

GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM (GAFSP)
FY12 ADMINISTRATIVE BUDGET
June 7, 2011

Presented to the GAFSP Steering Committee for Approval
at the Fifth Steering Committee Meeting on June 7, 2011

PROPOSED DECISION OF THE STEERING COMMITTEE

This proposal is presented to the GAFSP Trust Fund Steering Committee for their review and approval of the FY12 Administrative Budget for the GAFSP Trustee, acting as the fund manager of the financial assets of the GAFSP Trust Fund and the Coordination Unit, serving to support the various bodies of the GAFSP Governance structure, based on the principle of “full cost recovery” under which the GAFSP Trust Fund operates. The proposed budget of the Coordination Unit includes estimated costs of the Technical Advisory Committee (TAC).

The Steering Committee takes note that (i) as work program of the World Bank’s Development Impact Evaluation Initiative (DIME) is still being discussed, the potential costs for DIME are not included in the Administrative Budget presented; and (ii) this proposal also does not include the administrative expenses and project preparation and supervision costs of the Supervising Entities.

The Steering Committee agrees that the first set of audited financial statements will be prepared after the end of FY12, which will cover all activities since inception of the Trust Fund, and that the external audit costs will be charged to the GAFSP Trust Fund in FY13.

BACKGROUND

1. The Budget for the FY11 and FY12 Administrative Costs for GAFSP is presented to the GAFSP Steering Committee for consideration and approval at the Fifth GAFSP Steering Committee meeting on June 7, 2011. The proposed Administrative Costs have been prepared with the understanding that the GAFSP Trust Fund “will operate under full cost recovery basis, including recovery of all costs associated with design and set-up of the GAFSP, including the Trust Fund”.¹

2. Table I provides an overview of the Total Administrative Costs for FY11 and F12 for the Trustee and Coordination Unit. Further details on the individual budgets for the Trustee and Coordination Unit are discussed in subsequent sections.

Table I: Total Administrative Costs for FY11 and FY12

Total Administrative Costs			
FY10 - FY11 Actuals and FY12 Estimates			
(in US\$)			
	FY10 Actuals	FY11 Revised	FY12 Proposed Budget
Trustee	150,000	520,500	293,000
Coordination Unit	378,000	754,181	1,060,500
Total	528,000	1,274,681	1,353,500

3. The FY11 Administrative Costs presented are revised estimates of costs and fees from July 1, 2010 through June 30, 2011. The FY12 Administrative Costs presented are estimates based on the expected services required from the Trustee and Coordination Unit in the period starting July 1, 2011 and ending June 30, 2012. The proposed budget will be adjusted at the end of the fiscal year to account for actual expenses incurred. This means that, any services rendered by the Trustee and/or the Coordination Unit in above and beyond those outlined in this paper would result in additional charges to the GAFSP Trust Fund at the end of the FY, and vice versa.

4. The World Bank serves as the Trustee for the Public Sector Window of the GAFSP Trust Fund. In this capacity the Trustee will provide the following services: (i) financial management, (ii) relationship management, (iii) investment management, (iv) accounting and reporting, and (v) legal services. The approved FY11 Administrative Budget covered the costs for all these services. The Trustee costs in FY11 also included a Trust Fund fee of US\$ 250,000 as an attempt to recover IBRD’s long-term costs of trust

¹ Framework Document for a Global Agriculture and Food Security Program (GAFSP), para. 90, pg. 39

fund administration, including but not limited to, quality control and compliance, internal audit, human resources and institutional integrity, in accordance with the World Bank's cost recovery policy.

5. The GAFSP Coordination Unit is housed within the Agriculture and Rural Development Department of the World Bank and is led by the Program Manager. The scope of the Coordination Unit's work includes preparing Calls for Proposals, receiving funding requests, acting as a liaison between the different entities of GAFSP, compiling progress reports, providing information to the public on the GAFSP Trust Fund, and organizing Steering Committee meetings. The FY11 Coordination Unit disbursements cover costs associated with:

- Development of the GAFSP website as part of the outreach activities;
- Development of various technical documents as requested by the Steering Committee such as: (i) GAFSP Monitoring and Evaluation Plan, (ii) Improved guidelines to the TAC to complete the assessment of 17 pending proposals, (iii) Country guidelines and draft revised country guidelines, and (iv) Draft options for constituency arrangements;
- Drafting of TORs (for the TAC, Impact Evaluation organization);
- Organization of meetings (two Steering Committee meetings, two Technical Advisory Committee (TAC) meetings, two Working Group meetings);
- Travel to Washington of non-DC based Recipient Representatives for the Steering Committee meetings.

6. These tasks were also taken into consideration in compiling the FY12 proposed Administrative Budget for the Coordination Unit.

THE TRUSTEE

7. Table II shows the revised estimates of Trustee costs during FY11 as well as cost projections for FY12 for services to be provided.

Table II: Budgetary Requirements for Trustee Services in FY11 and FY12

FY11 Revised and FY12 Proposed Budget (in USD)			
Trustee Services	FY11 Approved Budget	FY11 Revised Budget	FY12 Proposed Budget
Financial and Relationship Management	100,000	50,000	60,000
Investment Management	70,000	125,000	123,000
Accounting and Reporting	51,000	25,500	55,000
Legal Services	50,000	70,000	55,000
IBRD Trust Fund Fee	250,000	250,000	-
Total	521,000	520,500	293,000

FY11 Trustee Costs

8. As shown in Table II, the Trustee’s revised estimates of costs during FY11 amount to US\$ 520,500. Both financial management and accounting costs were lower than projected due to the limited financial activities, while legal costs were higher (negotiation on Transfer Agreements with Supervising Entities required more staff time than expected). Investment management fees are calculated based on a flat-fee of 3.5 basis points against the average annual balance of the portfolio. As the projected average portfolio size is revised to US\$ 356 million from US\$ 200 million for FY11, the fee increased by US\$ 55,000.

FY12 Trustee Budget

9. The proposed FY12 Trustee budget is US\$ 293,000 and reflects the following components:

- i. **Financial management and relationship management:** Costs are based on staff time and expenses required for the management and execution of financial transactions, including maintaining receipts of donor contributions, recording allocations and commitments, and processing cash transfers to Supervising Entities. This estimate also covers staff time associated with financial reporting of the Trust Fund, donor relationship management, and coordination with the Secretariat and Supervising Entities on any changes to operational policies relating to financial transactions;
- ii. **Investment management:** Investment management fees are calculated as a flat fee of 3.5 basis points (i.e. 0.035%) on the average annual balance of the undisbursed cash in the Trust Fund; the projected average portfolio size for the GAFSP Trust Fund for FY12 is US\$ 350 million. In the event that disbursements take place more rapidly, the average balance would be lower, and investment management fees would reduce accordingly;

- iii. **Accounting and reporting:** Costs are based on the management of the accounting model for the Trust Fund and maintenance of appropriate records and accounts to identify contributions and other receipts as well as Trust Fund liabilities to Supervising Entities; and
- iv. **Legal services:** Costs are determined based on the time required to finalize Contribution Agreements with Contributors and Transfer Agreements between Supervising Entities and the Trustee. Costs also include staff time needed for policy advice, legal review of financial documents and drafting new legal documents as well as amending the existing legal documents for the Trust Fund's operation, as necessary.
- v. **Non-core central unit costs:** The Bank recently reviewed the methodology for calculating the costs of units that are indirectly involved in providing trustee services to Financial Intermediary Funds (FIFs) such as the GAFSP. Preliminary results of the study suggest that these indirect costs amount to about 10% of the direct costs for providing trustee services (e.g., (i) to (iv) as noted above). The results of the study are being incorporated into the fee arrangements for all FIFs in FY12, consistent with the full cost-recovery policy, except in cases where a trust fund has paid an advance fee of US\$ 250,000 upon establishment of the trust fund. In such cases, the non-core central unit costs will be charged after the US\$ 250,000 has been spent.

10. Considering that there has been minimal financial activity in the GAFSP Trust Fund to date, the Trustee believes that it is not cost effective for the Trustee to perform an external audit for FY11. Therefore, the Trustee proposes to arrange for the first external audit for the GAFSP Trust Fund as of June 30, 2012; such audit would cover all financial activities since inception of the Trust Fund. Since the GAFSP Trust Fund is included in the Bank's Single Audit exercise, the Trustee will share the FY11 Single Audit report with the GAFSP Steering Committee members, which includes the combined statement of contributions, fund balances, and other consolidated financial information for all trust funds.

THE COORDINATION UNIT

11. Table III shows the actual disbursements incurred by the Coordination Unit during FY10, FY11 as well as cost projections for FY12 for services to be provided by the Coordination Unit.

Table III: Budgetary Requirements for Coordination Unit Services

Budgetary Requirements for Services Provided by the Coordination Unit				
FY10 - FY11 Actuals and FY12 Estimates				
(in US\$)				
Type of Expenditure	FY10	FY11		FY12
	Expenses	Approved Budget	Expenses	Proposed Budget
Total Staff Costs:	265,200	638,000	372,000	660,500
- Senior Coordination Unit Staff	226,000	340,000	256,000	501,500
- Junior Coordination Unit Staff	34,800	261,000	88,000	130,000
- Administrative Staff	4,400	37,000	28,000	29,000
Legal Services	75,000	50,000	50,000	50,000
Facilitation of Steering Committee Meetings	2,800	6,000	50,000	50,000
Travel by the GAFSP Coordination Unit (i.e. CFS, G20, Recipient Countries, donor countries, etc.)	15,000	60,000	45,700	60,000
Travel for Participation of non-DC based Recipient Representatives and Southern CSO Representatives in Steering Committee meetings	20,000	50,000	21,350	25,000
Outreach and communication activities		20,000	28,250	20,000
Sub-Total Coordination Unit	378,000	824,000	567,300	865,500
Technical Advisory Committee:				
Facilitation of meetings:			9,930	20,000
Fees:			203,316	200,000
Travel:			23,635	25,000
Sub-Total TAC		493,714	236,881	245,000
GRAND TOTAL	378,000	1,317,714	804,181	1,110,500

Note: FY11 Disbursements = Actuals for period July - April + Estimates for period May-June

FY11 Coordination Unit Costs

12. As detailed in Table III, the actual expenses incurred by the Coordination Unit for the development of the GAFSP Trust Fund in FY11 amount to US\$ 804,181.

13. The FY11 Coordination Unit disbursements cover costs associated with:

- Development of the GAFSP website as part of the outreach activities;
- Development of various technical documents as requested by the Steering Committee such as: (i) GAFSP Monitoring and Evaluation Plan, (ii) Improved guidelines to the TAC to complete the assessment of 17 pending proposals, (iii) Country guidelines and draft revised country guidelines, and (iv) Draft options for constituency arrangements);

- Drafting of TORs (for the TAC, Impact Evaluation organization);
- Organization of meetings (two Steering Committee meetings [November 2010, June 2011], two Technical Advisory Committee (TAC) meetings [October 2010, January 2011], two Working Group meetings [November 2010, April 2011]);
- Travel to Washington of non-DC based Recipient Representatives for the Steering Committee meetings.

14. Expenses shortfall in FY11 relative to staff costs are due to delays in recruiting pending clarification of needs. A Communications Assistant has come on board in May 2011; a position mainly focused on results reporting has been advertised, a short list has been agreed and interviews will proceed in the coming weeks.

FY12 Coordination Unit Budget

15. The proposed Coordination Unit Budget for FY12 is US\$ 1,110,500. The proposed budget includes the following expenses to fund the activities detailed:

- i. **Staff Costs:** The time of staff working in the GAFSP Coordination Unit will be covered from the budget set aside for staff costs. The budgeted amount assumes that nine members of the Coordination Unit will perform their duties on a part-time basis as required while one new member is expected to devote 100% of his time to GAFSP mainly focused on the results reporting aspect. As in previous years, the actual staff time spent on GAFSP-related tasks will be accounted at the end of the fiscal year through the World Bank's time recording system.
- ii. **Facilitation of Meetings:** We anticipate that two Steering Committee, two TAC, and two Working Group meetings will be held over the course of FY12. Costs associated with these meetings will include logistics, facilities, personnel support, audio-visual services and general operating costs.
- iii. **Travel by the GAFSP Coordination Unit:** Travel for members of the Coordination Unit being requested to represent the GAFSP at meetings such as G20, Committee on Food Security (CFS) and other food security meetings and/or conferences. Members of the Coordination Unit may in addition be required to travel to Recipient or donor countries. In FY12, we anticipate disbursements at comparable levels to FY11.
- iv. **Travel Costs for Participation in SC Meeting of non-DC based Recipient Representatives:** Travel expenses for the participation in physical Steering Committee meetings of non-DC based Recipient Representatives would be paid from the GAFSP Trust Fund as agreed by the Steering Committee during the First Steering Committee meeting to allow all constituents to participate in Steering Committee meetings. Travel expenses covered include airfare, per diem and other incidental costs in line with the World Bank's Travel Policy. The budgeted amount assumes the participation of four non-DC based Recipient Representatives in two physical Steering Committee Meetings.

- v. **Outreach and Communications Activities:** Our outreach/communication efforts will continue in FY12 and we have included a small provision for further activities which cannot be carried out by the Coordination Unit staff.

16. If the Steering Committee requests the Coordination Unit to take on additional tasks not detailed above, this may result in an increase in Administrative Costs (similarly, a reduced Coordination Unit work program could result in a reduction of the Administrative Costs detailed in the FY12 Proposed Budget) . This would be reflected in the end-of-year adjustment of the proposed budget with the actual expenses incurred. Upon receiving such requests to take on additional responsibilities from the Steering Committee, the Coordination Unit will present to the Steering Committee the associated cost options for the Steering Committee's prior approval.

17. The Steering Committee might also like to know that the Government of Spain has kindly seconded a senior level professional to ARD starting June 20, 2011. This position is financed 100% by the Externally Funded Staff Program of the World Bank and not charged to GAFSP. However, the Coordination Unit anticipates that this person will function as a full team member of the Rural Policies Unit in ARD and may thus, from time to time, assist with work on GAFSP, although his primary duties will lie elsewhere.