

GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM (GAFSP)

FY13 ADMINISTRATIVE BUDGET

May 23, 2012

**Presented to the GAFSP Steering Committee for Approval
at the Sixth Steering Committee Meeting on May 23, 2012, revised June 19, 2012**

PROPOSED DECISION OF THE STEERING COMMITTEE

This proposal is presented to the GAFSP Trust Fund Steering Committee for their review and approval of the FY13 Administrative Budget for the GAFSP Trustee, acting as the fund manager of the financial assets of the GAFSP Trust Fund Public Sector Window and the GAFSP 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 this proposal does not include the administrative expenses and project preparation and supervision costs of the Supervising Entities, the costs related to the work program of Civil Society Organizations (CSOs), or the costs related to the World Bank’s Development Impact Evaluation Initiative (DIME).

The Steering Committee agrees that the first set of audited financial statements will be prepared after the end of FY13, 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 FY14.

BACKGROUND

1. The GAFSP Trustee and Coordination Unit’s administrative budgets for FY12 and FY13 are presented to the GAFSP Steering Committee for consideration and approval at the Sixth GAFSP Steering Committee meeting on May 23, 2012. The FY12 revised and FY13 proposed administrative budgets 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 FY12 and F13 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 FY12 and FY13

	FY12 Actuals and Estimates	FY13 Proposed Budget
Trustee	266,000	380,000
Coordination Unit	908,165	1,275,000
Total	1,174,165	1,655,000

3. The FY12 administrative costs presented are revised estimates of costs and fees from July 1, 2011 through June 30, 2012 while the FY13 administrative costs presented are estimates based on the expected services required from the Trustee and Coordination Unit in the period starting July 1, 2012 and ending June 30, 2013. The revised FY12 and proposed FY13 budget will be adjusted at the end of the fiscal year to account for actual expenses incurred.

4. The World Bank serves as the Trustee for the Public Sector Window of the GAFSP Trust Fund. In this capacity, the Trustee provides the following services: (i) financial and relationship management, (ii) investment management, (iv) accounting and reporting; and (v) legal services.

5. The GAFSP Coordination Unit is housed within the Agriculture and Rural Development Department (ARD) of the World Bank and is led by a 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.

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

THE TRUSTEE

6. Table II shows the revised estimates of Trustee costs during FY12 as well as cost projections for FY13 for services to be provided.

Table II: Budgetary Requirements for Trustee Services in FY12 and FY13

Trustee Services	FY12 Approved Budget	FY12 Actual Costs July 2011-March 2012	FY12 Estimated Costs April-June 2012	FY12 Revised Budget	FY13 Proposed Budget
Financial and Relationship Management	60,000	50,623	9,377	60,000	65,000
Investment Management	123,000	131,617	43,872	175,000	175,000
Accounting and Reporting	55,000	8,000	12,000	20,000	35,000
Legal Services	55,000	2,075	8,925	11,000	30,000
IT Systems Development	-	-	-	-	75,000
Total	293,000	192,315	74,174	266,000	380,000

FY12 Trustee Costs

7. As shown in Table II, the Trustee's revised estimate of costs during FY12 amount to US\$ 266,000, a decrease of US\$ 27,000 from the approved budget. This difference represents reduced costs for accounting and legal services in the amount of US\$ 79,000, offset by an increase in investment management fees. Investment management fees are calculated based on a flat-fee of 3.5 basis points against the average annual undisbursed balance of the portfolio. As the projected average portfolio size is revised from US\$ 350 million to US\$ 500 million for FY12, the fee increased by US\$ 52,000.

FY13 Trustee Budget

8. The proposed FY13 Trustee budget is US\$ 380,000 and reflects the following components:

- i. **Financial 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 GAFSP Coordination Unit 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 FY13 is US\$ 500 million. In the event that cash transfers 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;
- iv. **Legal services:** Costs are determined based on the time required to finalize and/or amend 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; and
- v. **IT systems development:** In May 2011, the World Bank’s IT Governance Board approved a Trustee sponsored IT project entitled “Comprehensive IT Platform for Financial Intermediary Funds” (“FIF IT Project”). This project was developed in response to the growing portfolio of FIFs managed by the World Bank. The GAFSP Trust Fund will be supported by this effort by fully integrating the GAFSP Coordination Unit and Trustee processes into the project. The overall goal of the project is to eliminate the dependence on excel spreadsheets to track GAFSP funded projects by the GAFSP Coordination Unit, and other “secretariats” housed in the World Bank. The IT project will support data management, project lifecycle, workflow, and internet tools for reporting and managing funds of the GAFSP Trust Fund. The following are the key objectives of the FIF IT Project:
 - Standardized Platform for FIFs: Develop a standardized, configurable platform for FIF Trustee and in-house Secretariat functions that build upon the synergies and similarities across FIFs.
 - Business Integration: Develop an automated system workflow to minimize duplication of efforts and data storing across partners, eliminating paper and manual reporting and reconciliations between the partners.
 - Collaboration/Socialization: Develop a web-based platform that can be leveraged across FIFs to provide a space for non-workflow communications across the partners.
 - Transparency: Develop and maintain a public website to make available FIF financial information maintained by the Trustee, consistent with the applicable disclosure policies of the Bank and the relevant FIF, to promote accountability and align the Bank with the policies of major public sector institutions.
 - Reporting and Management Tools: Develop a common information platform to improve delivery of standardized products to clients, support deliberative discussions and decision making, and strengthen compliance with relevant governing body policies.

9. Given that there has been minimal financial activity in the GAFSP Trust Fund to date (about 100 transactions), the Trustee believes it is not cost effective for the Trust Fund to undergo an external audit for FY12. The Trustee proposes to arrange for the first external audit of the GAFSP Trust Fund after the close of the FY13 fiscal year; such audit would cover all financial activities since inception of the Trust Fund. The GAFSP Trust Fund is, however,

included in the World Bank's annual single audit exercise, comprising: (i) a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon, and the GAFSP Steering Committee members are invited to review the Single Audit reports in the following website: <http://go.worldbank.org/PCC0YDJH80>

THE COORDINATION UNIT

10. Table III shows the actual disbursements incurred by the Coordination Unit during FY11, FY12 as well as cost projections for FY13 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				
FY11 - FY12 Actuals and FY13 Estimates				
(in US\$)				
Type of Expenditure	FY11	FY12		FY13
	Disbursements (Actuals)	Approved Budget	Disbursements (*)	Proposed Budget
Total Staff Costs:	359,174	660,500	541,643	680,000
- Senior Coordination Unit Staff	263,818	501,500	278,318	335,000
- Junior Coordination Unit Staff	67,514	130,000	236,911	280,000
- Administrative Staff	27,842	29,000	26,414	65,000
Legal Services	50,000	50,000	50,000	50,000
Facilitation of Steering Committee Mtgs	29,216	50,000	62,845	60,000
Travel by the GAFSP Coordination Unit (i.e. CFS, G20, Recipient Countries, donor countries, etc.)	33,555	60,000	36,158	60,000
Travel for Participation of non-DC based Recipient Representatives in Steering Committee meetings	25,990	25,000	25,000	40,000
Outreach and communication activities	28,247	20,000	23,000	35,000
Sub-Total Coordination Unit	588,940	865,500	738,646	925,000
Technical Advisory Committee:				
Facilitation of meetings:	9,930	20,000	3,626	20,000
Fees:	191,866	200,000	140,430	280,000
Travel:	24,692	25,000	25,464	50,000
Sub-Total TAC	226,488	245,000	169,519	350,000
GRAND TOTAL	815,428	1,110,500	908,165	1,275,000

(*): FY12 Disbursements = Actuals for period July - April + Estimates for period May - June

FY12 Coordination Unit Costs

11. As detailed in Table 1, the actual expenses incurred by the Coordination Unit for the development of the GAFSP Trust Fund in FY12 amount to \$908,165. The anticipated year-end budget outcome amounts to 82% of the proposed budget; all undisbursed funds will be returned to the Trustee account after the close of the fiscal year.

12. The FY12 Coordination Unit disbursements cover costs associated with:
- i. Launch of our work on M&E (dedicated staff on board, launch of mapping)
 - ii. Preparation and publication of the first GAFSP Annual Report;
 - iii. Preparation and publication of Monthly Updates – an initiative launched in January 2012;
 - iv. Outreach activities:
 - Significant upgrades to the GAFSP website (including maps, a resource library, individual country pages with country specific videos);
 - Posters for the Global Donor Platform and used at ARD World Bank events;
 - Videos – one on GAFSP Program used at the Bussan conference in October 2011 as well as at the Global Donor Platform meeting held in Berlin in January 2012 and another on the GAFSP projects in two recipient countries (namely Haiti and Liberia);
 - v. Finalization of the TAC Terms of Reference;
 - vi. Launch on January 30, 2012 of the Second Call for Proposals;
 - vii. Organization of meetings (one Technical Advisory Committee meeting [May 2-4, 2012] and one Steering Committee meeting [May 22-23, 2012]);
 - viii. Travel to Washington of non-DC based Recipient Representatives for the Steering Committee meeting;
 - ix. Coordination Unit staff travel to international events for GAFSP outreach.

FY13 Coordination Unit Budget

13. The proposed Coordination Unit budget for FY13 is \$1,275,000 – an increase of 15% over the FY12 proposed budget. The proposed budget includes the following expenses to fund the activities detailed:
- x. **Staff Costs (\$680,000):** 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 seven members of the Coordination Unit will perform their duties on a part-time basis as required. The total level of effort anticipated to deliver the proposed workprogram amount to 202 Swks. One staff of the coordination unit devotes 100% of her time to GAFSP mainly focused on the results reporting aspects but her cost is covered under the \$6 million kick off budget for M&E work.
 - xi. **Legal Services (\$50,000):** The Legal Department provides continuing services to the GAFSP and the Coordination Unit; as agreed in November 2010, a \$50K budget transfer to the Legal Department is made annually to cover their services throughout the fiscal year.
 - xii. **Facilitation of Meetings (Steering Committee and TAC, \$410,000):** As of this writing, we anticipate that two Steering Committee, and two TAC meetings will be held over the course of FY13. Costs associated with a Steering Committee include

logistics, facilities, personnel support, audio-visual services and general operating costs; costs associated with a TAC meeting include meeting facilitation, consultant fees for all TAC members and travel for all non-DC based TAC members.

- xiii. **Travel by the GAFSP Coordination Unit (\$60,000):** 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. In addition, members of the Coordination Unit may be required to travel to recipient or donor countries. The budget provision proposed for this purpose is computed on the basis of 8 – 10 international trips .
- xiv. **Travel for Participation of non-DC based recipient representatives (\$40,000):** 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 its first meeting to allow all constituents to participate. Travel expenses covered include airfare, and other incidental costs in line with the World Bank’s travel policy. The budgeted amount assumes the participation of five non-DC based recipient representatives in two meetings – a net increase of 2 international trips as compared to FY12.
- xv. **Outreach and Communications Activities (\$35,000):** Our outreach/communication efforts will continue in FY13. This includes the maintenance and development of the GAFSP website, publication of the GAFSP annual report and other written materials, and production of videos, etc. We have also included a provision for further communication activities which cannot be carried out by the Coordination Unit Staff including revamping of the Website should the name of GAFSP be changed.

14. The Coordination Unit also intends to arrange a major results-oriented outreach conference in Europe in the January – June 2013 window. This will be the subject of a supplemental budget request.

15. 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 FY13 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 for the Steering Committee, the Coordination Unit will present to the Steering Committee the associated cost options for the Steering Committee’s prior approval.

16. The Steering Committee might also like to know that the Government of Spain has kindly seconded a senior level professional to ARD for a two year period starting July 11, 2011. This position is financed 100% by the Externally Funded Staff Program of the World Bank and not charged to GAFSP. However, this person is a full team member of the Rural Policies Unit in ARD and has thus, from time to time, assisted with work on GAFSP, although his primary duties have focused elsewhere.

M&E Work program

17. The funding for the M&E work program is administered by the Coordination Unit, the total allocation amount included in the table on Cumulative Funding Decisions (Public Sector Window) in the GAFSP Financial Report prepared by the Trustee (as of March 31, 2012).