

**FIAS CONSULTATIVE COMMITTEE OF DONORS MEETING**  
**Vienna, Austria**  
**October 22-23, 2008**

**Financial and Resource Management Report**

**FY08 Financial Results**

As shown in **Table 1**, FIAS concluded the first year of its new strategy cycle with total expenditures of \$27.7 million, 2.7% above the upper range of the \$25 - \$27 million budget approved by the Supervisory Committee at its September 7, 2007 meeting.

FIAS staff, consultant and travel costs continued to represent the largest share (92 %) of total expenses. While fixed costs remained below budget, variable costs resulted in an 11% budget overrun; difficulties/delays in staff recruitment contributed to the hiring of fewer staff and more consultants. Increased travel costs were associated with the implementation of work programs in Africa and Southeast Europe.

In the first year of its FY08-FY11 strategy cycle, FIAS received donor contributions in the amount of \$36.4 million, including \$14 million in core contributions from IFC, MIGA and the World Bank. It should be noted that in addition to IFC's FY08 \$4.0 million annual contribution, IFC advanced FIAS its FY09 annual contribution (\$4.0 million) in March 2008 to help FIAS meet a cash flow shortage due to delayed donor disbursements. A complete list of FIAS' FY08 contributions is included in **Table 2**.

**Cash Flow/Cash Management**

Although FIAS had been highly successful in raising funds, FIAS experienced cash flow problems due in part to the fact that untied funding contributed by IFC, MIGA and the Bank had to be used to finance all FIAS operations (core, programmatic and project specific) during the first two quarters of the fiscal year. As FIAS started its new FY08-FY11 cycle, FIAS had to close all existing trust fund accounts; terminate all donor agreements; renegotiate new agreements and get new contributions from our donors. This process proved to be more complex and time consuming than expected. Donor funds for the new cycle did not start to come in until early in the third quarter and FIAS needed to repost those expenses that were charged to the "core" funds early in the fiscal year. To bridge the immediate cash shortfall, FIAS requested and received an advance disbursement of its IFC FY09 FMTAAS allocation of \$4.0 million.

With the \$4.0 million IFC cash advance and the reposting of approximately \$3.0 million of expenses to eligible programmatic and project specific (tied) trust fund accounts in late May/June, FIAS concluded the fiscal year with a balance of \$5.6 million in core funding, to be carried over into FY09. This amount includes \$1 million of interim budget received from the Bank (and repaid in the first quarter of FY09). It also includes \$1.1 million of carry-over funds

from the FY05-07 funding cycle which are still under audit. The remaining \$3.5 million of core funding carry-over is almost equivalent to the cash advance received from IFC in FY08; these funds remain available almost to the full extent to cover expenses incurred in FY09.

### **FY09 Budget/Funding Plan**

As shown in **Table 3 (FY09 Budget and Funding Plan)**, FIAS Management has proposed, and the FIAS Supervisory Committee has approved on September 18, a base case budget of \$32 million for FY09 which reflects a 16% increase from the \$27.7 million of expenditures in FY08. This budget is based on a \$16.6 million staffing plan (126 staff positions including ETCs, JPOs, and special assignments) and considers FIAS' current cash situation described above. The Supervisory Committee approved a budget range of \$32 million to \$34 million in the event that demand warrants and funding is sufficient.

To support its FY09 budget, FIAS has already secured \$39.6 million in total funding for FY09, with 40% of the funding provided for programmatic and project specific activities (see **Table 3**). The indicative outlook for donor funding beyond FY09 also looks healthy and should provide a sustainable financial foundation for FIAS' operations. Additional details on fund-projections are included in a separate note on fundraising and donor relations.