment is required to facilitate exit from leased spaces, as part of the first phase of a program of real estate realignment Management is implementing to rationalize use of leased space—with resulting savings increasing in follow up years.

**48. Gross additions to unit trajectories total US\$109 million in FY20.**

Incremental funding for the corporate priorities described above totals US\$109 million in FY20. The largest cost driver is the IBRD scale-up and implementation of the capital package commitments (around 60 percent of the additions in FY20), with impact growing year-by-year as higher IBRD lending levels flow into the portfolio.

*Table 4.2: Incremental Additions to the Budget (US\$ million)*

	FY20
IBRD scale-up and capital package commitments	65
IDA delivery including FCVs	7
Supervision of the portfolio, ESF implementation and Gender Based Violence action plan	12
Support to global priorities and public goods	4
Institutional support for delivery	21
o/w Real Estate Realignment	3
<b>Total Incremental Additions</b>	<b>109</b>

**49. To help address rising costs of doing business, additional efficiency measures, economies of scale and cost-recovery enhancements totaling US\$46 million have been identified in FY20.**

The FY19 budget presented in last year’s Budget Document already included incremental efficiency measures and cost-recovery enhancements amounting to US\$49 million in FY19 and US\$71 million in FY20.<sup>6</sup> Additional efficiencies, economies of scale and cost-recovery totaling US\$46 million have been identified for FY20 (see Table 4.3 below). These represent a strong start for the achievement of the capital package commitments in efficiencies and in economies of scale savings accumulating over the period FY19 to FY30.

Key measures include:

- **Compensation:** Changes introduced in the HQ staff compensation have resulted in budget adjustments reflected in the FY19 Budget. For FY20, the Board has also approved a new Country Office staff compensation methodology.
- **Economies of scale:** Efforts have begun to achieve cumulative benefits by FY30, through the scale-up of average project size which will help reduce fragmentation whenever feasible as well

<sup>6</sup> The aggregate number excludes claw-backs for savings due to lower IBRD lending volumes as they will be effectively reversed as part of this year’s incremental funding for IBRD scale up.

as containment of overheads as business expands. Over time, the increase in average project size will influence the portfolio.

- Savings from Executive Directors’ Budget: For FY20, the Executive Directors have decided to reduce their base budget trajectory by US\$5 million, as reflected in the table below.
- Real estate: The small upfront investments to support part of phase 1 (noted above) yield small savings in FY21-23 and larger savings from FY24 onward.
- Other efficiencies resulting from workforce measures; corporate procurement; oversight over travel and food service spend; and rationalization of external contractor use.
- Additional cost recovery from Shared Service Agreements (SSA) for services provided by the Bank to IFC and MIGA: a revised cost methodology has been agreed by the Bank, IFC and MIGA to more accurately estimate costs incurred for the delivery of shared services.

*Table 4.3: Incremental Claw-backs/Savings from the Budget (US\$ million)*

	FY19	FY20
<b>(A) Efficiencies, economies of scale and cost recovery enhancements presented in FY19 Budget Document</b>	<b>49</b>	<b>71</b>
<b>Efficiencies and Economies of Scale</b>		
<i>Reduction from HQ staff Compensation Review</i>	12	10
<i>Savings from Board of Governors Budget</i>	1	1
<i>Savings from Executive Directors Budget</i>	2	2
<i>Other Savings and Efficiency Measures</i>	25	50
<b>Cost recovery enhancements</b>		
<i>IFC-MIGA full staff benefit cost recovery from SSAs</i>	8	8
<b>(B) New efficiencies, economies of scale and cost recovery enhancements identified in FY20 Budget Document</b>		<b>46</b>
<b>Efficiencies and Economies of Scale</b>		
<i>Economies of Scale savings</i>		16
<i>Reduction from CO Compensation Review</i>		6
<i>Savings from Executive Directors Budget</i>		5
<i>Other Savings and Efficiency Measures</i>		12
<b>Cost recovery enhancements</b>		
<i>IFC/MIGA additional receipts from methodological changes in SSAs</i>		8
<b>(C) Efficiency Savings Set Aside in FY19 Budget Document</b>		<b>11</b>
<b>(B+C) Total Availability for FY20 Budget</b>		<b>57</b>
<b>(A+B) Total efficiencies, economies of scale and cost recovery enhancements since FY19 Budget Document</b>	<b>49</b>	<b>117</b>

**50. The FY20 Budget increase over FY19 has three components: cost pressures included in FY19 Budget, emerging priorities and claw-backs.**

The following table shows at an aggregated level how the FY20 Bank Budget has been derived, starting with the FY19 budget document amount of US\$2,611 million. The proposed budget trajectory adjustments include three components:

- Cost pressures already reflected in the FY19 Budget Document, including an expanding IDA portfolio (see line “o/w increases already in the FY19 Budget”);
- Emerging priority areas requiring additional funding to selected unit budget trajectories (see Table 4.2); and
- Claw-backs reflecting additional savings from unit budget trajectories (see Table 4.3) that help absorb part of the required gross funding needs detailed above.

It should be noted that Vice Presidential units were requested to meet some of the gross incremental funding needs through internal reallocations and re-prioritization to repurpose some funding to new priorities and cost pressures (e.g., through renegotiation of vendor contracts).

*Table 4.4: FY20 Emerging Bank Budget (US\$ million)*

	FY19	FY20
<b>Budget trajectory as per FY19 Budget Document</b>	<b>2,611</b>	<b>2,669</b>
<i>o/w increases already in the FY19 Budget</i>		58
Emerging priority area requiring additional funding		109
Claw-backs and efficiency savings		(57)
<b>Change compared to FY19 Bank Budget Trajectory</b>		<b>52</b>
<b>FY20 Budget Trajectory (Nominal)</b>	<b>2,611</b>	<b>2,721</b>
<b>% Change YOY (Nominal)</b>		<b>4.2%</b>
Proposed FY20 Budget Trajectory (in FY19\$)	2,611	2,657
<b>% Change YOY in real terms (in FY19\$)</b>		<b>1.8%</b>
Deflator used		2.4%

### 4.3 STRATEGIC ALIGNMENT BY WORK PROGRAM

**51. Management is directing most of the incremental budget resources to the operations budget.**

The FY20 budget distribution reflects Management’s commitment to continue to increase the share of resources going to operations and front-line services. Operational Bank budget has grown since FY17, the year when operational budget funding started to be injected to deliver the IDA-18 scale up. To support the IBRD scale-up, Management has increased the operational budget allocation by US\$109 million in FY20 from FY19 pre-General Capital Increase



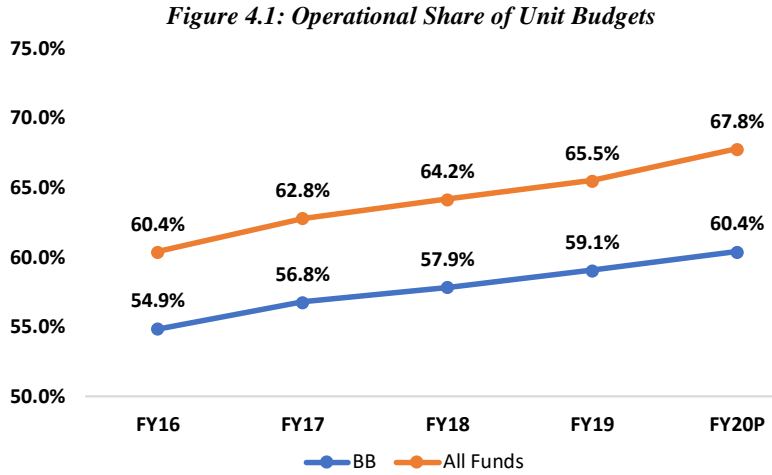
(GCI) levels, and by US\$58 million compared to FY20 pre-GCI trajectory as set out in the FY19 Budget Document. Moreover, the share of Bank budget resources allocated to operations will increase from 59.1 percent in FY19 to 60.4 percent by FY20 (see Figure 4.1).

*Table 4.5: FY19 & FY20 Budget by Work Program & Funding Source (US\$ million)*

INDICATIVE BUDGET TRAJECTORIES	BANK BUDGET		ALL FUNDS	
	FY19	FY20	FY19	FY20
<u>Client Engagement</u>	871	958	1,888	2,107
Country Engagement	781	858	1,578	1,766
Global Engagement	90	100	310	341
<u>Program &amp; Practice Management</u>	695	717	790	862
<b>TOTAL OPERATIONAL UNITS</b>	<b>1,566</b>	<b>1,675</b>	<b>2,678</b>	<b>2,969</b>
Grant Making Facilities	35	35	35	35
<b>TOTAL OPERATIONS</b>	<b>1,601</b>	<b>1,710</b>	<b>2,713</b>	<b>3,004</b>
Institutional Services	412	417	614	584
Governance Services	216	211	234	230
Administrative Services	456	469	562	595
<b>TOTAL IG&amp;A UNITS</b>	<b>1,084</b>	<b>1,097</b>	<b>1,410</b>	<b>1,410</b>
<b>TOTAL: ALL UNITS (excl. GMFs)</b>	<b>2,650</b>	<b>2,772</b>	<b>4,088</b>	<b>4,378</b>
<b>CENTRALLY MANAGED ACCOUNTS</b>	<b>103</b>	<b>102</b>	<b>103</b>	<b>103</b>
<i>o/w Corporate Contingency</i>	10	10	10	10
<b>TOTAL TRAJECTORY</b>	<b>2,788</b>	<b>2,909</b>	<b>4,226</b>	<b>4,516</b>
<i>o/w Funded by External Funds</i>	(177)	(188)	(1,616)	(1,795)
<b>Net Trajectory Funded by IBRD/IDA</b>	<b>2,611</b>	<b>2,721</b>	<b>2,611</b>	<b>2,721</b>

*Table 4.6: FY19 & FY20 Budget Share by Work Program and Funding Source*

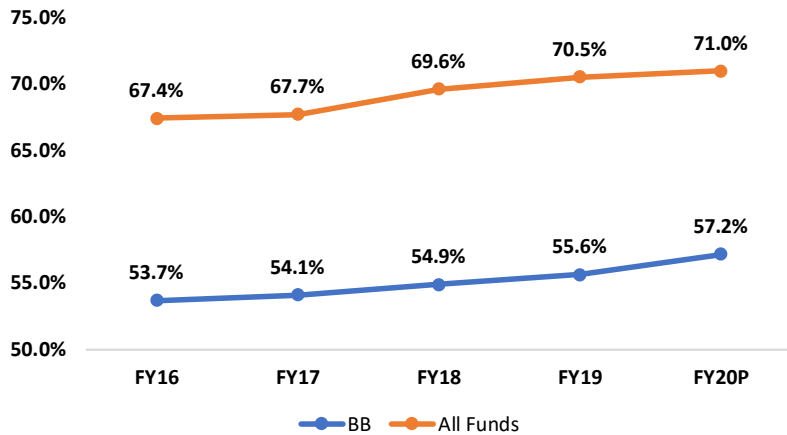
Share of Budget Trajectory	BANK BUDGET		ALL FUNDS	
	FY19	FY20	FY19	FY20
<u>Client Engagement</u>	32.9%	34.6%	46.2%	48.1%
Country Engagement	29.5%	31.0%	38.6%	40.3%
Global Engagement	3.4%	3.6%	7.6%	7.8%
<u>Program &amp; Practice Management</u>	26.2%	25.9%	19.3%	19.7%
<b>TOTAL OPERATIONAL UNITS</b>	<b>59.1%</b>	<b>60.4%</b>	<b>65.5%</b>	<b>67.8%</b>
Institutional Services	15.5%	15.0%	15.0%	13.3%
Governance Services	8.2%	7.6%	5.7%	5.3%
Administrative Services	17.2%	16.9%	13.8%	13.6%
<b>TOTAL IG&amp;A UNITS</b>	<b>40.9%</b>	<b>39.6%</b>	<b>34.5%</b>	<b>32.2%</b>
<b>TOTAL: ALL UNITS (excl. GMFs)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



*Note: Excludes GMFs*

Within the operational budget, the largest share of the incremental resources will be allocated to Client Engagement, which is planned to reach 57.2 percent in FY20 compared to 55.6 percent in FY19. On an “All Funds” basis, the share of Client Engagement in Operational unit trajectories will reach 71.0 percent in FY20 (see Figure 4.2 below).

**Figure 4.2: Client Engagement Share of Operational Unit Budgets (including Country Engagement and Global Engagement)**

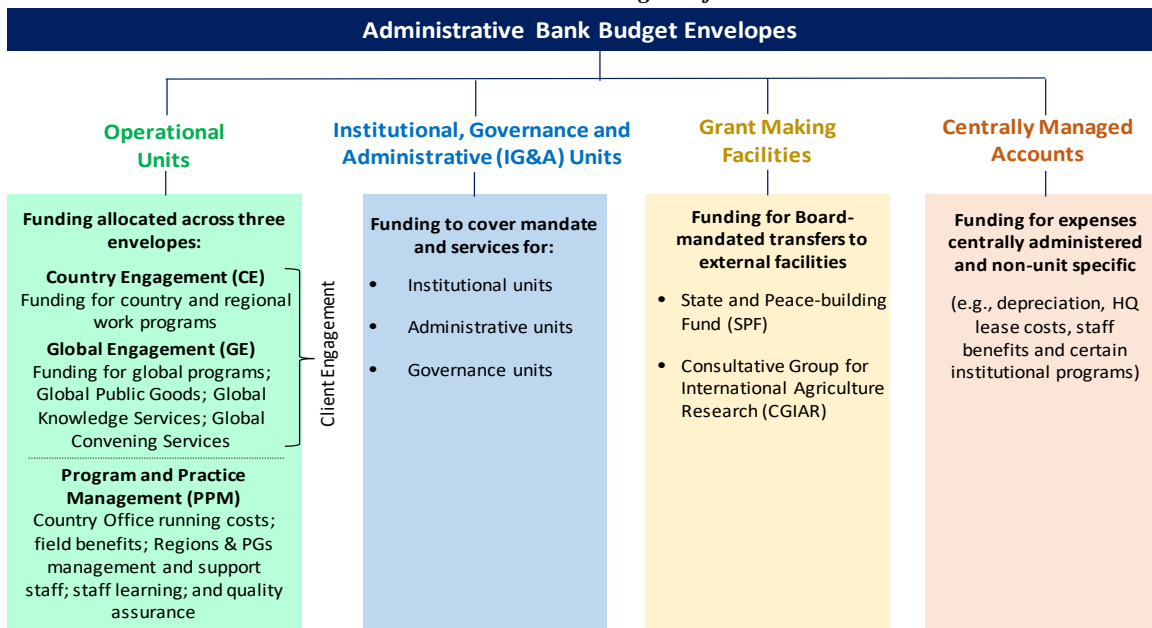


Within the Client Engagement envelope, funding for work on Country Engagement (CE) will increase by 10 percent between FY19 and FY20 to support lending preparation and supervision work, knowledge services and convening services. The Global Engagement (GE) Bank Budget allocation will be increased by 11

percent over the same period to support global initiatives with enhanced prioritization of funding within this envelope.

Resources for Program and Practice Management (PPM), which fund the management and overhead costs of running the operational work program, will increase by 3 percent between FY19 and FY20 to support strengthened risk management and quality control as the portfolio grows, invest in staff learning, and manage cost pressures on facilities. See additional explanation of definition of the Administrative Budget Envelopes in Box 4.1.

**Box 4.1: Administrative Budget Definition**



## 4.4 OPERATIONAL WORK PROGRAM

**52. Country Engagement allocations to all Regions have been increased to support the IBRD scale-up and capital package implementation and to ensure IDA delivery.**

Management has increased the Country Engagement budget by US\$77 million in FY20, with all Regions seeing an increase of more than 5 percent of their FY19 allocations (see Table 4.7). This builds on the increases that were already factored into the FY17-FY19 Budget Documents focusing primarily on the two biggest IDA Regions, AFR and SAR, for the IDA-18 delivery.

**Table 4.7: FY19 & FY20 Operational Budget Envelopes (US\$ million)**

INDICATIVE BUDGET TRAJECTORIES	BB		ALL FUNDS	
	FY19	FY20	FY19	FY20
<b>AFR</b>				
CE	286	317	528	586
PPM	123	129	127	136
Total	409	446	654	722
<b>EAP</b>				
CE	109	115	247	284
PPM	61	62	65	65
Total	171	177	312	349
<b>ECA</b>				
CE	87	94	194	226
PPM	55	55	56	56
Total	142	150	250	282
<b>LCR</b>				
CE	97	105	156	185
PPM	57	57	58	60
Total	154	162	213	245
<b>MNA</b>				
CE	61	67	189	198
PPM	36	37	38	39
Total	97	104	227	236
<b>SAR</b>				
CE	125	140	249	268
PPM	55	56	57	58
Total	180	196	306	326
<b>Other Operational Units' Allocations<sup>1</sup></b>				
CE	16	20	16	20
<b>All Regions</b>				
CE	781	858	1,578	1,766
PPM	387	395	400	414
<b>Total for Regions</b>	<b>1,168</b>	<b>1,253</b>	<b>1,978</b>	<b>2,180</b>
<b>Practice Group GE</b>				
Practice Group GE	90	100	310	341
<b>Practice Group PPM</b>				
Equitable Growth, Finance and Institutions	80	84	92	95
Human Development <sup>2</sup>	40	44	46	99
Infrastructure	-	37	-	52
Sustainable Development	105	82	168	124
Other Operational Support <sup>3</sup>	64	75	64	78
Global Themes	18	-	19	-
Total Practice Group PPM	308	322	390	448
<b>Total for Practice Groups</b>	<b>398</b>	<b>422</b>	<b>700</b>	<b>789</b>
<b>Total Operational Units</b>	<b>1,566</b>	<b>1,675</b>	<b>2,678</b>	<b>2,969</b>

<sup>1</sup> CE funds for the retrofitting of the project portfolio and further work related to Gender-Based Violence (GBV), enhanced quality control and implementation efforts of the new Environment and Social framework, continued implementation of the lessons learned from supervision pilots in fragile countries, and other corporate priorities.

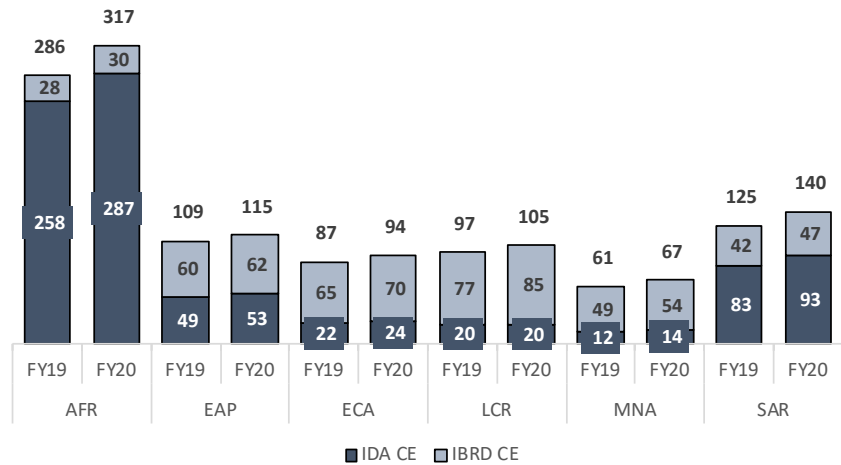
<sup>2</sup> The Global Partnership for Education (GPE) Secretariat has been remapped from Development Finance to Human Development.

<sup>3</sup> Includes Global Mobility benefits for operational staff, funding to support the Agile Bank initiative, aspects of the work on FCV Supervision Pilot, GBV Action Plan, FCV Department, and Risk-Appetite Framework.

**53. The outcome of the Work Program Agreement (WPA) process shows an increase in budget allocations for work on IBRD and IDA countries in FY20.**

Allocations to IBRD and IDA countries in each of the Regions are set out in Figure 4.3. Overall budget allocations for operational work in both IBRD and IDA are largely showing increases across the board to support the IBRD capital package implementation and continuing focus on IDA delivery.

*Figure 4.3: Evolution of the Country Engagement Bank Budget by Region from FY19 to FY20 (US\$ million)*



**54. Country Engagement allocations across business processes are reflective of strategic priorities emerging from country dialogue and corporate commitments.**

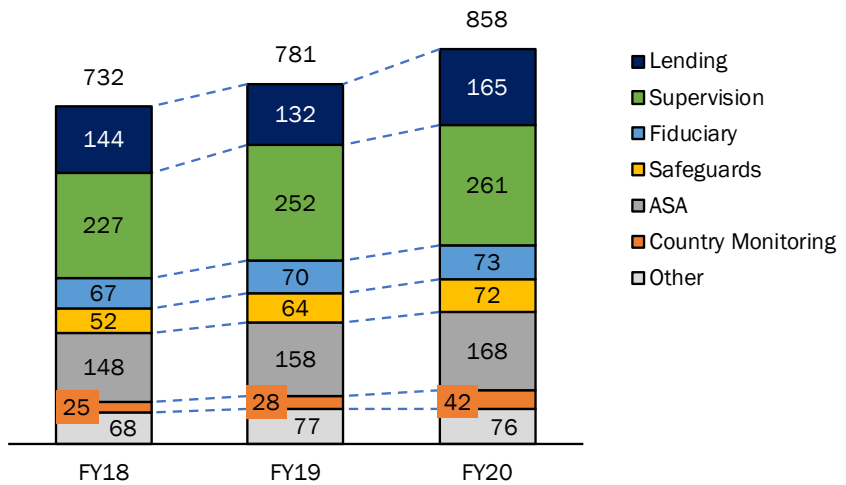
The Country Engagement allocations have been calibrated to support the following:

- The IBRD scale-up and implementation of the capital package commitments and IDA delivery (IDA-18 and beyond). This includes a continued focus on fragile countries and small states — and in both IBRD and IDA countries supervision of a larger and riskier portfolio tilted towards countries with weaker institutional environments and integration of global priorities/public goods into country work.
- Economies of scale. These are sought through increases in the average project size where feasible. This has resulted in a less fragmented pipeline and an increase in the average funding allocation per project under preparation (11 percent) and supervision (5 percent) to ensure resources are available to the front-lines for quality delivery.
- Supervision of the portfolio and fiduciary and safeguards work for both project preparation and supervision (see Figures 4.4 and 4.5). The allocations for these categories continue to grow at the same pace as the CE trajectory. This reflects the Bank’s

growing and increasingly complex and riskier lending and portfolio, including the implementation of the new ESF.

- Strengthening of Advisory Services and Analytics (ASA) and of country monitoring and policy dialogue to inform new lending preparation and technical assistance. This is the third successive annual increase in ASA allocations and reflects the Bank’s commitment to remain engaged in dialogue across all client groups, and underpins dialogue for future lending operations and integration of corporate priorities/public goods into country dialogue and work.

**Figure 4.4: Country Engagement Bank Budget Allocations by Business Process for FY18-20 (US\$ million)**



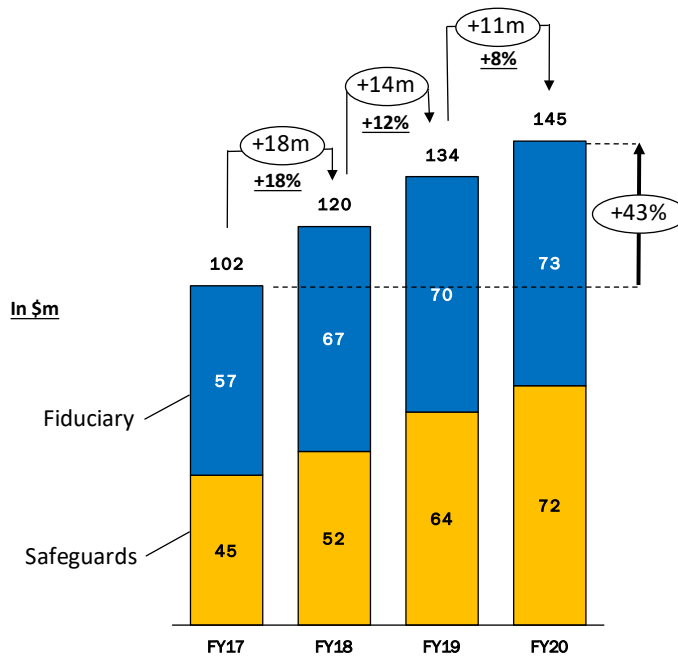
In addition to the Country Engagement allocations to the Regions, US\$10 million is held for operations for FY20, and will be used during the fiscal year, similar to FY19, to fund retrofitting of the project portfolio and further work related to Gender-Based Violence (GBV) and for continued implementation of the lessons from supervision pilots in fragile countries. CE allocations also reflect strong demand for work on regional integration. The balance will be held for further distribution across the Regions, other corporate priorities being programmed, and unanticipated operational demands, including to respond to new country developments.

**55. Fiduciary and Safeguards funding allocations will increase for the fourth year in a row.**

The implementation of the Procurement Framework and Environmental and Social Framework has been designed to ensure that Bank-financed projects are delivered to the highest standards. The recently introduced Procurement Framework is designed to increase the flexibility, efficiency and transparency of the procurement process, and the new ESF, which became operational in FY19, will enhance the sustainability of financing by protecting people and the environment from adverse impacts. Going beyond individual projects, the framework aims to strengthen national systems and institutions in client countries.

As the Bank’s portfolio grows, and the Bank’s footprint expands into more challenging environments, Fiduciary and Safeguard allocations will increase by an additional 8 percent in FY20, or 43 percent since FY17. Allocations for Safeguards work will increase by 13 percent to US\$72 million in FY20 following large increases in FY17 and FY18. After a significant increase in FY17 and FY18 to support the implementation of the new procurement framework and the IDA-18 scale up, resources for fiduciary work will stabilize at around US\$73 million in FY20.

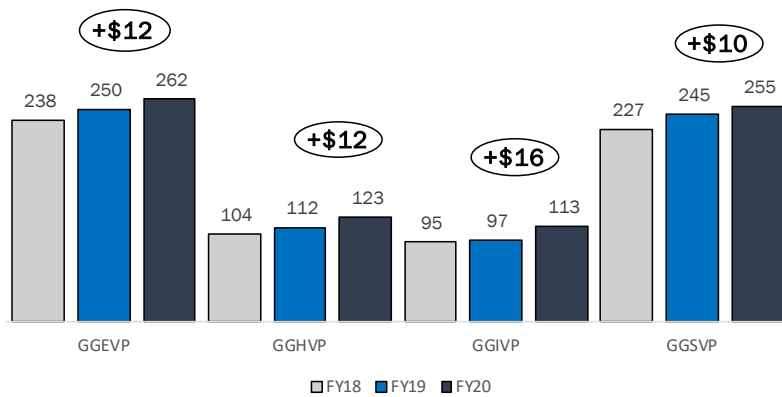
*Figure 4.5: Country Engagement Allocation on Fiduciary and Safeguards for FY17-20*



**56. Country Engagement allocations across Practice Groups reflect strategic priorities emerging from country dialogue.**

FY20 WPAs, which are driven by client demands, have resulted in increased resources in all Practice Groups. FY20 CE allocations show Equitable Growth, Finance and Institutions holding the largest share, followed by Sustainable Development (including Safeguards funding), followed in turn by Human Development and Infrastructure. In addition, Regions currently hold contingency funds (US\$40 million) which will during the year be directed to the Practice Groups whose allocation will therefore increase accordingly.

*Figure 4.6: Country Engagement Allocations by Practice Group for FY18-20 (US\$ million)*



**57. Country Engagement allocations for fragility, conflict, and violence (FCV) affected countries will increase by 11 percent in FY20, which is a 40 percent increase since FY17.**

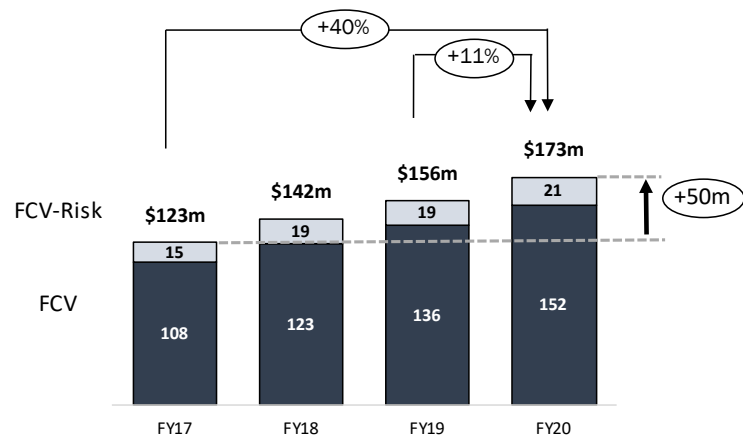
As illustrated in Figure 4.7, the CE allocation to FCV and FCV at risk countries (IDA and IBRD) increased by US\$17 million (11 percent) from US\$156 million in FY19 to US\$173 million in FY20. The increase in allocations to FCV and FCV at risk countries since FY17 amounts to US\$50 million or 40 percent, confirming the sustained focus on strengthening Bank’s engagement and impact in these countries.

The Bank is on track to meet its target of increasing net staffing in IDA FCS countries by 150 during the IDA-18 three-year cycle ending in June 2020. The Bank also continues its commitment to fully support its staff working in fragile environments by strengthening its employment value proposition. As part of this effort, career elements have been further strengthened by: (1) defining FCV/FCS experience and identifying GE+ staff as of the end of FY19Q3 with such experience to assess availability for redeployment and to form the basis for talent management, development and career discussions and decisions; (2) encouraging managers to provide flexibility in assignment duration when deploying staff to FCV locations; and (3)



guaranteeing automatic shortlisting for up to three positions of staff choice at current grade. A series of customized learning programs have been developed and is being delivered to staff who work in FCVs. Finally, the WBG is developing an FCV strategy. The objective is to enhance Bank’s support to help address the drivers of fragility, conflict and violence in affected countries and their impact on vulnerable populations, with the ultimate goal of contributing to peace and stability. Once finalized, the strategy will serve as a comprehensive framework to guide the WBG’s engagement in these complex and challenging environments. To inform the development of the strategy, global consultations are taking place between April and September 2019, with a final strategy being presented to the Executive Directors in late 2019.

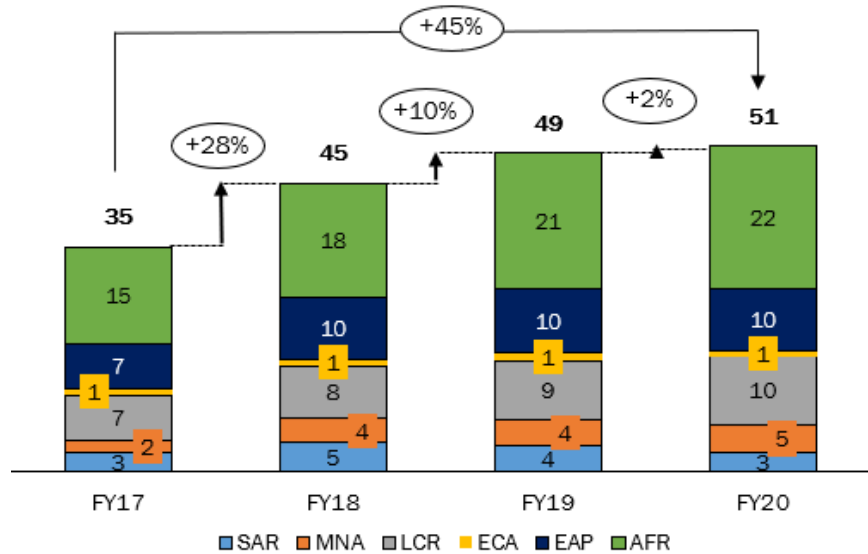
**Figure 4.7: Country Engagement Bank Budget Allocations for FCV and FCV at Risk Countries for FY17-20 (US\$ million)**



**58. Country Engagement allocations to Small States will increase by 2 percent in FY20, which is a 45 percent increase since FY17.**

As illustrated in Figure 4.8, the growth of Country Engagement allocation to Small States increased slightly by 2 percent from US\$49 million in FY19 to US\$51 million in FY20. The increase in allocations to Small States since FY17 amounts to US\$16 million or 45 percent.

**Figure 4.8: Country Engagement Bank Budget Allocations to Small States for FY17-20 (US\$ million)**



**59. Global Engagement funding from Bank Budget sources is expected to increase in FY20 to US\$100 million and is complemented by external funds provided by various partners.**

The Bank’s Global Engagement (GE) work program supports non-country-specific priorities, including (i) fulfilling corporate commitments, (ii) supporting innovation and product development to support evidence-based policy making by developing global databases, tools and evaluations and to maintain WBG leadership in global public goods, (iii) sustaining partnerships and global engagements, and (iv) providing operational support to leverage knowledge services and enable rapid and flexible operational response. The Global Engagement Bank budget allocation for FY20 has been increased by US\$10 million or 11 percent, in part to enhance Bank’s engagement for key global priorities/public goods and in part reflecting internal adjustments, e.g. incorporation of the Research Prospect group from DEC in EFI to enhance synergies. Management has also made a concerted effort to reduce fragmentation of global engagement work and enhance synergies with the work program and resources of Development Economics (DEC).

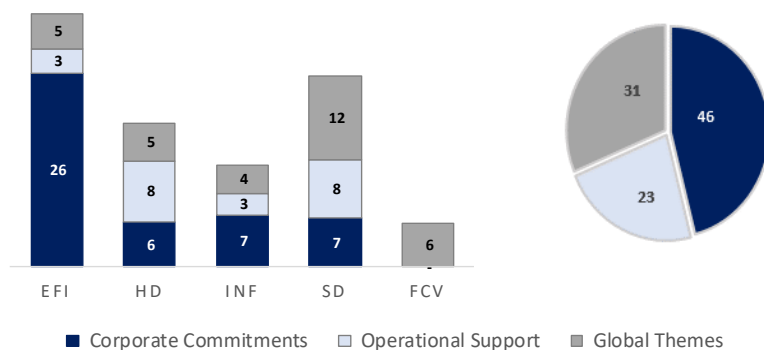
Bank funding has been allocated based on the following categories:

- Corporate Commitments (US\$46 million). Priorities include work on the Human Capital Project (notably on furthering work on measurement, research and best practices), Jobs and Economic Transformation (JET), the Maximizing Finance for Development approach, Universal Financial Access, digital transformation and disruptive technologies. Other engagements

include work on debt sustainability and transparency, trade, twin goals and data, institutions and anti-corruption, the financial sector and accounting standard setters, and support to the G20 and other global partnerships. This category also includes contributions to the Global Partnership for Social Accountability (US\$1.5 million) and Facility for Investment Climate Advisory Services (US\$2 million).

- **Global Themes** (US\$31 million). This category supports the Bank’s efforts to better deliver on cross-cutting commitments that involve multiple Global Practices, and in many cases IBRD/IDA, IFC and MIGA. These commitments comprise FCV, Gender, Infrastructure/PPPs/Guarantees, Global Economic Prospects, as well as addressing key climate change mitigation and adaptation priorities and enabling delivery of the Climate Change Action Plan.
- **Operational Support** (US\$23 million). This includes allocations to Global Practices to support on-going and new strategic engagements, innovation, product development and partnerships, and to facilitate knowledge services. Engagements in FY20 are expected to include work on developing Government capacity to design and implement effective education policies; strengthening social protection and education systems and metrics; knowledge management to support energy transition; twin goals measurement; providing support to the 2020 Changing Wealth of Nations; improving access to land and tenure security; and sustainable water storage.

*Figure 4.9: FY20 Global Engagement by Practice Group and Category (US\$ million)*



**60. *The Program and Practice Management (PPM) budget will increase by 3 percent (see Table 4.7), with units targeting efficiencies to address rising cost pressures.***

The PPM budget for operational units will continue to fund the management and support costs of the operational work program, including for priorities like decentralization, staff training/learning and country office space. The PPM allocation will be increased by 3 percent in FY20 to support (1) learning and capacity building of staff, including to maintain the global knowledge flow; (2) enhancing quality control by the Environment and Social management for the implementation of the new ESF; (3) further decentralization of Practice Managers; and (4) the development of a risk appetite framework with a small dedicated team temporarily installed to support the work and engage with other units and external experts as necessary. Also, the increase will help address associated cost pressures related to facilities and security.

Other rising PPM cost pressures will be offset through efficiency measures – keeping focus on how best to optimize organizational and management structure and grade mix, while applying agile and simplification approaches in our work. Continued attention towards span of control and, where feasible, consolidation of PPM functions (e.g. knowledge management within Practice Group VPUs) will also help contain cost pressures.

## 4.5 GRANT-MAKING FACILITIES

### 61. *Funding for the Grant-Making Facilities will remain unchanged compared to FY19.*

As part of the budget reforms in recent years, the Bank changed its practice from funding Grant-Making Facilities (GMFs) “below the line” to allocating grant-making funds as part of the strategic planning and budgeting process. In some cases, Bank funding has been phased out (e.g., Institutional Development Fund (IDF) and Development Grant Facility (DGF)); in others, it was decided to mainstream the activity into a Bank program (e.g., Global Partnership for Social Accountability (GPSA)), or reduce funding (e.g., State and Peace-Building Fund (SPF) and Consultative Group for International Agricultural Research (CGIAR)).

In FY20, consistent with Executive Directors’ guidance in past years, funding for the SPF and the CGIAR will remain at US\$5 million and US\$30 million, respectively. Despite much effort on the part of the Agriculture Global Practice over many years, no additional external funding for the CGIAR has been forthcoming to replace World Bank funding.

*Table 4.8: Grant-Making Facilities Budgets (US\$ million)*

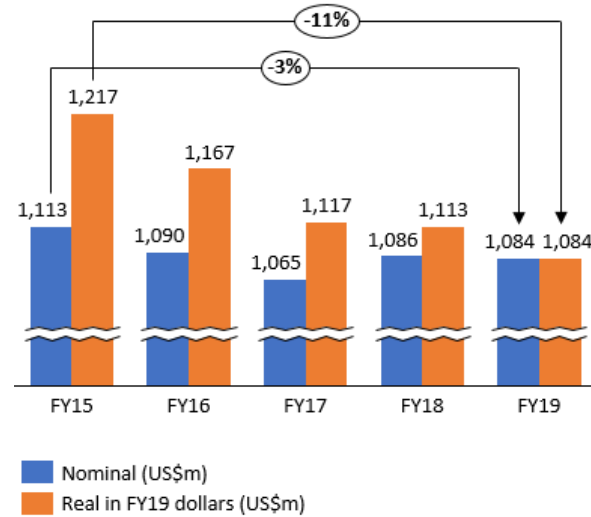
	FY14	FY15	FY16	FY17	FY18	FY19	FY20
State and Peace-Building Fund (SPF)	-	25	21	14	5	5	5
Institutional Development Fund (IDF)	9	-	-	-	-	-	-
Development Grant Facility (DGF)	51	33	12	-	-	-	-
Global Partnership for Social Accountability (GPSA) <sup>1</sup>	5	5	5	-	-	-	-
Consultative Group for International Agricultural Research (CGIAR)	50	47	30	30	30	30	30
<b>Total Operational Activities Related to Grants</b>	<b>115</b>	<b>110</b>	<b>68</b>	<b>44</b>	<b>35</b>	<b>35</b>	<b>35</b>

## 4.6 IG&A UNITS

**62. Institutional, Governance and Administrative (IG&A) budgets have been reduced since FY15.**

Over the past years, Management has made continuous efforts to seek efficiencies, productivity improvements and cost avoidance in IG&A VPUs. The Expenditure Review and Business Reviews (see section 2.4) have had a significant effect on the IG&A budgets, which have, despite the growing size of the business that they needed to support, been reduced by 11 percent in real terms and 3 percent in nominal terms between FY15 and FY19 (see Figure 4.10). In addition, the number of staff and share of GH staff in IG&A units have decreased since FY14, and work has been steadily offshored to Chennai since its inception in 2002.

Figure 4.10: IG&A Budget Allocations, FY15-19 (US\$ million)



**63. IG&As have contributed significantly to a more effective and efficient Bank.**

IG&A efforts have contributed to the Bank’s effectiveness through increased financial capacity, improved risk management and technological agility. These efforts are related to supporting operational scale up (e.g., expansion of IBRD/IDA financial capacity, enhancement of risk management framework), technology (e.g., shift to cloud computing, simplification of IT architecture), organization (e.g., centralization of administrative functions, workforce rationalization) and processes and policies (e.g., implementation of Agile approach, procurement optimization, WBG cost sharing agreements, and compensation and benefits).

**64. *Continued efforts by IG&A units to pursue institutional transformation will be critical to deliver a Bigger and Better Bank.***

Delivering as a “Bigger Bank” requires IG&As to support scale up of operational delivery within a resource constrained environment; leverage innovation and support implementation of policy commitments to enhance IBRD/IDA financial capacity and strategic trust fund mobilization; manage partner relations in a shifting international context; and ensure greater integration of synergies between DEC research and Practice Group analytical work.

IG&A transformation is an important element of the “Better Bank” and helps improve the way we work. Support includes rethinking how we manage risk in an increasing complex environment, supporting increased field presence in FCVs and efforts on decentralization, with implications for HR policies, real estate realignment and security costs, using innovative technologies, including robotics, blockchain, Artificial Intelligence and Machine Learning, and implementing end-to-end/value chain process optimization.

**65. *The overall allocation to IG&A units will further decline in real terms, with some targeted incremental allocations for specific units to meet institutional priorities.***

IG&A units are expected to achieve additional savings to support new and expanded mandates through agile and administrative simplification, grade mix and corporate procurement efficiencies. Management has also decided on gross targeted budget increases (US\$18 million in FY20) for specific IG&A units to meet institutional priorities. These include:

- Support IBRD scale up and capital package financial commitments: The Finance Units face additional responsibilities related to the new Financial Sustainability Framework (see also paragraphs above).
- Staff Health and Safety: The new Occupational Health and Safety Program is mandated by a WBG Directive. Expanded field presence of integrated Health and Safety teams will support a better coordination of health services in the field.
- Manage Cyber Security Risk: ITS continues to strengthen the WBG security infrastructure, ensuring that it is adaptive, resilient and dynamically responsive to growing cybersecurity threats. The rapid evolution of WBG business needs (e.g., the adoption of emerging and disruptive technologies and the growth of cloud services) requires up to date security.

- Data Privacy Office: The Compliance Vice Presidency (CMPVP) has been established in FY19 to house the Data Privacy Office. The Data Privacy Office will oversee the Bank’s privacy program and play a key role in the WBG’s digital transformation strategy.
- SAP Transition Preparation: Preparation for the transition from the current SAP platform to a new Enterprise Resource Planning system including exploring opportunities to modernize our systems, streamline our processes and create efficiencies.

Overall, the IG&A unit budget declines in real terms by about 3 percent between FY19 and FY20. See Table 4.10 for budget trajectory by IG&A VPU.

**66. The FY20 WBG budget for the Executive Directors and IEG amount to US\$115 million.**

The FY20 budgets for the Executive Directors Offices (EDs) and the Independent Evaluation Group (IEG) amount to US\$115 million – with a US\$3 million<sup>7</sup> reduction in the budget of Executive Directors.

Although the Bank’s share of these budgets is authorized as part of this document, and included in the total administrative budget approval, the sizing of these budgets is not determined by Management.

*Table 4.9: FY19 & FY20 ED and IEG Budgets (US\$ million)*

	FY19	FY20
Executive Directors (EDs)	87	84
IEG	30	30
<b>Total</b>	<b>117</b>	<b>115</b>

<sup>7</sup> The budget decrease is US\$5 million compared to the FY20 budget trajectory of US\$89 million as laid out in the FY19 Budget Document.



**Table 4.10: FY19 & FY20 IG&A Budget Envelopes (US\$ million)**

INDICATIVE BUDGET TRAJECTORIES		BB		All Funds	
		FY19	FY20	FY19	FY20
<b>1.0</b>	<b>Institutional Services</b>				
1.1	Budget, Performance & Strategy	76	78	76	78
1.2	Financing for Development <sup>1</sup>	1	-	1	-
1.3	Chief Risk Office	16	18	17	19
1.4	Development Economics	52	55	106	105
1.5	Development Finance <sup>2,4</sup>	24	25	65	34
1.6	External & Corporate Relations	54	53	57	58
1.7	Global Environment Fund	-	-	37	37
1.8	ICSID	-	-	-	-
1.9	Legal Services	39	38	41	41
1.10	CMP - Data Privacy Office	-	1	-	1
1.11	Operational Policy & Country Services	58	55	58	56
1.12	Strategy, Performance, and Admin.	11	11	14	14
1.13	Treasury	36	35	89	87
1.14	WBG Finance & Accounting	46	47	53	56
	<b>Sub-Total</b>	<b>412</b>	<b>417</b>	<b>614</b>	<b>584</b>
<b>2.0</b>	<b>Governance Services</b>				
2.1	Administrative Tribunal	2	2	2	3
2.2	Executive Directors	87	84	87	84
2.3	Board of Governors	6	6	6	6
2.4	DC Secretariat	2	2	2	2
2.5	Internal Justice Services	5	5	6	6
2.6	Corporate Secretariat	16	16	17	17
2.7	Independent Evaluation Group	30	30	39	39
2.8	Integrity Vice Presidency	21	21	21	22
2.9	Internal Audit	9	9	11	12
2.10	Inspection Panel	4	4	4	4
2.11	Office of Ethics and Business Conduct	7	6	9	9
2.12	Office of the President	7	5	7	5
2.13	Office of Suspension & Debarment	2	2	2	2
2.14	Office of the CEO	4	4	4	4
2.15	Office of the MD and CAO	3	3	3	3
2.16	Office of the MD and CFO	3	3	3	3
2.17	Office of the SVPMM <sup>3</sup>	6	6	6	6
2.18	Sanctions Board	2	2	2	2
2.19	Strategic Initiatives Unit	1	1	1	1
	<b>Sub-Total</b>	<b>216</b>	<b>211</b>	<b>234</b>	<b>230</b>
<b>3.0</b>	<b>Administrative Services</b>				
3.1	Global Corporate Solutions	152	155	192	194
3.2	Human Resources <sup>4</sup>	63	57	78	84
3.3	Health and Safety Development <sup>5</sup>	-	7	-	10
3.4	Information & Technology Solutions	241	250	292	307
	<b>Sub-Total</b>	<b>456</b>	<b>469</b>	<b>562</b>	<b>595</b>
<b>TOTAL INSTITUTIONAL, GOVERNANCE &amp; ADMIN.</b>		<b>1,084</b>	<b>1,097</b>	<b>1,410</b>	<b>1,410</b>

<sup>1</sup> Financing for Development reorganized under Development Finance and the Office of the MDCFO.

<sup>2</sup> The Global Partnership for Education (GPE) Secretariat has been remapped from Development Finance to Human Development.

<sup>3</sup> Office of the SVPMM includes New York and Geneva Offices.

<sup>4</sup> Donor Financed Staffing Program (DFSP) has been remapped from Development Finance to Human Resources with full effect from FY20.

<sup>5</sup> Reorganization of Health and Safety Development - originally mapped under Human Resources.

## 4.7 CENTRALLY-MANAGED ACCOUNTS

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**67. *Centrally-Managed Accounts (CMAs) will remain broadly flat in FY20.***

Centrally Managed Accounts (CMAs) contain funding for expenses that are either not easily attributed to specific units, or institutional programs that are managed by units but for which Management maintains discretion over the budget. The budget will remain broadly flat for the CMAs between FY19 and FY20.

- Depreciation is expected to increase by US\$10 million (9 percent) over FY19 principally due to past increases in investments in IT systems.
- Corporate Contingency is set at US\$10 million in FY20 to support unforeseen priorities and cost pressures (the same amount as FY19).
- Funding for Institutional Programs will increase in FY20 by US\$3 million to fund the costs of real estate realignment.
- Staff Benefits and Allowances are estimated at US\$957 million in FY20 and budgeted at US\$5 million (net of an estimated US\$952 million of recoveries from units and external funds).
- Other Budget Recoveries comprise the recovery of indirect costs from BETFs and other external funds as well miscellaneous rebates and internal recoveries. The increase of US\$14 million in this category is principally due to an anticipated increase in recoveries.

**68. *The Post-Retirement Contribution Reserve Fund (PCRF) was established in FY13 with the objective of reducing budget volatility resulting from the Bank's contributions to the staff post-retirement plans.***

The Bank's contributions to the staff post-retirement benefit plans remain at the established 35 percent of net salaries, which is higher than the FY20 contribution rate of 29.77 percent calculated by actuaries. The excess is added to the PCRF to build up the Reserve Fund.

*Table 4.11: Centrally-Managed Accounts (US\$ million)*

	FY19 WB Budget	FY20	\$ Change	% Change
	A	B	C=(B-A)	(C/A)
Depreciation	114	124	10	9%
Corporate Contingency	10	10	0	0%
Institutional Programs	59	62	3	5%
Net Staff Benefits & Allowances	4	5	1	19%
Gross Staff Benefits & Allowances	918	957	39	4%
Institutional Benefits Recovery	(914)	(952)	(38)	4%
Other Budget Recoveries	(85)	(99)	(14)	16%
<b>Total</b>	<b>103</b>	<b>102</b>	<b>(1)</b>	<b>-1%</b>

#### 4.8 EXPENSE FUNCTIONAL VIEW

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**69. *The Bank follows a dollar budget approach which allows budget holders flexibility to vary inputs as long as they stay within workforce planning affordability parameters and their authorized budgets.***

The Bank does not set specific budgets by expense category, for example, staff salaries, short term consultants or travel. Accordingly, the functional expense line view presented in Table 4.12 below is an illustrative decomposition of the administrative budget by expense line item. Nevertheless, as the shares of the expense items have remained relatively stable over the years, the estimates below represent the current view of the most likely outcome. The actual outcome may differ because work programs vary during the year, and decisions are made to respond to changing business needs that may entail trade-offs between different expense categories.

**Table 4.12: FY19 & FY20 Functional Expense View of Administrative Expenses (US\$ million)**

Expenses by Type of Expense	FY19 Projections				FY20 Projections			
	BB+Reimb.		All Funds		BB+Reimb.		All Funds	
	US\$m	% of Total	US\$m	% of Total	US\$m	% of Total	US\$m	% of Total
<b>Fixed Expenses</b>	<b>2,386</b>	<b>77%</b>	<b>2,870</b>	<b>67%</b>	<b>2,444</b>	<b>75%</b>	<b>2,959</b>	<b>66%</b>
<i>Of which:</i>								
Staff Salaries and Benefits	1,995	64%	2,403	56%	2,033	62%	2,468	55%
Other Fixed Expenses <sup>1/</sup>	391	13%	466	11%	412	13%	491	11%
<b>Variable Expenses</b>	<b>729</b>	<b>23%</b>	<b>1,394</b>	<b>33%</b>	<b>811</b>	<b>25%</b>	<b>1,522</b>	<b>34%</b>
<i>Of which:</i>								
ST Consultants & Temporaries	206	7%	663	16%	234	7%	714	16%
ET Consultants & Temporaries	6	0%	9	0%	35	1%	53	1%
Travel Costs	246	8%	387	9%	259	8%	408	9%
Contractual Services	217	7%	269	6%	226	7%	279	6%
Other Variable Expenses <sup>2/</sup>	55	2%	66	2%	57	2%	68	2%
<b>Total Unit Gross Expenses</b>	<b>3,116</b>	<b>100%</b>	<b>4,263</b>	<b>100%</b>	<b>3,255</b>	<b>100%</b>	<b>4,481</b>	<b>100%</b>
Grant Making Facilities (GMFs)	35		45		35		35	
<b>Total Gross Admin Expenses (incl. GMFs) <sup>3/</sup></b>	<b>3,151</b>		<b>4,308</b>		<b>3,290</b>		<b>4,516</b>	
Reimbursable Revenues and Fee income	(540)				(569)			
<b>Total Net Admin Expenses (incl. GMFs) - BB Only</b>	<b>2,611</b>				<b>2,721</b>			

<sup>1/</sup> Other fixed expenses include Communications & IT, Equipment & Building, Depreciation, and TF Indirect costs.

<sup>2/</sup> Other variable expenses include Supplies, Printing, and other indirects costs.

**70. The functional expense view shows staff costs will continue to be the main expense category.**

Staffing will continue to be the main expense category representing about 55 percent of total unit gross expenses on an All Funds view (62 percent of Bank Budget). The relative share of staff costs is projected to slightly decrease on both Bank Budget and all sources of funds by end FY20, compared with end FY19 (2 and 1 percent, respectively) with continued tight management of staffing levels and action on grade mix.

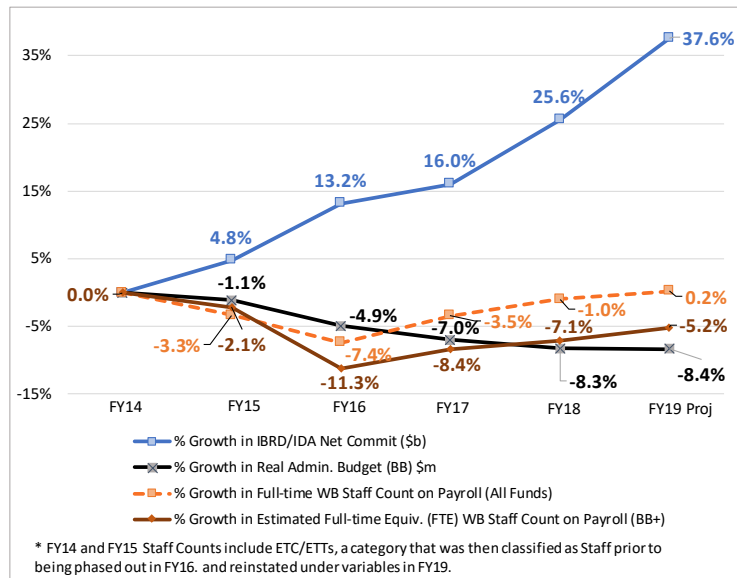
**71. Staff costs projections take into account the 2019 Review of Staff Compensation paper approved by the Board.**

Staff costs across all funds are projected to increase by 2.7 percent (US\$65 million) in FY20. This also assumes a projected one percent increase in overall headcounts by end FY20, largely in country offices. Management considers the projected increase in staff costs to be affordable and manageable within the overall budget framework.

**72. Bank Budget-funded staffing counts are below FY14 levels.**

In terms of staff count, the number of full-time Bank staff by end FY19 is projected to be around 1.2 percent above that at end FY18. From a longer term perspective, Bank Budget-funded FTE staff is 5 percent below the level in FY14 (or at the same level on an all funds view), despite the significantly increased IBRD/IDA portfolio (38 percent over FY14) with a declining real budget over the same period (see Figure 4.11 below).

**Figure 4.11: Full-time Bank Staff on Payroll (percentage growth since FY14)**



**73. With staff costs contained, the share of variable expenses are estimated to grow slightly to 34 percent as a share of all funds expenses.**

In terms of other expense categories, FY20 projections reflect a stable share of major line items to total costs, driven by the needs of operational units, principally on Short Term and Extended Term Consultants as well as on travel.

## 5. FY20 CAPITAL BUDGET

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*This section outlines the Bank’s FY20 Capital Budget.*

### 5.1 FACILITIES

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- 74. *The proposed Facilities Capital Budget for FY20 is US\$105 million.***
- The proposed FY20 Facilities investment of US\$105 million comprises:
- Country office construction, purchases, relocations and upgrades (US\$49 million or 47 percent). These investments aim to accommodate an increasing presence in the field, prioritize FCV needs, reconstruct aged infrastructure and move from expensive leasehold properties to Bank owned properties in selected locations.
  - HQ facilities repairs, renovations and upgrades (US\$30 million or 28 percent) also include efforts to increase efficiency of space usage and terminate selected locations in Washington, DC. Key investments in this cycle include more efficient lighting system and air handling unit replacements, roof replacements, chiller plant replacement, replacements of overaged, worn, and damaged carpeting, cyclical replacement of video conferencing equipment and development of in-house conference space to accommodate large meetings currently held externally.
  - Security in HQ and Country Offices (US\$26 million or 25 percent) mainly for Country Office relocation, security equipment upgrades in medium and high threat locations, integrating and upgrading country office access systems, fire alarm system upgrades, and replacement exterior doors. The investments in security reflect the Bank’s expanded footprint in more challenging and less secure environments, as well as the deterioration in the global security environment generally.

## 5.2 TECHNOLOGY AND SYSTEMS

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**75. *The proposed Capital Budget for Technology and Systems in FY20 is US\$85 million.***

The FY20 Technology and Systems investment plan of US\$85 million is aligned with the IT Strategic Priorities of Excelling at the Basics, Value for Money, and Solutions for Business. The plan of US\$85 million includes US\$26 million in WBG investments for which IFC will contribute US\$7 million.

Investments for FY20 are spread across the following domains:

- Information Technology investments (US\$30.9 million or 37 percent) to support infrastructure, security, global network and essential workplace devices.
- Operations and Corporate investments (US\$11.6 million or 14 percent) to support Operations Trust Funds reform and other corporate requirements.
- Risk Management investments (US\$10.5 million or 12 percent) to support liquidity management, valuation and financial reporting capabilities, and credit risk reporting.
- Treasury investments (US\$9.1 million or 11 percent) to support investment management and compliance.
- Data and Analytics investments (US\$7.4 million or 9 percent) to support data governance and analytics, including machine learning and artificial intelligence tools.
- Finance, Accounting and Budget (US\$4.8 million or 5 percent) to support finance and accounting processes, reporting, and compliance.
- Digital Workplace investments (US\$4.5 million or 5 percent) to support mobile-responsive intranet, knowledge flow, institutional document repositories, external communications, and compliance with information management requirements.
- Human Resources investments (US\$3.7 million or 4 percent) to support HR processes and data-driven decision making.
- Global Corporate and Health Services investments (US\$2.4 million or 3 percent) to support service desks capability and corporate procurement processes.

## 6. MITIGATING BUDGET-RELATED PLANNING UNCERTAINTIES

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*The FY20 Budget incorporates available information and underlying business plans as of May 2019. The Bank has established several mechanisms to deal with unexpected funding needs within a fiscal year. Additional potential budget pressures beyond FY20, and for which decisions have not been made, will be discussed with the Board before implementation, inclusive of their potential budgetary impact.*

**76. *The Bank has established several mechanisms to deal with unexpected funding needs in-year.***

VPU, units or programs within the World Bank regularly face unexpected funding needs within a Fiscal Year. The Bank has established several mechanisms to address these in-year pressures. Most unexpected funding needs will be absorbed within a country program’s budget through redeployments. If a crisis hits a specific Region or building up the regional lending pipeline needs significant unexpected additional resources, and these cannot be absorbed, there are regional contingencies which can be released during the Fiscal Year.

If Regional contingencies are insufficient, a corporate contingency (US\$10 million) is held by Senior Management and will be used for corporate needs or needs which cannot be addressed with any of the mechanisms described above. Regional and corporate contingencies are expected to be largely or fully released during any given fiscal year.

Lastly, the Board is asked to authorize a 2 percent flexibility band every year, which allows the Bank to under or overrun the authorized budget by up to 2 percent. This flexibility band has been used only rarely and under exceptional circumstances (e.g., once during the Global Financial Crisis and partially in FY19 due to the capital increase commitments).

**77. *Planning uncertainties related to outer years are dealt with as part of the Bank’s planning and budgeting process.***

Every business plan involves some degree of uncertainty. The FY20 budget envelope incorporates available information and underlying business plans as of May 2019. Potential future decisions are not incorporated, as this would preempt discussions between Management, clients and the Board. Any significant decision with budgetary impact will be discussed with the Board before implementation. Any policy option presented to the Board will be accompanied by a presentation of expected benefits, indicative



implementation costs and measures to balance incremental resource needs, including trade-offs.

## ANNEX I: PROGRAM COST SUMMARY

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1. Table I.1 Program Cost Summary (PCS) shows the FY20 Budget by: work program and unit, Bank Budget, and external funds. Table I.2 further classifies external funds into coupled reimbursable revenues (refer to definition below) and BETFs. All budget figures are reported in nominal terms.
2. The PCS reflects framework adjustments since FY15 and takes another step towards a unified approach to planning for revenues and expenditures. As was done since FY16 this 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)* which 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 corresponding expense, similar to BETF; or
  - *Decoupled Reimbursable Revenues (DRR)*, on the other hand, which 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 Funds fee income, Health Services Department services, and revenues from sub-letting office space to third parties.
3. Since 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 from a unit’s other BB allocations). This facilitates better medium-term planning for the units, while allowing flexibility at the corporate level. All changes in BB allocation are now subject to the annual planning process as they are no longer linked to the revenue earned.

Table I.1: FY19 &amp; FY20 Funding for WB Work Program and Unit (US\$ million)

INDICATIVE BUDGET TRAJECTORIES		BB		External Funds		All Funds	
		FY19	FY20	FY19	FY20	FY19	FY20
<b>1.0</b>	<b>Country Engagement</b>						
1.1	AFRVP	286.0	317.0	241.5	269.1	527.5	586.1
1.2	EAPVP	109.3	115.1	137.3	168.7	246.6	283.8
1.3	ECAVP	87.1	94.1	107.0	131.9	194.1	226.0
1.4	LCRVP	97.0	104.7	58.8	79.9	155.8	184.6
1.5	MNAVP	60.6	67.0	128.4	130.6	189.0	197.6
1.6	SARVP	125.3	140.2	123.7	127.6	249.0	267.9
1.7	Other Operational Units' Allocations <sup>1</sup>	15.8	19.9	-	-	15.8	19.9
	<b>Sub-Total</b>	<b>781.2</b>	<b>858.1</b>	<b>796.8</b>	<b>907.8</b>	<b>1,578.0</b>	<b>1,765.9</b>
<b>2.0</b>	<b>Global Engagement</b>						
2.1	Practice Group GE	89.6	99.8	220.7	241.0	310.3	340.8
	<b>Sub-Total</b>	<b>89.6</b>	<b>99.8</b>	<b>220.7</b>	<b>241.0</b>	<b>310.3</b>	<b>340.8</b>
<b>A</b>	<b>TOTAL CLIENT ENGAGEMENT</b>	<b>870.8</b>	<b>957.9</b>	<b>1,017.5</b>	<b>1,148.8</b>	<b>1,888.3</b>	<b>2,106.7</b>
<b>3.0</b>	<b>Region PPM</b>						
3.1	AFRVP	122.9	128.6	3.7	7.3	126.6	135.8
3.2	EAPVP	61.3	61.7	3.7	3.5	65.0	65.1
3.3	ECAVP	55.1	55.4	1.0	0.7	56.1	56.1
3.4	LCRVP	56.6	56.9	1.0	3.4	57.6	60.3
3.5	MNAVP	36.2	36.5	1.5	2.2	37.7	38.7
3.6	SARVP	54.9	55.7	2.3	2.2	57.2	57.9
	<b>Sub-Total</b>	<b>387.0</b>	<b>394.7</b>	<b>13.2</b>	<b>19.2</b>	<b>400.2</b>	<b>413.9</b>
<b>4.0</b>	<b>Practice Group PPM</b>						
4.1	Equitable Growth, Finance and Institutions	79.8	84.0	12.6	10.6	92.4	94.6
4.2	Human Development <sup>2</sup>	40.4	43.6	5.7	55.1	46.1	98.7
4.3	Infrastructure	-	37.1	-	15.2	-	52.3
4.4	Sustainable Development	105.4	82.5	62.1	41.6	167.5	124.1
4.5	Other Operational Support <sup>3</sup>	64.4	75.1	-	3.2	64.4	78.3
4.6	Global Themes	17.9	-	1.2	-	19.1	-
	<b>Sub-Total</b>	<b>307.9</b>	<b>322.3</b>	<b>81.6</b>	<b>125.8</b>	<b>389.5</b>	<b>448.1</b>
<b>B</b>	<b>TOTAL PROGRAM &amp; PRACTICE MGMT.</b>	<b>694.9</b>	<b>717.0</b>	<b>94.8</b>	<b>145.0</b>	<b>789.8</b>	<b>862.1</b>
<b>C</b>	<b>TOTAL OPERATIONAL UNITS</b>	<b>1,565.7</b>	<b>1,674.9</b>	<b>1,112.3</b>	<b>1,293.9</b>	<b>2,678.1</b>	<b>2,968.8</b>
<b>5.0</b>	<b>Operational Grant Making Facilities</b>						
5.1	CGIAR	30.0	30.0	-	-	30.0	30.0
5.2	State and Peace Building Fund	5.0	5.0	-	-	5.0	5.0
	<b>Sub-Total</b>	<b>35.0</b>	<b>35.0</b>	<b>-</b>	<b>-</b>	<b>35.0</b>	<b>35.0</b>
<b>D</b>	<b>TOTAL OPERATIONS</b>	<b>1,600.7</b>	<b>1,709.9</b>	<b>1,112.3</b>	<b>1,293.9</b>	<b>2,713.1</b>	<b>3,003.8</b>

Table I.1: FY19 &amp; FY20 Funding for WB Work Program and Unit (US\$ million) (Cont'd.) / 2 of 3

INDICATIVE BUDGET TRAJECTORIES		BB		External Funds		All Funds	
		FY19	FY20	FY19	FY20	FY19	FY20
<b>6.0</b>	<b>Institutional Services</b>						
6.1	Budget, Performance & Strategy	76.1	77.6	-	-	76.1	77.6
6.2	Financing for Development	0.9	-	-	-	0.9	-
6.3	Chief Risk Office	16.2	17.8	0.9	0.7	17.1	18.5
6.4	Development Economics	52.0	54.7	54.2	49.8	106.2	104.5
6.5	Development Finance <sup>2,5</sup>	23.6	25.3	41.0	8.5	64.6	33.8
6.6	External & Corporate Relations	53.5	53.5	3.7	4.1	57.2	57.6
6.7	Global Environment Fund	-	-	36.6	36.6	36.6	36.6
6.8	ICSID	-	-	-	-	-	-
6.9	Legal Services	39.2	38.5	1.7	2.1	40.9	40.6
6.10	CMP - Data Privacy Office	-	1.4	-	-	-	1.4
6.11	Operational Policy & Country Services	57.9	55.3	0.5	0.5	58.4	55.8
6.12	Strategy, Performance, and Admin.	10.5	10.7	3.2	3.3	13.7	14.0
6.13	Treasury	35.5	34.7	53.8	52.5	89.3	87.2
6.14	WBG Finance & Accounting	46.2	47.0	7.1	9.4	53.3	56.4
	<b>Sub-Total</b>	<b>411.6</b>	<b>416.6</b>	<b>202.8</b>	<b>167.5</b>	<b>614.4</b>	<b>584.1</b>
<b>7.0</b>	<b>Governance Services</b>						
7.1	Administrative Tribunal	1.9	1.9	0.5	0.6	2.4	2.5
7.2	Executive Directors	87.4	84.4	-	-	87.4	84.4
7.3	Board of Governors	6.2	6.3	-	-	6.2	6.3
7.4	DC Secretariat	1.8	1.8	-	-	1.8	1.8
7.5	Internal Justice Services	4.5	4.6	1.5	1.6	6.0	6.2
7.6	Corporate Secretariat	15.8	15.7	1.4	1.4	17.2	17.1
7.7	Independent Evaluation Group	29.7	30.2	8.9	9.0	38.6	39.2
7.8	Integrity Vice Presidency	20.9	21.4	0.4	0.6	21.3	22.0
7.9	Internal Audit	8.6	8.8	2.8	3.1	11.4	11.9
7.10	Inspection Panel	4.1	4.1	-	-	4.1	4.1
7.11	Office of Ethics and Business Conduct	6.8	6.4	2.1	2.4	8.9	8.8
7.12	Office of the President	7.2	5.5	-	-	7.2	5.5
7.13	Office of Suspension & Debarment	1.8	1.8	-	-	1.8	1.8
7.14	Office of the CEO	4.1	4.2	-	-	4.1	4.2
7.15	Office of the MD and CAO	2.8	2.9	-	-	2.8	2.9
7.16	Office of the MD and CFO	3.3	2.9	-	-	3.3	2.9
7.17	Office of the SVPMM <sup>4</sup>	6.4	5.7	0.0	0.2	6.4	5.9
7.18	Sanctions Board	1.9	1.8	-	-	1.9	1.8
7.19	Strategic Initiatives Unit	1.0	1.0	-	-	1.0	1.0
	<b>Sub-Total</b>	<b>216.1</b>	<b>211.4</b>	<b>17.5</b>	<b>18.9</b>	<b>233.7</b>	<b>230.2</b>

Table I.1: FY19 &amp; FY20 Funding for WB Work Program and Unit (US\$ million) (Cont'd) / 3 of 3

INDICATIVE BUDGET TRAJECTORIES		BB		External Funds		All Funds	
		FY19	FY20	FY19	FY20	FY19	FY20
<b>8.0</b>	<b>Administrative Services</b>						
8.1	Global Corporate Solutions	151.7	154.9	40.2	39.5	191.9	194.3
8.2	Human Resources <sup>5</sup>	63.4	56.7	14.7	27.5	78.1	84.3
8.3	Health and Safety Development	-	7.3	-	2.4	-	9.7
8.4	Information & Technology Solutions	241.3	249.9	50.9	57.2	292.2	307.1
	<b>Sub-Total</b>	<b>456.4</b>	<b>468.8</b>	<b>105.8</b>	<b>126.6</b>	<b>562.2</b>	<b>595.4</b>
<b>E</b>	<b>TOTAL INSTITUTIONAL, GOVERNANCE &amp; ADMIN.</b>	<b>1,084.2</b>	<b>1,096.8</b>	<b>326.1</b>	<b>312.9</b>	<b>1,410.3</b>	<b>1,409.7</b>
<b>F</b>	<b>TOTAL: ALL UNITS (Excl. GMFs)</b>	<b>2,649.9</b>	<b>2,771.7</b>	<b>1,438.4</b>	<b>1,606.8</b>	<b>4,088.4</b>	<b>4,378.5</b>
<b>9.0</b>	<b>Centrally Managed Accounts &amp; Programs</b>						
9.1	Budget recovery <sup>6</sup>	(999.5)	(1,051.1)	-	-	(999.5)	(1,051.1)
9.2	Corporate Contingency	10.0	10.0	-	-	10.0	10.0
9.3	Depreciation	114.4	124.2	-	-	114.4	124.2
9.4	Institutional Programs <sup>7</sup>	59.3	62.1	0.5	0.6	59.8	62.6
9.5	Staff Benefits & Retirement <sup>7</sup>	918.4	957.2	-	-	918.4	957.2
	<b>Sub-Total</b>	<b>102.6</b>	<b>102.3</b>	<b>0.5</b>	<b>0.6</b>	<b>103.1</b>	<b>102.9</b>
<b>G</b>	<b>TOTAL ALL FUNDS EXPENDITURE ENVELOPE</b>	<b>2,787.6</b>	<b>2,909.0</b>	<b>1,438.9</b>	<b>1,607.3</b>	<b>4,226.5</b>	<b>4,516.3</b>
H	o/w Funded by External Funds DRR	(176.6)	(188.0)	-	-	(176.6)	(188.0)
I	o/w Funded by External Funds CRR	-	-	(357.3)	(381.1)	(357.3)	(381.1)
J	o/w Funded by External Funds BETF	-	-	(1,081.6)	(1,226.3)	(1,081.6)	(1,226.3)
<b>K</b>	<b>o/w Admin Budget Funded by IBRD/IDA</b>	<b>2,611.0</b>	<b>2,721.0</b>	<b>-</b>	<b>-</b>	<b>2,611.0</b>	<b>2,721.0</b>

<sup>1</sup> CE funds for the retrofitting of the project portfolio and further work related to Gender-Based Violence (GBV), enhanced quality control and implementation efforts of the new Environment and Social framework, continued implementation of the lessons learned from supervision pilots in fragile countries, and other corporate priorities.

<sup>2</sup> The Global Partnership for Education (GPE) Secretariat has been remapped from Development Finance to Human Development.

<sup>3</sup> Includes Global Mobility benefits for operational staff, funding to support the Agile Bank initiative, aspects of the work on FCV Supervision Pilot, GBV Action Plan, FCV Department, and Risk-Appetite Framework.

<sup>4</sup> Office of the SVPMM includes New York and Geneva Offices.

<sup>5</sup> Donor Financed Staffing Program (DFSP) has been remapped from Development Finance to Human Resources with full effect from FY20.

<sup>6</sup> Includes staff benefits recoveries from internal transfer pricing, rebates, TF recoveries, and Corporate Services.

<sup>7</sup> Some Institutional Programs have been reclassified as part of Staff Benefits & Retirement in FY20 and reflected ex-post in FY19.

**Table I.2: Overview of External Funds Projected Revenues FY19 & FY20 by Unit (US\$ million)**

		Coupled Reimbursable Funds (CRR)		Bank Executed Trust Funds (BETF)		External Funds	
		FY19 WB Budget	FY20	FY19 WB Budget	FY20	FY19 WB Budget	FY20
<b>1.0</b>	<b>Country Engagement</b>						
1.1	AFRVP	18.1	22.1	223.4	247.0	241.5	269.1
1.2	EAPVP	4.4	8.9	133.0	159.8	137.3	168.7
1.3	ECAVP	30.0	41.4	77.1	90.5	107.0	131.9
1.4	LCRVP	8.7	6.1	50.1	73.8	58.8	79.9
1.5	MNAVP	69.2	67.8	59.2	62.8	128.4	130.6
1.6	SARVP	4.4	4.4	119.3	123.3	123.7	127.6
	<b>Sub-Total</b>	<b>134.7</b>	<b>150.7</b>	<b>662.0</b>	<b>757.1</b>	<b>796.8</b>	<b>907.8</b>
<b>2.0</b>	<b>Global Engagement</b>						
2.1	Practice Group GE	13.5	9.9	207.2	231.0	220.7	241.0
	<b>Sub-Total</b>	<b>13.5</b>	<b>9.9</b>	<b>207.2</b>	<b>231.0</b>	<b>220.7</b>	<b>241.0</b>
<b>A</b>	<b>TOTAL CLIENT ENGAGEMENT</b>	<b>148.2</b>	<b>160.7</b>	<b>869.2</b>	<b>988.1</b>	<b>1,017.5</b>	<b>1,148.8</b>
<b>3.0</b>	<b>Region PPM</b>						
3.1	AFRVP	1.6	1.1	2.1	6.1	3.7	7.3
3.2	EAPVP	2.0	1.5	1.8	2.0	3.7	3.5
3.3	ECAVP	1.0	0.5	0.0	0.2	1.0	0.7
3.4	LCRVP	0.2	0.5	0.8	2.9	1.0	3.4
3.5	MNAVP	0.6	0.4	1.0	1.8	1.5	2.2
3.6	SARVP	0.6	0.8	1.7	1.5	2.3	2.2
	<b>Sub-Total</b>	<b>5.9</b>	<b>4.8</b>	<b>7.4</b>	<b>14.4</b>	<b>13.2</b>	<b>19.2</b>
<b>4.0</b>	<b>Practice Group PPM</b>						
4.1	Equitable Growth, Finance and Institutions	2.2	2.8	10.4	7.8	12.6	10.6
4.2	Human Development <sup>1</sup>	0.8	1.2	5.0	54.0	5.7	55.1
4.3	Sustainable Development	3.9	2.8	58.2	38.8	62.1	41.6
4.4	Infrastructure	-	1.4	-	13.8	-	15.2
4.5	Other Operational Support	-	2.5	-	0.7	-	3.2
4.6	Global Themes	0.8	-	0.4	-	1.2	-
	<b>Sub-Total</b>	<b>7.6</b>	<b>10.7</b>	<b>74.0</b>	<b>115.1</b>	<b>81.6</b>	<b>125.8</b>
<b>B</b>	<b>TOTAL PROGRAM &amp; PRACTICE MGMT.</b>	<b>13.5</b>	<b>15.6</b>	<b>81.3</b>	<b>129.5</b>	<b>94.8</b>	<b>145.0</b>
<b>C</b>	<b>TOTAL OPERATIONS</b>	<b>161.7</b>	<b>176.3</b>	<b>950.6</b>	<b>1,117.6</b>	<b>1,112.3</b>	<b>1,293.9</b>
<b>5.0</b>	<b>Institutional Services</b>						
5.1	Chief Risk Office	0.9	0.7	-	-	0.9	0.7
5.2	Development Economics	1.4	2.8	52.8	47.0	54.2	49.8
5.3	Development Finance	6.0	7.0	35.0	1.5	41.0	8.5
5.4	External & Corporate Relations	1.1	1.5	2.6	2.6	3.7	4.1
5.5	Global Environment Fund	-	-	36.6	36.6	36.6	36.6
5.6	Legal Services	1.7	2.1	-	-	1.7	2.1
5.7	Operational Policy & Country Services	-	-	0.5	0.5	0.5	0.5
5.8	Strategy, Performance, and Admin.	3.2	3.3	-	-	3.2	3.3
5.9	Treasury	52.3	51.0	1.5	1.5	53.8	52.5
5.10	WBG Finance & Accounting	7.1	9.4	-	-	7.1	9.4
	<b>Sub-Total</b>	<b>73.8</b>	<b>77.8</b>	<b>129.0</b>	<b>89.7</b>	<b>202.8</b>	<b>167.5</b>
<b>6.0</b>	<b>Governance Services</b>						
6.1	Administrative Tribunal	0.5	0.6	-	-	0.5	0.6
6.2	Corporate Secretariat	-	-	1.4	1.4	1.4	1.4
6.3	Internal Justice Services	1.5	1.6	-	-	1.5	1.6
6.4	Independent Evaluation Group	8.5	8.6	0.4	0.4	8.9	9.0
6.5	Integrity Vice Presidency	0.4	0.6	-	-	0.4	0.6
6.6	Internal Audit	2.8	3.1	-	-	2.8	3.1
6.7	Office of the SVPMM	-	-	-	0.2	-	0.2
6.8	Office of Ethics and Business Conduct	2.1	2.4	-	-	2.1	2.4
	<b>Sub-Total</b>	<b>15.8</b>	<b>16.9</b>	<b>1.8</b>	<b>2.0</b>	<b>17.5</b>	<b>18.9</b>
<b>7.0</b>	<b>Administrative Services</b>						
7.1	Global Corporate Solutions	40.2	39.5	-	-	40.2	39.5
7.2	Human Resources	14.4	10.5	0.3	17.0	14.7	27.5
7.3	Health and Safety Development <sup>2</sup>	-	2.4	-	-	-	2.4
7.4	Information & Technology Solutions	50.9	57.2	-	-	50.9	57.2
	<b>Sub-Total</b>	<b>105.5</b>	<b>109.6</b>	<b>0.3</b>	<b>17.0</b>	<b>105.8</b>	<b>126.6</b>
<b>D</b>	<b>TOTAL INSTITUTIONAL, GOVERNANCE &amp; ADMIN</b>	<b>195.1</b>	<b>204.2</b>	<b>131.0</b>	<b>108.7</b>	<b>326.1</b>	<b>312.9</b>
<b>E</b>	<b>TOTAL: ALL UNITS</b>	<b>356.8</b>	<b>380.5</b>	<b>1,081.6</b>	<b>1,226.3</b>	<b>1,438.4</b>	<b>1,606.8</b>
<b>8.0</b>	<b>Centrally Managed Accounts &amp; Programs</b>						
8.1	Other Centrally Managed Accounts	0.5	0.6	-	-	0.5	0.6
	<b>Total Centrally-Managed Accounts &amp; Programs</b>	<b>0.5</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>0.6</b>
<b>F</b>	<b>TOTAL EXTERNAL FUNDS</b>	<b>357.3</b>	<b>381.1</b>	<b>1,081.6</b>	<b>1,226.3</b>	<b>1,438.9</b>	<b>1,607.3</b>

<sup>1</sup> Includes BETF projections for Global partnership for Education.

<sup>2</sup> Includes BETF projections for the Donor Funded Staffing Program (DFSP) moved from DFI to HRD VPU.

## ANNEX II. INDICATORS OF BUDGET SUSTAINABILITY, STRATEGIC ALIGNMENT, AND BUDGET EFFICIENCY

Focus	Indicator	Definition	Trend																																																				
Budget Sustainability	<b>IBRD Anchor</b>	Administrative expenses as a share of operational revenues (loan spread revenue) (percent)	<table border="1"> <caption>IBRD Anchor Data</caption> <thead> <tr> <th>Fiscal Year</th> <th>IBRD Loan Spread Revenue (US\$ million)</th> <th>IBRD-funded Expenses (US\$ million)</th> <th>IBRD Budget Anchor (%)</th> </tr> </thead> <tbody> <tr><td>FY09</td><td>650</td><td>1100</td><td>176%</td></tr> <tr><td>FY10</td><td>650</td><td>1150</td><td>189%</td></tr> <tr><td>FY11</td><td>750</td><td>1100</td><td>158%</td></tr> <tr><td>FY12</td><td>750</td><td>1150</td><td>160%</td></tr> <tr><td>FY13</td><td>800</td><td>1150</td><td>155%</td></tr> <tr><td>FY14</td><td>850</td><td>1150</td><td>147%</td></tr> <tr><td>FY15</td><td>850</td><td>1150</td><td>148%</td></tr> <tr><td>FY16</td><td>950</td><td>1300</td><td>135%</td></tr> <tr><td>FY17</td><td>1050</td><td>1100</td><td>107%</td></tr> <tr><td>FY18</td><td>1150</td><td>1100</td><td>95%</td></tr> <tr><td>FY19</td><td>1250</td><td>1100</td><td>79%</td></tr> <tr><td>FY20</td><td>1350</td><td>1150</td><td>84%</td></tr> </tbody> </table>	Fiscal Year	IBRD Loan Spread Revenue (US\$ million)	IBRD-funded Expenses (US\$ million)	IBRD Budget Anchor (%)	FY09	650	1100	176%	FY10	650	1150	189%	FY11	750	1100	158%	FY12	750	1150	160%	FY13	800	1150	155%	FY14	850	1150	147%	FY15	850	1150	148%	FY16	950	1300	135%	FY17	1050	1100	107%	FY18	1150	1100	95%	FY19	1250	1100	79%	FY20	1350	1150	84%
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<b>IDA Anchor</b>	Administrative expenses as a share of operational revenues (IDA net loan revenues) (percent)	<table border="1"> <caption>IDA Anchor Data</caption> <thead> <tr> <th>Fiscal Year</th> <th>IDA Net Revenue (US\$ million)</th> <th>IDA-funded expenses (US\$ million)</th> <th>IDA Budget Anchor (%)</th> </tr> </thead> <tbody> <tr><td>FY09</td><td>1100</td><td>1000</td><td>90%</td></tr> <tr><td>FY10</td><td>1150</td><td>1050</td><td>93%</td></tr> <tr><td>FY11</td><td>1150</td><td>1100</td><td>98%</td></tr> <tr><td>FY12</td><td>1150</td><td>1100</td><td>96%</td></tr> <tr><td>FY13</td><td>1250</td><td>1200</td><td>98%</td></tr> <tr><td>FY14</td><td>1250</td><td>1250</td><td>102%</td></tr> <tr><td>FY15</td><td>1200</td><td>1200</td><td>100%</td></tr> <tr><td>FY16</td><td>1200</td><td>1150</td><td>94%</td></tr> <tr><td>FY17</td><td>1300</td><td>1250</td><td>97%</td></tr> <tr><td>FY18</td><td>1350</td><td>1300</td><td>102%</td></tr> <tr><td>FY19</td><td>1400</td><td>1350</td><td>98%</td></tr> <tr><td>FY20</td><td>1500</td><td>1350</td><td>85%</td></tr> </tbody> </table>	Fiscal Year	IDA Net Revenue (US\$ million)	IDA-funded expenses (US\$ million)	IDA Budget Anchor (%)	FY09	1100	1000	90%	FY10	1150	1050	93%	FY11	1150	1100	98%	FY12	1150	1100	96%	FY13	1250	1200	98%	FY14	1250	1250	102%	FY15	1200	1200	100%	FY16	1200	1150	94%	FY17	1300	1250	97%	FY18	1350	1300	102%	FY19	1400	1350	98%	FY20	1500	1350	85%	
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Strategic Alignment	<b>Operational Share of Unit Budgets</b>	Total share of unit Administrative Budget (BB) allocated to Operational Units excluding GMFs (percent)	<table border="1"> <caption>Operational Share of Unit Budgets</caption> <thead> <tr> <th>Fiscal Year</th> <th>BB (%)</th> <th>All Funds (%)</th> </tr> </thead> <tbody> <tr> <td>FY16</td> <td>54.9%</td> <td>60.4%</td> </tr> <tr> <td>FY17</td> <td>56.8%</td> <td>62.8%</td> </tr> <tr> <td>FY18</td> <td>57.9%</td> <td>64.2%</td> </tr> <tr> <td>FY19</td> <td>59.1%</td> <td>65.5%</td> </tr> <tr> <td>FY20P</td> <td>60.4%</td> <td>67.8%</td> </tr> </tbody> </table>	Fiscal Year	BB (%)	All Funds (%)	FY16	54.9%	60.4%	FY17	56.8%	62.8%	FY18	57.9%	64.2%	FY19	59.1%	65.5%	FY20P	60.4%	67.8%
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<b>Client Engagement Share of Operational Unit Budgets</b>	Share of Operational Unit Budget (BB) Allocated to Country Engagement (CE) and Global Engagement (GE) excluding GMFs (percent)	<table border="1"> <caption>Client Engagement Share of Operational Unit Budgets</caption> <thead> <tr> <th>Fiscal Year</th> <th>BB (%)</th> <th>All Funds (%)</th> </tr> </thead> <tbody> <tr> <td>FY16</td> <td>53.7%</td> <td>67.4%</td> </tr> <tr> <td>FY17</td> <td>54.1%</td> <td>67.7%</td> </tr> <tr> <td>FY18</td> <td>54.9%</td> <td>69.6%</td> </tr> <tr> <td>FY19</td> <td>55.6%</td> <td>70.5%</td> </tr> <tr> <td>FY20P</td> <td>57.2%</td> <td>71.0%</td> </tr> </tbody> </table>	Fiscal Year	BB (%)	All Funds (%)	FY16	53.7%	67.4%	FY17	54.1%	67.7%	FY18	54.9%	69.6%	FY19	55.6%	70.5%	FY20P	57.2%	71.0%	
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<b>FCV Share of Country Engagement Budgets</b>	CE (BB) budget share for FCV and FCV at Risk Countries over Total CE Envelope (percent)	<table border="1"> <caption>FCV Share of Country Engagement Budgets</caption> <thead> <tr> <th>Fiscal Year</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>FY16</td> <td>18.3%</td> </tr> <tr> <td>FY17</td> <td>18.3%</td> </tr> <tr> <td>FY18</td> <td>19.3%</td> </tr> <tr> <td>FY19</td> <td>19.9%</td> </tr> <tr> <td>FY20</td> <td>20.2%</td> </tr> </tbody> </table>	Fiscal Year	Share (%)	FY16	18.3%	FY17	18.3%	FY18	19.3%	FY19	19.9%	FY20	20.2%							
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Administrative Budget Efficiency	<b>Bank Budget to Lending Volume Ratio</b>	Total Administrative Budget (BB) per US\$ billion of loans approved (US\$ million)	<table border="1"> <caption>Bank Budget to Lending Volume Ratio (IBRD+IDA)</caption> <thead> <tr><th>Fiscal Year</th><th>Value</th></tr> </thead> <tbody> <tr><td>FY03</td><td>88</td></tr> <tr><td>FY04</td><td>92</td></tr> <tr><td>FY05</td><td>90</td></tr> <tr><td>FY06</td><td>88</td></tr> <tr><td>FY07</td><td>83</td></tr> <tr><td>FY08</td><td>85</td></tr> <tr><td>FY09</td><td>46</td></tr> <tr><td>FY10</td><td>39</td></tr> <tr><td>FY11</td><td>53</td></tr> <tr><td>FY12</td><td>67</td></tr> <tr><td>FY13</td><td>79</td></tr> <tr><td>FY14</td><td>62</td></tr> <tr><td>FY15</td><td>59</td></tr> <tr><td>FY16</td><td>54</td></tr> <tr><td>FY17</td><td>59</td></tr> <tr><td>FY18</td><td>54</td></tr> <tr><td>FY19</td><td>57</td></tr> <tr><td>FY20</td><td>51</td></tr> </tbody> </table>	Fiscal Year	Value	FY03	88	FY04	92	FY05	90	FY06	88	FY07	83	FY08	85	FY09	46	FY10	39	FY11	53	FY12	67	FY13	79	FY14	62	FY15	59	FY16	54	FY17	59	FY18	54	FY19	57	FY20	51
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