# GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM (GAFSP)

# FY15 BUDGET REPORTS

# FOR

# TRUSTEE AND COORDINATION UNIT ADMINISTRATIVE COSTS

# AND

# MONITORING & EVALUATION COSTS

**Wednesday, July 30, 2014**

**Presented to the GAFSP Steering Committee for Approval**

## PROPOSED DECISION OF THE STEERING COMMITTEE

1) **The GAFSP Steering Committee is requested to approve the budget** for the GAFSP Trustee, the GAFSP Coordination Unit Core Budget, and the Monitoring and Evaluation (M&E) budget. The proposed budget is prepared based on the principle of full cost recovery under which the GAFSP Trust Fund operates and covers estimated costs for July1, 2014 through June 30, 2015 (FY15).

   The proposed budget for Trustee services for FY15 is $441,200. The proposed funding for the GAFSP Coordination Unit Core Budget is $1,411,000 for FY15. This represents a 1.5 percent increase from the approved amount in FY14. In addition, for this FY, there is a request for a new M&E Program commitment for $1,016,663, which includes DIME, the Coordination Unit M&E, and WBI work program.

2) **The GAFSP Steering Committee is requested to approve** a transition to a three year rolling budget starting in FY16 in order to simplify the budgeting process and establish a better planning mechanism of the Trustee's and Coordination Unit's activities.

3) **The GAFSP Steering Committee is requested to approve** the use of the World Bank's single audit process for the GAFSP Trust Fund annually with an individual audit of the GAFSP Trust Fund once every three fiscal years.

   Please note that this report does not include the costs of the Supervising Entities (e.g., administrative expenses, project preparation, and supervision) or the costs related to the work program of Civil Society Organizations (CSOs). All figures are given in US dollars unless otherwise noted.

## ADMINISTRATIVE AND MONITORING AND EVALUATION BUDGET PROPOSAL

1. The GAFSP Trustee administrative budget and Coordination Unit's budget for FY15 are presented to the GAFSP Steering Committee for approval. The FY15 proposed 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. The World Bank serves as the Trustee for the Public Sector Window of the 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. The external audit of the Trust Fund is performed by the World Bank's external auditors, for which an external audit fee is charged.

3. The GAFSP Coordination Unit (Coordination Unit) is housed within the Agriculture Global Practice (AG GP) 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, providing support for Steering Committee members and donors, acting as a liaison between the different entities of GAFSP, compiling progress reports, providing information to the public on the Trust Fund, organizing Steering Committee meetings, and supporting knowledge products. In addition, the Coordination Unit oversees the implementation of the Monitoring and Evaluation (M&E) Program and any other special initiatives approved by the Steering Committee.

4. Table 1 provides an overview of the FY14 approved budgets, FY14 actual costs, and FY15 proposed budget for the Trustee, Coordination Unit, and M&E Program.

**Table 1: Total Administrative and M&E Costs for FY14 -15**

| | FY 14 Approved Budget | FY 14 Actual Cost | FY 15 Proposed Financing |
|---|---|---|---|
| Trustee | 399,000 | 468,200 | 441,200 |
| Coordination Unit | 1,391,000 | 1,191,316 | 1,411,000 |
| **Subtotal** | **1,790,000** | **1,659,516** | **1,852,200** |
| M&E | - | 2,201,442 | 1,016,663 |
| **Total** | | **3,860,958** | **2,803,179** |

5. The FY14 actual costs presented are the costs incurred from July 1, 2013 through June 30, 2014. Trustee's FY14 actual costs are $69,200 higher than initially estimated due to increased costs related to the investment management of the portfolio and the first external audit of the Trust Fund. This amount will be added to Trustee's FY15 budget. The audited financial period included the period from the inception of the Trust Fund through June 30, 2013 (FY10-

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

FY13)[2]. The next individual audit of the Trust Fund will cover July 1, 2013 through June 30, 2016 (FY14-16).

6. GAFSP is included in the World Bank's annual single audit exercise, which includes a combined financial statement of receipts, disbursements and fund balance of participating trust funds together with the Bank's external auditor's opinion thereon. The single audit report for FY14 will be available within six months following the end of the World Bank's fiscal year (June 30, 2014).

7. The Coordination Unit's FY14 actual costs were lower than estimated due mainly to fewer Steering Committee Meetings, fewer Technical Advisory Committee (TAC) engagements, and reduced staffing costs due to senior staff focusing on M&E activities and unexpected departures whose roles will need to be filled in FY15. Over 85 percent of the GASFP Coordination Unit's FY14 budget has been disbursed.

8. To date, M&E costs have been accounted against an initial, $6 million, multi-year M&E budget approved by the Steering Committee in October 2010, which will be exhausted in FY15. M&E costs will be requested on an annual or three year basis along with other administrative costs to improve transparency.

9. In order to simplify the budgeting process and establish a better planning mechanism of the Trustee's and Coordination Unit's activities and related costs, it is proposed to replace the current one-year budgeting framework with a three-year framework. Under the new framework, the Steering Committee would approve the administrative budget over a period of three fiscal years beginning in FY16. The Trustee and the Coordination Unit would continue to provide the Steering Committee annual updates on the use of the approved three-year budget envelope and comparisons of actual costs incurred against the proposed budget.

[2] Given that there has been minimal financial activity from July 1, 2013 to date, the Trustee believes it is not cost effective for the Trust Fund to undergo an external audit for FY14, and instead proposes to arrange an individual external audit of the Trust Fund once every three years.

## TRUSTEE

10. Table 2 shows the revised estimates of Trustee costs incurred during FY14 as well as cost projections for FY15 for services to be provided.

**Table 2: Budgetary Requirements for Trustee Services in FY14 and FY15**

| Trustee Services | FY14 Proposed Budget | FY14 Final Costs | FY15 Proposed Budget |
|---|---|---|---|
| Financial and Relationship Management | 75,000 | 75,000 | 75,000 |
| Investment Management | 207,000 | 254,000 | 254,000 |
| Accounting and Reporting | 53,000 | 47,000 | 40,000 |
| Legal Services | 4,000 | 1,200 | 3,000 |
| FY14 Adjustment | - | - | 69,200 |
| External Audit Fee | 60,000 | 91,000 | - |
| **Total** | **399,000** | **468,200** | **441,200** |

### FY14 Trustee Costs

11. As shown in Table 2, the total of the Trustee's actual costs incurred during FY14 was $468,200, which is $69,200 above the amount approved by the Steering Committee in June 2013.

12. The costs for financial and relationship management were in line with the budgeted amount, while the costs for accounting and legal services decreased by $6,000 and $2,800, respectively. The increase in the FY14 actual costs over the approved budget was due to higher investment management fees and a higher fee for the individual external audit of the Trust Fund. Investment management fees are calculated based on a flat-fee of 3.5 basis points against the average annual Trust Fund balance. As the average size of the Trust Fund balance stood at $725 million in FY14 and was higher than the projected balance of $592 million, the investment management fee increased by $47,000. The fee for the individual audit of the Trust Fund charged by the World Bank's external auditors was $31,000 higher due to the fact that it was a multi-year audit and covered the period from inception of the Trust Fund through June 30, 2013.

13. The proposed FY15 Trustee budget is $441,200 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 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 average portfolio size for the Trust Fund for FY15 is projected to be equal to the FY14 fund balance of $725 million. In the event that cash transfers take place more rapidly, the average balance would be lower, and investment management fees would be reduced 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. The estimated annual costs are lower than in FY14 and have taken into account the proposal for the individual audit of the Trust Fund to be conducted only once in three years;

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;

**v. FY14 Adjustment:** The FY14 actual costs incurred by the Trustee for its services were $69,200 higher than the FY14 budget approved by the Steering Committee in June 2013. As specified in paragraph 12, this was due to higher investment management and external audit fees;

vi. **External Audit Fee:** This covers the external auditor's costs associated with the external audit of the financial statements for the Trust Fund. The first individual external audit of the fund was performed in FY14 and covered the period from the fund's inception through June 30, 2013. Given that the Trust Fund is part of the World Bank's single annual audit, the individual external audit of the Trust Fund is proposed to be conducted once in three years similar to the first individual Trust Fund audit. The second individual audit will be conducted in FY17 and will cover FY14-FY16.

## COORDINATION UNIT

14. The proposed FY15 core administrative budget for the Coordination Unit is $1,411,000. Table 3 provides an overview of the FY14 actuals and FY15 estimated core administrative costs on the expected services required from the Coordination Unit. The FY14 actual costs were lower than estimated due mainly to fewer Steering Committee Meetings, fewer Technical Advisory Committee (TAC) engagements, and reduced CU staffing due to senior staff focusing on M&E activities and unexpected departures whose roles will need to be filled in FY15.

**Table 3: Estimated Costs for Coordination Unit Administrative Services**

| Type of Expenditure | Approved Budget FY13 | Approved Budget FY14 | FY14 Actual Cost | FY15 Proposed Budget |
|---|---|---|---|---|
| **Total Staff Costs** | **790,000** | **891,000** | **817,500** | **891,000** |
| - Senior Coordination Unit Staff | 503,000 | 536,000 | 482,598 | 536,000 |
| - Junior Coordination Unit Staff | 255,000 | 250,000 | 260,312 | 250,000 |
| - Administrative Staff | 32,000 | 105,000 | 74,591 | 105,000 |
| **Legal Services** | **50,000** | **10,000** | - | **10,000** |
| **Facilitation of Steering Committee Meetings** | **60,000** | **60,000** | **55,800** | **60,000** |
| - Travel for Participation of non-DC based Recipient Representatives in Steering Committee meetings | **40,000** | **40,000** | **35,681** | **40,000** |
| **Working Group 1 & 2 Meetings** | - | - | **4,823** | - |
| **Travel by the GAFSP Coordination Unit** | **160,000** | **130,000** | **77,359** | **110,000** |
| **Outreach and communication activities** | **50,000** | **50,000** | **25,471** | **50,000** |
| **Knowledge Management and Related Services** | - | - | **52,252** | **75,000** |
| **Technical Advisory Committee:** | **175,000** | **210,000** | **122,430** | **175,000** |
| - Facilitation of meetings: | 10,000 | 20,000 | 11,261 | 10,000 |
| - Fees: | 140,000 | 140,000 | 84,884 | 140,000 |
| - Travel: | 25,000 | 50,000 | 26,285 | 25,000 |
| **Grand Total** | **1,325,000** | **1,391,000** | **1,191,316** | **1,411,000** |

**FY14 Coordination Unit Costs**

15. Key activities undertaken by the Coordination Unit in FY14 included:

- **Implemented portfolio monitoring and analysis for 32 public sector projects in 25 countries**. Outputs include: presentations the Joint Steering Committee / Donor Committee Meeting (September 2013), thematic analysis for crosscutting themes (gender, nutrition, climate smart), and implementation update report (February 2014);
- **Organized and facilitated the Joint Steering Committee / Donor Committee Meeting** (September 2013), including a facilitator and travel to Washington of non-DC based Recipient Representatives;
- **Facilitated the convening of the Technical Advisory Committee (TAC)** to allocate funds for third call for proposals;
- **Participated in supervision missions** to: Rwanda Land Husbandry, Water Harvesting and Hillside Irrigation Project; Nepal (Agriculture and Food Security Project); Mongolia (Livestock and Agricultural Marketing Project); Bangladesh (Integrated Agricultural Productivity Project); and headquarter visits to supervising entities (ADB, AfDB, IFAD, FAO);
- **Held two-day, knowledge management event at IFAD** with 21 task team leaders (TTLs) from six supervising entities to discuss GAFSP project preparation and implementation (March 2014);
- **Continued work on Public/Private Coordination** (Working Group 1) concluding with TOR and selection of consultant firm to further explore modalities to address the "Missing Middle";
- **Travelled to international events and workshops for GAFSP outreach** and fundraising purposes, including: visits to donor capitals, CFS (Rome, October 2013), McGill Global Food Security Conference (Montreal, October 2013), Third Global Consultation on Biofortification (Kigali, April 2014), NBI Expo (Eindhoven, May 2014), and EAT Forum (Stockholm, May 2014);
- **Increased communications and outreach via** the GAFSP Annual Report, newsletters, and website, as well as organized special events.

**FY15 Coordination Unit Budget**

16. The proposed overall Coordination Unit budget for FY15 is $1,411,000. The proposed budget includes the following expenses to fund the activities detailed below:

- **Staff Costs ($891,000):** The budgeted amount covers the cost of full-time program management, including program manager and deputy program manager, two full-time staff, as well as six members many of who perform their duties on a part-time basis as required. The total level of effort anticipated to deliver the proposed work program amounts to 300 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.

- **Legal Services ($10,000):** We estimate $10,000 allocation for required level of service each year. This amount may be increased if major structural reforms such as those requiring

changes to the governance document arise out of the ongoing Continuous Improvement process.

- **Facilitation of Meetings (Steering Committee and TAC: $235,000):** We anticipate two Steering Committee meetings and one TAC meeting will be held over the course of FY15. 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 workshop include meeting facilitation, consultant fees for all TAC members, and travel when necessary.

- **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 will be paid from the GAFSP Trust Fund as agreed by the Steering Committee 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.

- **Travel by the GAFSP Coordination Unit ($110,000):** Members of the Coordination Unit join supervision missions, visit donor countries, and participate in high-profile, international events to represent GAFSP.

- **Outreach and Communications Activities ($50,000):** Our outreach/communication efforts will continue and increase now that results are beginning to emerge. This includes the maintenance and enhancement of the GAFSP website, the preparation and publication of newsletters, publication of the GAFSP annual reports as well as increased visibility through videos, brochures and other written materials etc.

- **Knowledge Management and Related Services ($75,000):** As GAFSP grows, it is critical to share knowledge and information about programmatic activities in order to increase impact and efficiency. In FY14, this manifested in the two day team leader forum in Rome. In FY15, efforts will be focused on the "Missing Middle" consultancy and further integrating the public and private sector components of the program.

17. 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. 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.

18. Pending the Steering Committee's approval, the Coordination Unit will transition to a three year budget starting in FY16 in line with the World Bank Group's accounting practice.

## MONITORING AND EVALUATION

19. The funding for the M&E work program is administered by the Coordination Unit.[3] In November 2010, the Steering Committee approved a $6 million budget using a benchmark figure of approximately 2.5 percent of the portfolio ($240 million at the time) to "kick start" the M&E work plan. By the end of FY14, 79 percent of this initial allocation has been utilized for impact evaluations, geo-referencing, and M&E portfolio activities. Sixty-six percent of M&E costs to date have been associated with impact evaluations carried out by DIME, 18 percent were associated with portfolio monitoring and analysis work carried out by the M&E team within the Coordination Unit, and 16 percent was for project geo-referencing (or mapping) activities carried out by the World Bank Institute's mapping team (WBI). Table 4 provides the breakdown of actual costs incurred by the various M&E activities.

**Table 4: Actual M&E costs (FY11 through FY14)**

| Type of Expenditure | FY11/12 | FY13 | FY14 | **TOTAL** |
|---|---|---|---|---|
| IE (DIME) | 448,523 | 957,010 | 1,695,676 | **3,101,210** |
| WBI | 347,380 | 176,193 | 232,157 | **755,730** |
| CU | 240,000 | 360,192 | 273,609 | **873,801** |
| **TOTAL** | **1,035,904** | **1,493,395** | **2,201,442** | **4,730,741** |

20. Now that the program is well in its fourth year of operation, with a rapidly growing portfolio, the Coordination Unit seeks the Steering Committee's decision to move to the approval of a time-bound budget for M&E, in conjunction with Trustee and Coordination Unit administrative costs. There remaining funds ($1,269,259) will be used towards the proposed FY15 M&E programming.

**21.** Therefore, the new transfer request for M&E activities in FY15 is $1,016,663, taking into account the adjustments from previous fiscal years. Table 5 provides an overview of FY14 approved and actual as well as the FY15 estimated M&E cost transfers for DIME ($444,200), Coordination Unit ($412,925) and WBI ($159,538).

**Table 5: Proposed Budget for M&E (FY15)**

| **Type of Expenditure** | **FY14 Approved Budget** | **FY14 Actual Costs** | **FY15 Proposed Budget** | **Adjustment from Previous FYs** | **FY15 Transfer Request** |
|---|---|---|---|---|---|
| DIME | 2,548,082 | 1,695,676 | 1,731,922 | (1,287,722) | **444,200** |
| WBI | 290,000 | 232,157 | 220,000 | (60,462) | **159,538** |
| CU M&E Staff Costs | 289,976 | 273,609 | 334,000 | +78,925 | **412,925** |
| **TOTAL** | **3,128,058** | **2,201,442** | **2,285,922** | **(1,269,259)** | **1,016,663** |

*DIME and WBI spent less than expected and will carryover funding to next year, while the Coordination Unit spent more money on M&E than was expected (and less on core administrative budget) leaving a remainder

[3] The DIME budget is administered directly by DIME.

## FY14 Monitoring and Evaluation Activity Summary

22. In FY14, all three categories of expenses were paid against the initial $6 million allocation for M&E activities. The Coordination Unit has charged against this pool of funds in an as needed basis to monitor the portfolio, coordinate result frameworks, and calculate impact and results as required by stakeholders. The DIME and WBI budgets have been separately approved by the Steering Committee each year.

- **DIME:** By the end of FY14, baseline surveys have been completed in five of the six countries selected for impact evaluations (Bangladesh, Haiti, Liberia[4], Mongolia, Nepal, and Rwanda), and baseline reports are available in four of them. Mongolia, which was part of the original six countries, has since been dropped out of the DIME portfolio as requested by the Government and agreed by all parties (Government, World Bank project team, DIME, and GAFSP CU) due to changes in the project target areas.

- **CU:** The Coordination Unit has one full-time M&E specialist who joined the team in mid FY14 supported by part-time staff and consultants. Together they liaised with project teams across supervising entities to conduct a program wide portfolio analysis.

- **WBI:** WBI maintained the geo-referenced maps for 18 countries and created three new country maps (Yemen, Nicaragua, and Honduras). In addition, geo-stories for the projects in Sierra Leone, Togo and Bangladesh were created and included on the website.

## FY15 Monitoring and Evaluation Activity Proposal

23. The proposed budget includes the following expenses to fund the activities detailed below:

- **DIME:** During FY15, DIME will complete the last remaining baseline survey in the current portfolio of countries selected for impact evaluations (Liberia). A comprehensive mid-line survey will be conducted in Bangladesh that will cover in-depth data on crops, livestock, fisheries, and general livelihood measures. Follow-up surveys will take place in Rwanda and Haiti that will measure the impact of the GAFSP projects. By the end of FY15, baseline reports will be finalized for five countries. The proposed FY15 budget for DIME is $1,731,922, of which about 83 percent is for country-specific expenditures in Bangladesh, Haiti, Liberia, Nepal, and Rwanda.

- **CU:** The Coordination Unit will continue to manage the M&E process and hire at least two junior M&E specialists/consultants to reinforce the team to support the growing portfolio, and emerging results analysis. The proposed budget for FY15 is $412,925, which includes cost recovery of $78,925 as overspend from FY14.

[4] The decision was taken to move Niger out of the portfolio and replace with Liberia due to concerns about staff safety, as requested by DIME, and in consultation with African Development Bank, the Government, and the GAFSP CU.

- **WBI:** WBI's work in FY15 will focus on creating the remaining maps for the third call, maintaining and updating the existing maps, and creating content for at least four more GAFSP Stories.