

CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.7/6
October 24, 2011

Joint Meeting of the CTF and SCF Trust Fund Committees
Washington, D.C.
November 3, 2011

Agenda Item 6

**CIF ADMINISTRATIVE COSTS
A REVIEW OF THE USE OF BUDGET RESOURCES AND WORK PROGRAM GROWTH
FY09-12**

Proposed Decision by the Joint CTF and SCF Trust Fund Committees

The joint meeting of the CTF and SCF Trust Fund Committees reviewed the document, *CIF Administrative Costs - A Review of the Use of Budget Resources and Work Program Growth FY09-12* (document CTF-SCF/TFC.7/6), and takes note of the information provided regarding the CIF budgeting approach and the utilization of administrative budget funds.

The CIF Administrative Unit, working with the MDB Committee, is requested to continue to provide information on unit costs of the individual work program activities identified in Section V of the paper in its annual budget submissions to allow for better consideration of the costs of doing business.

I. SUMMARY

1. The joint meeting of the CTF and SCF Trust Fund Committees on June 27, 2011 requested the CIF Administrative Unit to “prepare a paper for consideration by the Committees at their meeting in November 2011, with some initial unit costs of activities funded through the administrative budget as an indicator to allow for better consideration of the costs of doing business and on measures taken by the CIF partners to drive down the administrative costs of the CIF”.

2. This paper responds to the above request. Against the background of the structure of the CIF Administrative Budget and approach to budgeting of CIF resources, it examines the growth in the CIF work program and how such growth has driven administrative expenses over the period FY09-FY12. The costs of completing some key discrete activities are reported as are the measures through which CIF entities work to contain their administrative costs.

II. INDICATORS OF CIF WORK PROGRAM GROWTH

3. The CIF’s immediate objective is *investment financing*, i.e. to provide resources to participating countries for design and implementation of investment plans. Progress can be measured by the number of CIF endorsed investment plans, and the number of approved project funding proposals. The higher the number of endorsed investment plans and projects approved, the larger the CIF administrative work program, and the greater the budgetary resource requirements of the management entities. Such indicators have risen rapidly and are expected to continue to do so in fiscal year 2012. They provide a starting point for assessing the reasonableness in the use of CIF resources for administrative purposes and in particular the annual changes in such use.

Table 2: CIF investment financing indicators FY09-FY12 (actual values FY09-FY11, and targeted for FY12)

	FY09	FY10	FY11	FY12
IPs submitted for endorsement				
No. of IPs	3	10	14	20
<i>Index (FY10=100)</i>	30	100	140	200
Project funding proposals submitted				
No. of Projects	2	6	23	63
<i>Index (FY10=100)</i>	33	100	383	1,050

(Source: CIF FY12 Business Plan and Administrative Budget)

4. The accomplishment of these targets depends most directly on the fielding of MDB joint missions, MDB focal point support to MDB task teams working on investment plans and projects, due diligence exercised by MDB focal points on investment plans and project funding proposals, and program coordination and project pipeline management by the Administrative Unit working with the MDB Committee. These activities all form part of the facilitation, coordination, monitoring and reporting on CIF program implementation. They also need to be

supported by operational guidelines and timely review and approval by the Trust Fund Committees (TFCs) or Sub-Committees (SCs). Thematic areas of the work program need to have been advanced to help leverage CIF investment financing. Finally, the management of CIF resources has to provide timely access by recipient countries and management entities to CIF funds.

5. A broader indicator of the scope of the CIF work program would be the frequency with which the MDB Committee and its various thematic groups meet to transact its wide ranging business agenda, covering all facets of the CIF work program. During FY10, the MDB Committee expedited its work through 39 meetings. In FY11 it required 52 meetings, suggesting an overall increase in the CIF work program of the order of 33%. Given the agreed FY12 business development targets it is reasonable to expect that the MDB Committee will need to convene at least as frequently during FY12.

III. GROWTH IN THE ADMINISTRATIVE WORK PROGRAM

6. The annual use of CIF administrative budget resources grew from \$6.6 million in FY09 (half year) to \$21.7 million in FY11 and to a projected \$21.5 million in FY12. Compared to FY10, this growth represents a 25% increase in FY11 and an estimated 24% in FY12.

Table 4: Estimated Actual Expenses FY09 - FY11 and Estimated Expenses FY12 by Major Budget Parts (\$million)

	FY09 Estimated Actual 1/	FY10 Estimated Actual	FY11 Estimated Actual	FY12 Estimated Expenses
A: Administrative Services				
Trustee	1.00	1.52	2.32	2.96
Admin Unit	2.08	4.63	6.91	7.44
MDBs	1.75	4.51	5.46	6.42
Sub-total	4.82	10.67	14.70	16.82
B: Partnership Forum 2/	0.09	1.06	1.43	1.55
C: MDB Support for Country Programming 3/	1.65	5.33	5.31	2.61
D: Special Initiatives (Systems Development)	-	0.29	0.29	0.50
Total	6.56	17.35	21.73	21.48

1/ Refers to six month period 1/1/2009 to 6/30/2009

2/ Refer to Partnership Forum Table 3 for details.

3/ Entries for component C refer to the annual amounts approved by the MDB Committee for MDB joint mission activities.

7. These growth rates are within the bounds set by the indicators for work program growth summarized above. However, not all work program activities vary in size with that of the CIF financing program. Examples include planning, organization, and management of TFC/SC, pilot country meetings, and the Partnership Forum; developing policy papers and preparing operational guidelines; managing web-based platforms for knowledge exchange; communications with stakeholders; and part of the financial management activities. Also, when

work program activities do vary with CIF investment financing, the relationship is not necessarily linear. As a result, the overall budget resource requirements would be expected to rise less than proportionally to the size of the work program.

8. Staff and consultant costs account for about 70% of the costs of CIF administrative services (i.e. Part A in Table 4 above). Staffing the Administrative Unit and the MDB focal points for CIF coordination has proceeded gradually as dictated by the growth in the CIF work program. Their staff complements remain lean relative to the scope and complexity of the work program.

IV. COSTS OF INDIVIDUAL WORK PROGRAM ACTIVITIES

9. Establishing unit costs for individual work program activities serves to establish benchmarks for budgeting and to help monitor administrative costs. The present time and expense recording and tracking systems of the MDBs make it possible to determine the actual costs of completing some specific activities within the CIF work program; the limiting factor being that staff time is not recorded according to individual activities but to adopted standard administrative service categories. The costs summarized below therefore exclude the costs of staff time and staff travel for Administrative Unit and the MDB Focal Points.

Work Program Activity	FY11 average cost per activity (\$)
Partnership Forum (Cape-Town) ¹	1.82 million
TFC/SC meetings	56,400
Pilot Country meetings	54,500
CIF Annual Report	151,600
CIF Learning Briefs	141,000
External audits of financial statements ²	<i>MDB</i> 75,000 <i>Trustee</i> 150,000
MDB joint-missions in support of IP preparation ³	CTF 121,900 PPCR 289,000

V. CONTAINING COSTS

10. While the administrative costs of the CIF inevitably grow as the individual CIF programs successively become operational and implementation proceeds, these costs should be reasonable and reflect cost-effective ways of conducting CIF's business. Monitoring and controlling costs is therefore an essential part of administering the implementation of the CIF. The costs break-down in two main categories: program-related costs (incurred by the Trustee, the Administrative Unit and the MDBs for managing coordinating CIF implementation), and project related costs (incurred by the MDBs in managing individual programs and projects financed by the CIF through their respective project-cycles).

¹ Includes \$256, 00 borne by the African Development Bank.

² Budgeted figures for FY12

³ Average costs for MDB support to 23 investment plans completed and endorsed by June 30, 1941

Controlling program-related administrative costs

11. The starting point for managing program related administrative costs is the budget process itself. Specifically: (i) proposed budget requirements are built up transparently from agency estimates of inputs required and unit costs of inputs; (ii) guidance is issued to the MDBs for their estimation of requirements for travel and meeting attendance; (iii) estimates from the various CIF agencies are reviewed for consistency across agencies and programs before finalization; and (iv) reviews of the actual and expected utilization of approved budget allocations are regularly carried out, setting the baseline for the estimation of administrative costs for next year's budget proposal. Other measures for containing program related costs for staff and consultants travel and contractual services are summarized below:

12. Staff and consultant costs. Containing staff costs involves managing the size and composition of the staff complements of the Administrative Unit and the MDB focal points for program coordination. The buildup of these complements has been incremental in line with the work program requirements. Consultants' terms of employment are based on level of responsibility and experience required. IBRD determines fees based on market reference rates for various skills/responsibility combinations and is ensuring that all consultants are paid according to those rates. These arrangements apply in equal measure to the Administrative Unit's consultants.

13. Travel costs. As for staff compensation, travel by MDB staff and consultants follows the policies of the individual MDBs. IBRD travel policy, for example, prescribes that travel will be on lowest available fare in the entitled class, i.e. taking full advantage of the heavily discounted fares offered through the Bank's travel office. This policy is strictly followed for Administrative Unit staff and consultants.

14. Furthermore, overall travel costs are being contained by the following measures: (i) scheduling in time and location TFC/SC meetings with pilot country meetings and the Partnership Forum; (ii) policies established for eligibility of TFC/SC members for CIF funded travel to meetings; (iii) norms for number of MDB staff travelling to CIF meetings on CIF funding; (iv) moving to hold the Partnership Forum every 18 months, instead of once a year should significantly help contain CIF's travel budget; and (iv) pursuing cost-sharing opportunities, by MDBs making best effort to combine CIF joint-mission travel with that for regular MDB operations.

15. Contractual services are employed by all the CIF entities, although primarily by the Administrative Unit. They involve inter alia securing meeting venues and operations; design of a knowledge sharing platform and a CIF results framework; external audits of financial statements, and coordination of broad-based participation at the Partnership Forums and greater civil society involvement in CIF's decision making process. For some of these services, competitive bidding procedures, as per MDB policies are followed. For others, it makes more sense to go the single source contracting route.

Controlling project-related administrative costs

16. Project related administrative costs incurred by the MDBs are managed outside the CIF Administrative Budget. Costs of preparing, supporting implementation and supervising CTF funded activities are recovered through a flat percentage applied to CTF loans and guarantees, paid by the borrower. Under SCF's targeted programs, recovery occurs through case-by-case approval by the sub-committees of requests for payments for project implementation support and supervision services.

17. Mechanisms for monitoring the use and appropriateness of the levels of payments for project implementation and supervision services have been established through benchmarking with reference to MDB experiences and costs, and requirements for regular reporting by the MDBs on their costs of preparing and supervising CIF funded project activities.

18. Under the CTF, the MDBs are required to annually report to the Trust Fund Committee on their project processing and supervision costs, which may provide the basis for adjustments to the payments to the MDBs.⁴ Arrangements under the SCF programs, agreed by the MDB Committee, provide for reporting on actual (or estimated actual) costs of project implementation support and supervision services, recognizing that the systems of the individual MDBs for tracking costs are not all comparable.⁵

⁴ "CTF Financing Products, Terms and Review Procedures for Public Sector Operations "(Annex C), May 28, 2009.

⁵ "Costs of MDB Project Implementation Support and Supervision Services for Public Sector Programs and Projects under the SCF" November 11, 2011; and "MDB Project Implementation Services under SCF's Targeted Programs-Sources of Funding and Implementation Arrangements", June 23, 2011).