

GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM (GAFSP)

FY14 ADMINISTRATIVE BUDGET

June 25, 2013

Presented to the GAFSP Steering Committee for Approval

PROPOSED DECISION OF THE STEERING COMMITTEE

This proposal is presented to the GAFSP Trust Fund Steering Committee for their review and approval of the FY14 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).

BACKGROUND

1. The GAFSP Trustee and Coordination Unit’s administrative budgets for FY14 are presented to the GAFSP Steering Committee for consideration and approval. The FY14 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 FY13 and F14 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 FY13 and FY14

	FY13 Actuals	FY14 Proposed Budget
Trustee	380,000	399,000
Coordination Unit	1,387,000	1,391,000
Total	1,767,000	1,790,000

3. The FY13 administrative costs presented are actual costs incurred from July 1, 2012 through June 30, 2013, while the FY14 administrative costs presented are estimates based on the expected services required from the Trustee and Coordination Unit in the period starting July 1, 2013 and ending June 30, 2014.
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, (iii) accounting and reporting; and (iv) 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 incurred during FY13 as well as cost projections for FY14 for services to be provided.

Table II: Budgetary Requirements for Trustee Services in FY13 and FY14

Trustee Services	FY13 Approved Budget	FY13 Final Costs	FY14 Proposed Budget
Financial and Relationship Management	65,000	73,000	75,000
Investment Management	175,000	207,000	207,000
Accounting and Reporting	35,000	22,000	53,000
Legal Services	30,000	3,000	4,000
IT Systems Development	75,000	75,000	-
External Audit Fee	-	-	60,000
Total	380,000	380,000	399,000

FY13 Trustee Costs

7. As shown in Table II, the total of the Trustee's actual costs incurred during FY13 is the same amount approved by the Steering Committee in May 2012. Costs for accounting and legal services decreased by US\$ 40,000, but was offset by an increase in financial and relationship management costs and 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 average portfolio size was revised from US\$ 500 million to US\$ 592 million for FY13, the fee increased by US\$ 52,000.

8. The FY13 approved budget included the FIF Information Technology Systems Special Initiative which aims to develop an IT system to integrate secretariat and trustee processes, including those of the GAFSP. The total projected cost for this project is approximately US\$ 4 million, of which the amount provided by the GAFSP Trust Fund is US\$ 75,000. The initial phase of this project focuses on building a database in the financial accounting system (SAP) used to store and manage project/program information. This database will be used by the GAFSP Coordination Unit and will be fully integrated with the Trustee database. The development of a shared database contributes to a standardized platform for FIFs in order to ensure data integrity, eliminate costly reconciliations including those required due to audit findings, and provide a single source of data for management and decision making. In addition, since SAP is the World Bank's Enterprise Resource Planning system, all hardware and software licenses and upgrades are supported by the World Bank's technology teams. SAP is secure, supports full audit trails, and benefits from the protection of the World Bank's firewalls. The data is backed up and is protected in the case of server faults or the need for contingency operations. To date, key project outputs are:

- a) Current state business operations and technology functions of all of the in-house FIF secretariats analyzed, gaps and opportunities identified, and tools created to assist in the development of the business requirements and automated workflow designs for the FIF platform. The GAFSP Coordination Unit staff participated in these consultations and provided information on their current business operations and future state requirements.
- b) Business and functional requirements developed for the initial phase of the IT system (data requirements, customization requirements, screens, workflow design, etc.). The initial phase of this project will address some of the key issues identified during the consultations with the GAFSP Coordination Unit such as storage of data on multiple spreadsheets and lack of a single source of data for reporting.
- c) A pilot secure external interface was developed, in collaboration with UNIDO, to exchange project information such as activations, disbursements, cancellations, and operational and financial closures. The data exchange pilot was successful and will be rolled out to other implementing agencies such as UNDP. As a requirement to support the GAFSP, a solution(s) for smaller agencies that may not have the resources to implement the data exchange is being explored.

Development and testing of the FIF SAP database is targeted for completion at the end of Q1 of FY14. The GAFSP Coordination Unit will be participating in early testing and rollout and will also engage with the Trustee in identifying reporting requirements.

FY14 Trustee Budget

9. The proposed FY14 Trustee budget is US\$ 399,000 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 FY14 is US\$ 592 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. This also includes staff time associated with the preparation of financial statements and arrangement of the external audit.
- 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. **External Audit Fee:** This covers the external auditor's costs associated with the external audit of the financial statements for the Adaptation Fund Trust Fund. This will be the first external audit of the GAFSP Trust Fund, covering all financial activities since inception of the Trust Fund.

THE COORDINATION UNIT

10. Table III below shows the actual disbursements incurred by the Coordination Unit in FY12, the FY13 budget and the estimated cost of services of the Coordination Unit in FY14.

Table III: Budgetary Requirements for Coordination Unit Services

Type of Expenditure	FY12	FY13	FY14
	Requested Budget	Revised Budget	Proposed Budget
Total Staff Costs:	541,643	790,000	891,000
- Senior Coordination Unit Staff	278,318	503,000	536,000
- Junior Coordination Unit Staff	236,911	255,000	250,000
- Administrative Staff	26,414	32,000	105,000
Legal Services	50,000	50,000	10,000
Facilitation of Steering Committee Meetings	62,845	60,000	60,000
- Working Group 1 & 2 Meetings - Meridian Institute	0	62,000	0
Travel by the GAFSP Coordination Unit (i.e. CFS, G20, Recipient Countries, donor countries, G8 Hunger Summit & related activities)	36,158	160,000	130,000
Travel for Participation of non-DC based Recipient Representatives in Steering Committee meetings	25,000	40,000	40,000
Outreach and communication activities	23,000	50,000	50,000
Sub-Total Coordination Unit	738,646	1,212,000	1,181,000
Technical Advisory Committee:			
Facilitation of meetings:	3,626	10,000	20,000
Fees:	140,430	140,000	140,000
Travel:	25,464	25,000	50,000
Sub-Total TAC	169,520	175,000	210,000
GRAND TOTAL	908,166	1,387,000	1,391,000

FY13 Coordination Unit Costs

11. The increase in the FY13 budget was due in part to the concerns raised by the Steering Committee regarding the quality of implementation of the projects and the slow disbursements, the Coordination Unit has been actively tracking the portfolio, visiting GAFSP projects (Ethiopia and Rwanda) and Supervising Entities (including meetings with DC-based representatives in Washington, DC and also with AfDB, IFAD, and FAO at their headquarters) to better understand the issues and challenges on the delay. The increase in the Staff Costs is due to the appointment of a full time Program Manager and the increased staff time by the Coordination Unit staff to

effectively manage the growing GAFSP portfolio, now with twenty-five projects in eighteen countries.

12. To date, 90 percent of the GASFP Coordination Unit's FY13 budget has been disbursed. The unspent FY13 budget is due to some changes in the timing of work program plans. For example, the CU had anticipated for two Steering Committees in FY13 but in view of the changes brought about by the GAFSP improvement process only one Steering Committee Meeting was held followed by Working Group discussions in April 2013. In addition, the changes in the country guidelines delayed the issuance of the Third Call for Proposals, some of the costs related to the TAC meeting were pushed to FY14. The Steering Committee also allocated extra funds for the Outreach and Communication activities to rename GAFSP. However, the Committee did not make a firm decision to carry this plan forward, hence, the money associated with the renaming/rebranding the program and website was not spent.

13. The FY13 Coordination Unit disbursements cover costs associated with:

- Recruitment of a full time Program Manager in October 1, 2012;
- Recruitment of a junior staff to support the work on nutrition sensitive agriculture;
- Preparation and publication of the second GAFSP Annual Report;
- Preparation and publication of Monthly Newsletters;
- Facilitation cost by the Meridian Institute as part of the GAFSP's continuous improvement process;
- Outreach activities:
 - Maintenance and further development of the GAFSP website;
 - Production of an outreach video (for the Tokyo pledging session in October 2012);
 - Translation of documents for the Third Call for Proposals;
- Organization of the Working Groups 1 & 2 meetings on April 22-23, 2013 (including translation of background documents and interpretation services);
- Travel to Washington of non-DC based Recipient Representatives for the Working Group meetings;
- CU visits to recipient countries and Supervising Entities to better understand the issues and challenges in:
 - Rwanda Land Husbandry, Water Harvesting and Hillside Irrigation Project (LWH);
 - Ethiopia Agricultural Growth Project (AGP);
- Travel to international events and workshops for GAFSP outreach and fund-raising purposes.

FY14 Coordination Unit Budget

14. The proposed overall Coordination Unit budget for FY14 is US\$1,391,000. The proposed budget includes the following expenses to fund the activities detailed below:

- **Staff Costs (\$891,000):** The budgeted amount covers the cost of a full-time Program manager, one full-time junior staff, and nine members of the Coordination Unit will perform their duties on a part-time basis as required. In addition, a full-time administrative staff was hired in May 2013 to support the GAFSP Coordination Unit. The total level of effort anticipated to deliver the proposed work program amounts to 211 staff weeks. Four of the staff members of the coordination unit will also work part-time on the results reporting aspects of the M&E work, which was approved as a separate budget to be managed by the Coordination Unit (see paragraph 6 below).
- **Legal Services (\$10,000):** The Legal Department continues to provide services to the GAFSP and the Coordination Unit. However, given that the governance structure has more or less been established, we do not anticipate requiring the same level of service, hence, we have reduced the budget allocation to \$10,000. This amount may be increased if major structural reform such as those requiring changes to the governance document arises out of the ongoing Continuous Improvement process.
- **Facilitation of Meetings (Steering Committee and TAC, \$270,000):** We anticipate two Steering Committee meetings and two TAC meetings will be held over the course of FY14. The costs associated with a Steering Committee include logistics, facilities, interpretation and translation costs, audio-visual services and other general operating costs. The costs associated with a TAC meeting include meeting facilitation, consultant fees for all TAC members and travel for all non-DC based TAC members.
- **Travel by the GAFSP Coordination Unit (\$130,000):** Travel for members of the Coordination Unit being requested to represent the GAFSP at meetings such as G20, and other food security meetings and/or conferences. In addition, members of the Coordination Unit will travel to visit projects to ensure better portfolio management and improved implementation. The members of the Coordination Unit will also visit Supervising Entities to ensure better coordination of the program. The budget provision proposed for this purpose is computed on the basis of eight to ten international trips.
- **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 include airfare, hotel accommodation, 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.

- **Outreach and Communications Activities (\$50,000):** Our outreach/communication efforts will continue in FY14. This includes the maintenance and enhancement of the GAFSP website, the preparation and publication of monthly newsletters, publication of the GAFSP annual report as well as increased visibility through videos, brochures and other written materials etc.

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 FY14 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.

M&E Work program

16. The funding for the M&E work program is administered by the Coordination Unit.² To date, US\$ 4,594,596 or 77 percent of the US\$ 6 million allocation has been disbursed, leaving a balance of US\$ 1,405,404 for future work (see table below for details).

GAFSP M&E Work Program	6,000,000
FY13 DIME budget	2,616,173
FY12 DIME budget	369,835
FY13 CU - WBI mapping	315,000
FY13 CU - dedicated CU M&E staff	794,900
FY12 CU - Geo-referencing	350,000
FY12 CU - DIME Workshop participation	70,000
DIME workshop AFDB	17,500
DIME workshop IBRD	61,188
Total	4,594,596
Balance	1,405,404

² The DIME budget is administered directly by DIME.