

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. INTRODUCTION

1. The joint meeting of the CTF and SCF Trust Fund Committees on June 27, 2011, in considering the CIF FY12 Administrative Budget (document CTF-SCF/TFC.6/4), 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 is submitted to the Joint Committees in response to the above request. It begins with a brief recapitulation of the structure of the CIF Administrative Budget and the approach and process of budgeting (Section II). It proceeds to examine the growth in the collective work program of the CIF entities (Section III) and explains how this work program growth drives the rise in administrative expenses over the period FY09-FY12 (Section IV). The costs of completing some key discrete activities are examined in (Section V). In concluding, the paper reports on ways in which CIF entities work to contain their administrative costs (Section VI).

II. BUDGETING CIF ADMINISTRATIVE RESOURCES - STRUCTURE AND APPROACH

Mechanisms for cost recovery

3. The CIF governance frameworks establish that “compensation for administrative services and project related activities will be on the basis of full cost recovery for the entities, but should be guided by the principles of value for money, reasonableness and transparency”¹.

4. The CIF annual administrative budget provides for recovery of administrative costs and MDB support to preparation of investment plans. Costs incurred by the MDBs in activities for project preparation, supervision, and evaluation of CIF funded projects are recovered through payments for MDB implementation support and supervision services. This paper does not address the utilization of such payments.

Budget structure

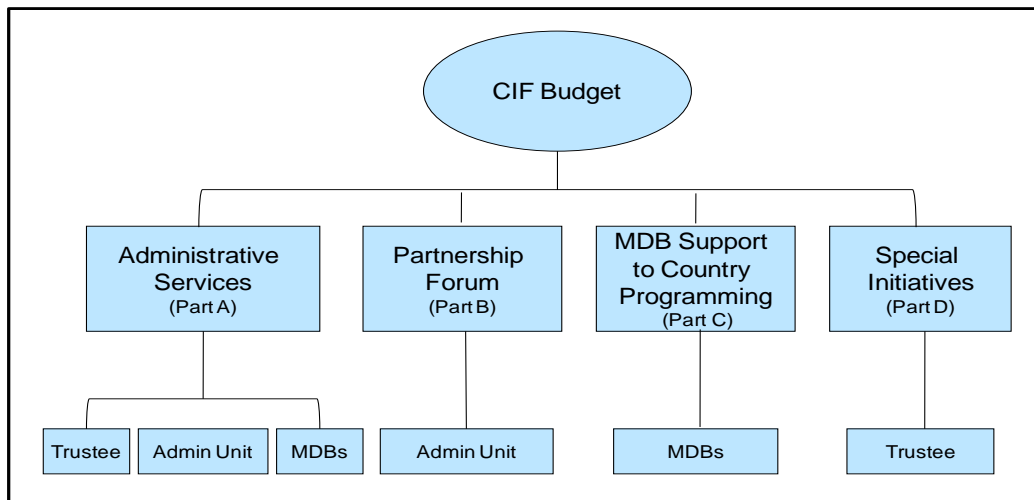
5. The CIF annual administrative budget is divided into four parts to facilitate accountability and transparency in allocation and utilization of CIF administrative resources as shown in Figure 1 below.

6. Part A, the major part of the budget, supports the *administrative services* that the Trustee, the Administrative Unit and the MDBs provide in the areas of financial management, administration, and development and coordination of the CIF program.

¹ CTF and SCF design documents (June 9, 2008 and June 3, 2008 respectively).

Under this part of the budget each of the management units, including the five MDBs are allocated resources specific to their proposed services. The proposed administrative services budgets are the result of costing out activities specific to programs envisaged under the respective two funds. Whenever that is not feasible, costs have been allocated between CTF and the SCF using best estimates.

Fig 1: The CIF Administrative Budget Structure



7. Part B covers the expenses of holding the ***Partnership Forum***. The costs incurred by the Administrative Unit and MDB staff in planning, organizing , and participating in these events are not included under this budget section, but instead included under Part A.

8. Part C funds the costs of the ***MDBs’ joint-mission activities to support the country-led development of strategic programs*** for use of CIF resources (referred to below as investment plans. Approved budget amounts constitute annual installments to a pool of resources that are specific to the requirements under CTF and the SCF. They are subsequently allocated by the MDB Committee to individual MDBs for their participation in joint-missions. Such allocations may occur in the current or future fiscal year depending on the pace of joint mission developments (see further Table 4).

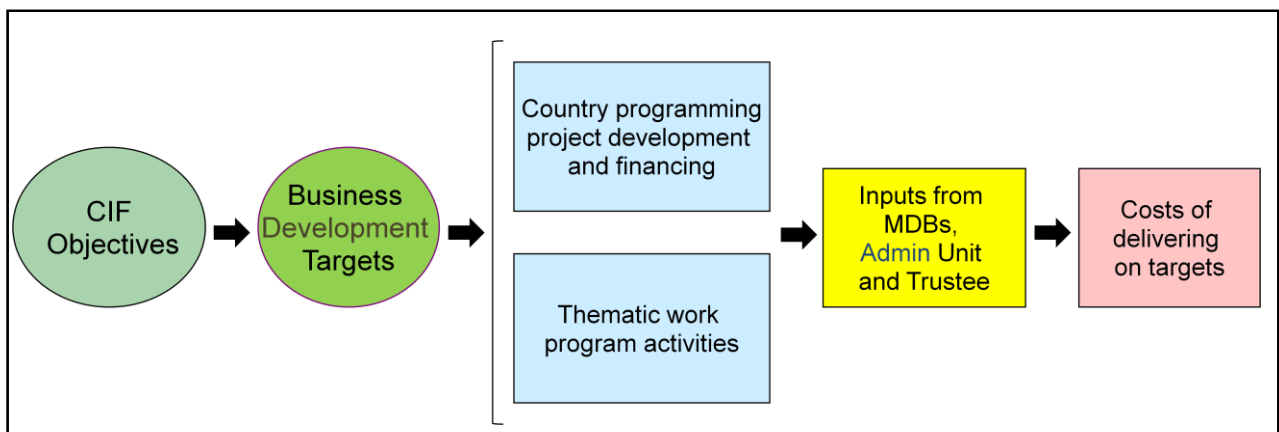
9. Part D provides for the funding of potential ***special initiatives***. It has up to now only included a program for developing a sound system and infrastructure for financial and project management and reporting of CIF Trust Funds.² A \$2 million allocation was approved as part of the FY10 budget, to be managed by the Trustee with utilization over a multi-year period.

² A system is being developed for use by the CIF Trustee and Administrative Unit to ensure that complex and unique financial characteristics of the CTF and the SCF, including management of the approved outgoing financing in the form of loans and guarantees, can be supported. The system will benefit the Trustee, the Administrative Unit and the MDBs.

A business driven approach

10. The annual budget proposal is prepared by the Administrative Unit in coordination with the Trustee and the MDBs, and submitted to the joint meeting of the CTF and SCF Committees for review and approval. It follows the annual update of the CIF Business Plan which updates the business development targets for the coming year. These targets cover the programming and approval of CIF funding at the country and project levels (referred in this paper as “investment financing” targets), and objectives and outputs from thematic work on knowledge management, communications and stakeholder outreach, private sector engagement, and results management and monitoring that the Administrative Unit manages together with the MDB Committee.

Fig. 2: From CIF Objectives to Budget



11. Given these targets and objectives, the collaborative budget preparation process identifies and assesses the scope of required activities and associated inputs (see para. 22). The resulting estimates of administrative expenses constitute the proposed budget submitted for approval by the joint meeting of the CTF and SCF Committees.

12. The actual utilization of approved budget allocations and estimates of year-end expenses are reviewed as a first step towards the preparation of the budget for the subsequent year (typically in February/ March). Such estimates are referred to in this paper as “estimated actual expenses” and represent for all practical purposes the closest data we have on actual administrative expenses. Budget resources not utilized are returned to the Trustee held in CIF Trust Fund accounts, and budget overruns which have been few and minor have been absorbed in the regular budgets of the entities.

III. GROWTH IN THE ADMINISTRATIVE WORK PROGRAM

Composition and trends

13. The work program of the CIF management entities involve a number of overlapping components, the completion of which depends on close collaboration across the management entities. They are summarized below (Table 1) and are an amalgamation of the administrative service categories used in the annual CIF administrative budget submissions.

Table 1: The CIF Work Program: Major Components and Activity Levels

Work Program Components	Entities Involved	Trends in Activity Levels
1. Facilitating the work of TFC/SC committees.	Administrative Unit	Substantial fixed element with some variability in activity levels depending scope of the thematic programs, requirements for development of policies, and changes in scope of investment financing. Beyond FY12, moderate reduction in overall activity level expected as work on policy development and investment financing both slows down..
2. Operational policy development, implementation and monitoring.	Administrative Unit and MDB Committee	Prerequisite for business development; activity levels increasing through FY11 to ensure timely implementation of operational guidelines. FY12 and beyond should see emphasis shifting from development to monitoring, resulting in somewhat reduced overall activity level.
3. Facilitating, coordinating, monitoring and reporting on program implementation.	Administrative Unit; MDB Committee and MDB CIF focal Points.	Some fixed element, but with activity increasing sharply through FY12 to support programs successively becoming operational and rising lending targets. Constant or moderate decrease in level of overall activity expected beyond FY12, with increased focus on monitoring and reporting.
4. Managing institutional relations, and stakeholder outreach, including Partnership Forum.	Administrative Unit; MDB Committee	Some fixed element with activity increasing as stakeholder engagement broadens and deepens, and Partnership Forum grows to become an effective platform for outreach and learning. Activity level beyond FY12 expected to remain at about current level.
5. Lessons learning/sharing and results monitoring	Administrative Unit; MDB Committee MDB CIF focal points	Activity increasing substantially in FY11 –FY12 with implementation of KM program, deepening of GSP and results monitoring activities. Continued high to rising activity levels expected with focus increasingly on distilling good practices, and consolidating results monitoring.
6. Financial management, accounting and financial reporting	Trustee; MDB focal points (on accounting and reporting)	Substantial fixed elements with activity increasing moderately as Trustee investment management costs increase corresponding to the higher fund balances held in the CIF Funds, financial risk monitoring activities are added, external audit requirements take effect, and MDB financial reporting to the Trustee increases as CIF's program/project portfolio grows; overall activity expected to be relatively constant beyond FY12.

Indicators

14. *CIF investment financing.* The CIF's immediate operational objective is to channel resources to participating countries for design and implementation of investment plans through programs and projects. 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.

15. Such indicators, shown below (Table 2), have been rising at a substantial pace, and are expected to continue to do so during the current fiscal year, as per CIF's FY12 Business Plan. 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 4).

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)

16. For the investment financing targets to be met, work needs to proceed under all six components of the management entities' work program (Table 1). The accomplishment of these targets, however, is most directly dependent 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.

17. The above activities all form part of the facilitation, coordination, monitoring and reporting on CIF program implementation (component 3 in Table 1). They need to be supported by operational guidelines (component 2) and timely TFC/SC review and approvals (component 1). Thematic areas of the work program need to have been advanced to help leverage CIF investment financing (component 5). And finally, the management of CIF resources has to provide timely access by recipient countries and management entities to CIF funds (component 6).

18. *MDB Committee meetings.* A broader proxy indicator of the scope of the management entities' combined annual work program would be the frequency with which the MDB Committee and its various thematic groups meet to transact their business. Given its mandate, the Committee is heavily engaged in all aspects of the work

program.³ Meeting agenda address operational policy and procedures development, implementation and monitoring; funding of MDB joint missions; CIF project pipeline management; development and implementation of CIF thematic work programs including the Global Support Program; operational and financial reporting; preparation of documents for the Committees; and coordination of MDB participation and activities at major CIF and external climate change events.

19. During FY10 the MDB Committee expedited its work through 39 meetings. In FY11 it required 52 meetings to complete its work. This would point to an overall increase in the CIF work program of the order of 33%. Given the agreed FY12 business development targets⁴, it is reasonable to expect that the MDB Committee will need to convene at least as frequently during FY12.

20. The following section summarizes the implications of the growth in CIF's administrative work program for access to administrative budget resources.

IV. GROWTH IN THE UTILIZATION ADMINISTRATIVE BUDGET FUNDS

Overview of funds approved and used

21. By the end of FY11, the joint meetings of the CTF and SCF Committees had approved the cumulative amount of \$53.0 million in administrative budget resources for CIF management entities to support CIF implementation in their various capacities. Of this amount, all but \$7.33 million had been utilized (Table 3a below)⁵.

22. This balance comprised three elements: First, \$1.15 million out of the \$13.4 million approved for MDB joint mission support had yet to be allocated by the MDB Committee. Secondly, \$1.43 million of the \$2.0 million for systems development (approved in FY10) was left for work to be undertaken in FY12 or beyond. The remaining \$4.75 million had been returned to the Trustee as a result of the entities under-running their combined FY09-11 budget allocations for administrative services by 9%.

³ Committee meetings are conducted through teleconferencing, typically lasting two hours, and involve 15-20 participants combined from all CIF management entities.

⁴ See Section III of the FY12 Business Plan and Budget Paper

⁵ For budgeting purposes January 1, 2009 marks the transition from CIF's design to the start-up of operations. The FY09 budget provided for (i) retroactive reimbursement of MDB expenses incurred in CIF design and program development during the second half of calendar 2008 (\$1.8 million); and (ii) funding of estimated administrative expenses of the management entities for the period January 1 –June 30, 2009 (\$9.6 million).

Table 3a: Approved and Utilized Administrative Budget Resources FY09-11 (\$ million)			
Budget Part	Funds Approved	Funds Utilized (Est. Actual)	Balance
A/B Admin. services and Partnership Forum	37.52	32.77	4.75
C. MDB support for country programming	13.44	12.29	1.15
D. Special Initiatives (Systems Development)	2.00	0.57	1.43
Total	52.96	45.63	7.33
(Source: CIF FY09-11 Business Plan and Budget documents)			

23. Approved administrative funds are expensed by the management entities for staff salaries (including indirect costs), consultant fees, various services contracted for, and travel by staff and consultants and eligible TFC members and pilot country representatives (Table 3b below). Over the period FY10-12, the estimated expenditures for labor (staff plus consultants) costs, including indirect costs, are responsible for about 70% of overall administrative expenditures, with costs for travel and contractual services sharing about 60-40 in the remaining 30%.

Table 3b: Summary of Administrative Unit and MDBs Administrative Costs by Major Expense Category FY10-FY11 (Estimated Actual) and FY12 (Estimated) (\$'000)			
Expense Category	FY10 Estimated Actual	FY11 Estimated Actual	FY12 Estimated
Staff 1/	5,190.6	6,042.1	8,044.3
Consultants	1,410.3	2,239.8	2,091.9
Travel	1,350.5	2,542.8	2,057.2
Contractual Services	1,194.5	1,548.5	1,668.0
Total Costs	9,145.9	12,373.3	13,861.4
1/ Includes indirect costs			

Growth in budget resource requirements

24. The annual usage 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.

25. These growth rates are within the bounds set by the investment financing indicators (Table 2). There are good reasons why this should be the case. 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.

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.

26. The annual impacts of the evolving CIF work program on annual budget resource requirements over the period FY09-12 are summarized below (Annex 1 provides further information on administrative services costs of the management entities).

- **FY09-FY10.** The overall use of budget resources increased from \$6.6 million to \$17.35 million reflecting in the first instance the move to a first full year of CIF operations. In addition, as the number of initiated MDB joint missions doubled the funding requirements for PPCR missions proved to be significantly higher than those under the CTF. The number of completed investment plans tripled, thereby increasing the demand for MDB focal point outreach, program coordination and due diligence. Finally, the first full-scale Partnership Forum was held in Manila in March of 2010.
- **FY10-FY11.** The continued work program growth in FY11 was supported by \$4.38 million in additional budget resources. First, on investment financing, preparation of FIP and SREP investment plans preparation started up, overall investment plan submissions increased by 40%, and project funding proposals almost tripled. Second, the work on implementing the approved CIF Knowledge Management Program (approved in March 2010) and on stakeholder outreach and engagement expanded substantially to build a strong thematic platform and broad based participation for the June 2011 Partnership Forum in Cape Town. And third, the Global Support Program was fully launched with pilot country meetings (increasing from 3 to 8), and the completion of web-based operational information and lessons sharing platform.

- **FY11-12:** The estimated FY12 administrative expenses of \$21.48 million represent a marginal (2.5 %) decrease from the actual FY11 use of CIF budget resource utilization. This is the expected net result of several factors. The expansion in investment financing will trigger external audits of MDB financial statements, thereby raising the Trustee's expenses by an estimated 27%. As FIP and SREP implementation accelerates, the increased demands on the Administrative Unit's program coordination activities contribute to raising the Unit's resource requirements for policy and program coordination by an estimated 25%. On the other hand, with CIF country programming drawing to a close, fewer additional countries commence investment plan preparation, resulting in an estimated 50% drop in the incremental resources requirements for MDB joint mission support (Table 4).

Growth in human resource requirements.

27. The Administrative Unit as well as the MDBs depend highly on regular staff supplemented by the use of consultants⁶. In FY10 they together utilized an estimated 1444 person-weeks to deliver their administrative services (excluding MDB staff resources for joint mission support). In FY11, these requirements grew to 1996 person-weeks and are expected to rise further to 2600 person-weeks in FY12 (the Administrative Unit and the MDBs respectively requiring 1090 and 1510 person-weeks).⁷

28. The recruitment of staff for the Administrative Unit has proceeded in pace with the growing work program. Through FY10, the Unit's staff complement involved a Program Manager plus 3 senior and 3 junior professional staff, complemented by 3 administrative staff. These arrangements proved unsustainable and entirely inadequate given the rapidly expanding work program. Accordingly, and as per the approved FY11 budget, the staff resources were augmented to include a Deputy Program Manager, 3 additional senior staff, 1 additional operations officers/analysts, and 2 additional administrative staff. Even with this increase, the staff resources of the CIF Administrative Unit remain lean relative to the size and complexity of the CIF work program.

29. The MDBs' labor requirements have increased at broadly the same rate as those of the Administrative Unit. In FY12, the annual requirement averages 252 person-weeks. This means that every MDB on average has 63 person-weeks for each of the CTF, PPCR, FIP and SREP programs to cover (i) outreach, support to task teams working on investment plans and projects, and quality control (38%), (ii) operational reporting (26 %), (iii) participation in CIF Committees and forums including their associated work programs (16%); and (iv) financial management and relations with the Trustee (20%) (Annex 1a, item 3).

⁶ During FY10-FY11 75% of the MDB and Administrative Unit's labor requirements are filled by staff, with the balance from consultants.

⁷ This increase is partly on account of the decision by the Asian Development Bank, to reflect staff costs in the estimated budget requirements for CTF and SCF coordination in FY1, a practice that in previous years could not be followed because of the absence of a corporate staff time recording system.

V. COSTS OF INDIVIDUAL WORK PROGRAM ACTIVITIES

30. The costs of CIF administrative services can be examined at the program, service function, and individual activity levels. The preceding section summarized the evolution of costs at the program (Table 4) and service function levels (Annex 1) in relationship to the growth in CIF's administrative work program. This section reports on the actual costs of individual work program activities to the extent that such costs can be established from the time and expense recording and tracking systems of the management entities.

Partnership Forum

31. The Partnership Forum, so far held annually, is the single most resource demanding activity in the CIF work program. Setting aside the limited event in November 2008, the expenses for holding the two subsequent Forums averaged \$1.53 million, including \$286,000 in costs borne by the hosting MDB (Table 5). Travel expenses for bringing in country representatives and speakers are the major cost contributor (38%).

32. The overall 46% rise in costs between the Manila and Cape Town Forums is the result of the larger attendance (rising by 24% from 420 to 520), the broader scope of the Cape Town Forum agenda and its implications for the scale of local services, travel and stakeholder outreach and communications, and the higher unit costs of local services in Cape-Town.

Table 5: FY10 - FY11 Partnership Forum Costs (\$,000)						
Categories	FY10 Manila			FY11 Cape Town		
	CIF AU	ADB	Total	CIF AU	AfDB	Total
Venue and General Operations	59.46	115.78	175.24	93.32	252.37	345.68
Personnel except CIF Management	191.26	66.80	258.06	135.08	90.07	225.15
Travel 1/	507.42	-	507.42	627.26		627.26
Stakeholders Outreach and Communications	129.58	3.00	132.58	241.69	8.61	250.31
Translation and Interpretation	174.00	-	174.00	206.50		206.50
Contingency 2/	-	-	-	130.39	35.11	165.49
Total	1,061.72	185.58	1,247.30	1,434.23	386.16	1,820.39
1/ Excludes AU and MDB travel costs						
2/ Expenses incurred after June 30, 2011						

33. In addition to the above expenses, there are the time and travel costs of Administrative Unit staff in the planning and organization of these events. They are considerable and included in the administrative services part of the budget, but are not specifically trackable through the Unit's staff-time recording system.

Other CIF Meetings

34. The costs of holding trust fund and sub-committee meetings averaged \$ 43,900 per meeting during FY10-11, with costs divided roughly equal between contractual services and travel costs for eligible committee members (Table 6). The overall increase in FY11 over FY10 costs was due to a decision by the joint meeting of the trust fund committees in November 2010 to introduce interpretation at their respective meetings.

35. The costs of pilot country meetings averaged \$54,500 in FY11. As in the case of TFC/SC meeting costs, the time and travel of Administrative Unit staff in facilitating and organizing these meetings are not accounted for in the costs for holding these meetings for reasons explained above.

Table 6: Average Cost of TFC/SC and Pilot Country Meetings in FY10-FY11 (\$,000)			
	TFC and Sub Committee Meetings		Pilot Country Meetings 1/
	FY10	FY11	FY11
Number of Meetings	11	10	8
A. Contractual Services	139.49	350.38	100.00
B. Travel by TFC Members	204.73	214.01	335.80
Total	344.23	564.39	435.80
Cost per Meeting			
Contractual Services	12.68	35.04	12.50
Travel	18.61	21.40	41.97
Total Cost per Meeting	31.29	56.44	54.47
1/ Costs unavailable for 3 Pilot Country Meetings in FY10			

The CIF Annual Report and Learning Briefs

36. *CIF Annual Reports.* The preparation of the 2010 CIF Annual report was prepared by a consulting group working under the guidance of the Administrative Unit management. It was produced both in hard copy and electronic versions and translated into Spanish and French for a total cost of \$151,600, excluding time spent by staff and consultants of the Administrative Unit and the MDB Committee in support of its development. Work on the 2011 Annual Report is under way with a budget of \$152,000.

Table 7: Annual Report and Learning Briefs FY11 Actual Expenses and FY12 Approved Budget (\$'000)					
	Annual Report		Learning Briefs		
	FY11	FY12	FY11	FY12	
Consultants	92.1	92.0	164.8	300.0	
Travel	-	-	110.7	80.0	
Translation	17.6	18.0	6.6	7.0	
Design and Production	41.9	42.0	-	-	
Total	151.6	152.0	282.1	387.0	

37. *CIF Learning Briefs.* The scope and complexity of the learning briefs and the extent of required travel to recipient countries will differ considerably from brief to brief, resulting in significant cost variation. The first two briefs addressed emerging perspectives and lessons learned from country level programming in CTF and PPCR. They were completed in FY11 at an average cost of \$141,000 (CTF \$97,400 and PPCR \$184,700). The knowledge management work program for FY12 includes the preparation of four additional knowledge products (one in each of the CIF programs), with a budget that is based on cost of the FY11 CTF brief. Consideration is being given to different modalities for disseminating knowledge and preparing knowledge products with a view to generating lessons and experience about diverse knowledge management tools. It is expected that each tool will have a different level of costs associated with it.

External Audits of financial statements

38. In the FY12 budget document, the costs of external audits are estimated to be on average \$75,000 for each external audit of the MDB special purpose financial statement and \$150,000 for the Trustee's special purpose financial statements. The costs could, however, vary greatly across MDBs (from \$10,000 to \$90,000 approximately) depending on the size and complexity of financial activities involved as well as on the scope of the audit itself.

MDB Joint-missions in support of IP preparation

39. Support for country programming involves MDB activities associated with scoping and joint missions as well as interim support for the development of a country or regional investment plan. The country programming phase normally concludes with the endorsement of an investment plan by the relevant Trust Fund or Sub-Committee. Some post-endorsement activities may be financed through the country programming budget but these need to be justified as an activity eligible under country programming and distinct from activities covered through the MDB budget for project implementation support and supervision services. Eligible post-endorsement activities may include, among other things:

- i. revising an investment plan;

- ii. coordinating responses by the pilot country government to comments received on the investment plan;
- iii. organizing meeting(s) and workshops with a pilot country government and other stakeholders on next steps in implementing the investment plan; and
- iv. continued supervision services for activities (including capacity building) financed under the preparation grant for the development of the investment plan.

40. Once the MDB Committee approves proposals (from participating MDBs) for country programming, including joint-mission support to country preparation of investment plans, the Trustee transfers the budget amounts to the individual participating MDBs as specified in proposal. All MDBs are annually required to report to the Trustee on their use of such transfers.

41. These reports indicate that, as of June 30, 2011, a total of \$4.05 million of CIF resources had been used by the MDBs to support the preparation of 23 single pilot country investment plans which by then had been endorsed. This is equivalent to 64% of the amounts received by the MDB from the Trustee (70% for PPCR, 63% for CTF, and 42% for FIP).⁸ The balance will be further drawn down to the extent that post-endorsement support for country programming will be required (see para. 39).

Table 8: Actual CIF Funding of MDB Joint Mission Support for Preparation of Investment Plans through TFC/SC endorsements Prior to June 30, 2011

Program	No. of Completed IPs/SPCRs	Actual Joint Mission Funding Expenses	Average CIF Funded MDB Expenses	Range
	A	B	(B/A)	
CTF	14	1,706,571	121,898	72,449 - 205,683
PPCR 1/	7	2,027,665	289,666	236,656 - 346,032
FIP 2/	2	314,674	157,337	149,931 - 164,743
TOTAL	23	4,048,910	176,040	

1/ Includes only single country pilots.

2/ Additional costs for joint mission will incur after June 30, 2011.

42. While the average amount used up to the endorsement of country investment plan was \$176,040, there were large variations among and within programs. Joint MDB support under CTF has averaged \$122,000 with PPCR support requiring more than double that amount in MDB support. As repeatedly elaborated in the annual CTF budget submissions, the higher demand for joint MDB support under PPCR emanates from the

⁸ The end of FY11 savings under CTF (\$1.0 million) has enabled the MDBs to support additional countries (including India) that are commencing preparation of investment plans. Under the PPCR the end FY11 total balance of Trustee transferred joint-mission budgets for completed and endorsed SPCR remaining with the MDBs amounted to \$854,558.

emphasis on piloting design and implementation approaches to address greater institutional complexity and secure effective inclusion of the local stakeholders.⁹

VI. CONTAINING COSTS

Background

43. While the administrative costs of the CIF inevitably have to 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. This concern was recognized early by the CTF and the SCF Trust Fund Committees. At their joint meeting in May 2009 meeting they concluded that

*“The Administrative Unit and the MDBs should strive for efficiency and low administrative costs so that maximum resources are available to assist recipient countries. To assist the Trust Fund Committees in assessing the budget, the Administrative Unit is requested to prepare a note that provides comparative information/benchmarks for similar activities in other large trust funds or similarly structured programs”.*¹⁰

44. A note to the above effect was prepared and considered by the next joint meeting of the trust fund Committee in the context of the proposed FY11 budget. It identified administrative costs of comparable trust funds from public sources and examined the costs of administering CIF in relationship to such information. Based on FY09 and FY10 administrative cost data, the study concluded that the projected total cumulative program-related administrative costs of the CIF amounted to 2% of the projected cumulative project funding commitments expected to have been made by FY14. This “efficiency” ratio, compared favorably with the corresponding ratios for four comparator trust funds.¹¹

45. An update of the CIF “efficiency” ratio, using additional actual cost data from an additional year, was presented to the joint meeting of the trust fund committees at their June 27, 2011 meeting in connection with the consideration of the FY12 CIF Business Plan and Budget document. It confirmed the findings of the 2010 benchmark study. In addition, it showed that by adding project related administrative costs to CIF's program related administrative costs, the overall CIF “efficiency” ratio would increase to 2.7 percent, with CTF at 1.7% (as a result of large individual sums lent for scaling up proven

⁹ In addition to the costs shown in Table 8 there are the costs of time that (i) the MDB Committee takes to review, and where appropriate help strengthen joint-mission proposals; (ii) the MDB CIF focal points require to guide joint-mission teams on CIF policies and procedures and exercise due diligence in reviewing draft investment plans with respect to CIF related requirements; and (iii) the Administrative Unit's Senior Program Coordinators require to advise on CIF program objectives and operational guidelines for the preparation and submission of investment plans.

¹⁰ Summary of Co-Chairs, Joint Meeting of the CTF and the SCF Trust Fund Committees, May 12, 2009.

¹¹ “Benchmarking CIF's Administrative Costs “ CTF-SCF/TFC.4/Inf.2

technologies) and SCF at 6.1% (as a result of smaller funding levels and piloting of innovative approaches). Annual updates of CIF's projected "efficiency" ratio will be presented as part of future Business Plan and Budget documents.

Controlling program-related administrative costs

46. The starting point for managing program related administrative costs is the budget process itself, led by the Administrative Unit. It includes the following steps that promote transparency, accountability and reasonableness of administrative costs.

- i. Proposed budget requirements are built up transparently from agency estimates of inputs required (staff/consultant time, no. of travel trips, etc) and unit costs of inputs (cost per staff week, average cost per trip etc).
- ii. The Administrative Unit issues guidance to the MDBs for their estimation of travel and meeting attendance including expected number of meetings, their location and combination (TFC/SC, Partnership Forum, country meetings), and proposed norms for number of CIF funded agency representatives per meeting (or combination of meetings).
- iii. Before estimates from the various CIF agencies are finalized and consolidated, they are reviewed for consistency across agencies and CIF programs. Outlier estimates are identified and examined, leading as required, to appropriate adjustments or explanations.
- iv. Reviews of the actual and expected utilization of approved budget allocations are regularly carried out in February/March, thereby setting the baseline for the estimation of administrative costs for next year's budget proposal.

47. Other measures for containing program related costs for staff and consultants, travel and contractual services are summarized below:

48. *Staff costs:* Compensation rates are governed by individual MDB policies. Containing staff costs, therefore, involves managing the size and composition of the staff complements of the Administrative Unit and the MDB focal points for program coordination. As emphasized earlier in the paper, the Administrative Unit and the MDBs have sought to gradually build up their staff resources in line with the work program requirements.

49. *Consultant costs.* Each MDB recruits individual consultants on the basis of the levels of responsibility involved in the assignment and the experience required. IBRD implements a system of market reference rates for various skills/responsibility combinations and has recently taken steps to ensure that all consultants are paid according to those rates, including adjustments in those cases where consultants on current contracts are paid in excess of the reference rates. These arrangements apply in equal measure to the Administrative Unit's consultants.

50. *Travel costs.* Travel by MDB staff and consultants follows the policies of the individual MDBs. In the case of the World Bank, the travel policy prescribes that staff

and consultants will travel on lowest available fare in the entitled class, 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 so as to capture possible economies in travel.

51. The main determinants of annual travel costs, however, are the number and frequency of TFC/SC members, MDB and Administrative Unit staff and consultants and country participants travelling to CIF meetings. Overall travel costs are being contained by

- 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. an understanding among the MDBs to adhere to 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
- v. pursuing cost-sharing opportunities, by MDBs making best effort to combine CIF joint-mission travel with that for regular MDB operations.

52. *Contractual services* are employed by all the CIF entities, although primarily by the Administrative Unit. They have ranged from securing meeting venues and general operations; design of the web-based knowledge sharing platform, design of the CIF results framework; external audits of financial statements, and coordination of broad-based participation at the Partnership Forums, to the development of an approach for involving greater civil society in CIF's decision making process and organizing the self selection process for observers to the trust fund committees and sub-committees. For some of these services, and given the nature of the work to be undertaken, 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

53. 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 and supervision services.

54. 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.

55. 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 MDB fee by the Trust Fund Committee.¹² Reporting 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.¹³

¹² “CTF Financing Products, Terms and Review Procedures for Public Sector Operations “(Annex C), May 28, 2009.

¹³ “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).

Annex 1:

Annex 1a. Estimated Actual Expenses for FY09-11 and FY12 Approved Budget					
Approved Budget for Administrative Services by CIF Management Entity (\$'000)					
Categories	FY09 Estimated Actual 1/	FY10 Estimated Actual	FY11 Estimated Actual	FY12 Approved Budget	
1. Trustee					
Financial and Relationship Management	237.6	380.0	350.0	363.0	
Investment Management	25.0	287.0	767.0	683.0	
Accounting and Reporting	321.3	303.0	357.3	360.0	
Legal Services	154.9	200.0	198.0	200.0	
External Audit	-	100.0	652.0	1,350.0	
One time Trust Fund Fee	250.0	250.0	-	-	
Subtotal Trustee	988.8	1,520.0	2,324.3	2,956.0	
2. Admin Unit					
1. Facilitating the work of TFCs and Sub-Committees	329.3	685.4	986.0	868.2	
2. Managing Institutional Relations and Partnership Building 2/	366.6	1,798.8	2,799.2	2,728.7	
3. Policy and Program Development	1,188.8	1,674.3	2,532.8	3,180.4	
4. Management and Finance	282.4	475.0	590.9	661.5	
Subtotal Admin Unit	2,167.1	4,633.5	6,909.0	7,438.9	
3. MDBs					
1. Internal outreach and integration of CIF in MDB policies, procedures and systems	679.3	1,767.3	2,342.0	2,160.0	
2. CIF operational reporting	190.4	373.7	736.1	1,329.1	
3. Participation in CIF committees and fora	497.9	1,494.8	1,541.9	2,002.7	
4. Financial management and relations with the CIF Trustee	378.2	876.6	843.9	930.6	
Subtotal MDBs	1,745.9	4,512.4	5,464.0	6,422.4	
Grand Total	4,901.7	10,665.9	14,697.2	16,817.3	
1/ Refers to six month period 1/1/2009 to 6/30/2009					
2/ Includes expenses for planning and organizing The Partnership Forum but excludes the expenses for hosting it (latter included in Budget Component B)					

Annex 1b: Annual Average MDB Expenses for CIF Program Coordination by CIF					
Program and MDB Sub-Group FY09-11 (Estimated Actual) and FY12 (Approved Budget)					
(\$'000)					
	FY09 /1	FY10	FY11	FY12	
IBRD/IFC:					
CTF	190.6	500.3	475.6	531.7	
PPCR 2/	47.9	224.2	368.8	368.2	
FIP		139.0	257.0	350.7	
SREP		119.7	199.0	314.5	
Regional Development Banks					
CTF	195.2	341.3	292.7	286.1	
PPCR 2/	162.6	134.3	166.4	201.5	
FIP		90.1	137.8	210.3	
SREP		94.5	119.1	177.8	
1/ Refers to six month period 1/1/2009 to 6/30/2009					
2/ Consolidated for SCF for FY09					
No Estimated Actual Expenses for EBRD for FY09 PPCR and FY10 SREP and no Approved Budget for FY12 FIP					