



**FY16-18 Budget Reconciliation**

**&**

**FY18 Performance Review**

March 18, 2019

## 1. FY16-18 BUDGET RECONCILIATION

### 1.1 SUMMARY

1. The FY16-18 budget reconciliation serves to inform the GAFSP Steering Committee (SC) of the budget cycle FY16-18 outcome of the actual expenditures compared to the approved budget for the Trustee, Coordination Unit (CU), and Monitoring and Evaluation (M&E).
2. The FY16–18 Trustee, CU and M&E budget<sup>1</sup> represented the first three-year administrative budget cycle (refer Table 1.1). A total administrative budget for the Trustee, CU and M&E of \$11.926 million was approved for this period. Total administrative expenditures for the three business lines over the period were \$9.906 million, representing an underrun of \$2.021 million. **The remaining balance of \$2.021 million will be returned by the Trustee and CU to the GAFSP Public Sector Window (GAFSP Trust Fund).**

**Table 1.1: Summary of FY16 –18 Budget Reconciliation**

FY16 - FY18	Approved Budget	Actual Expenditures	End-of-Budget Cycle Balance
CU	8,230	6,841	1,389
Trustee	1,229	1,168	61
M&E	2,468	1,897	571
<b>Total</b>	<b>11,926</b>	<b>9,906</b>	<b>2,021</b>

3. An additional amount of **\$0.846m** representing residual fund balances identified from prior fiscal years within the CU's budget will also get returned to the GAFSP Trust Fund and is discussed in more details in Section 3 of this document. The CU has also identified several areas for strengthening its administrative procedures (e.g. streamlining the TF hierarchy, procedural and reporting enhancements, etc.) to allow for a more efficient reconciliation process at the end of each financial year and three-year budget cycle.
4. **With the conclusion of the FY16-18 budget cycle reconciliation, the Trustee and CU will return a total of \$2.867 million to the GAFSP Trust Fund comprising balances reported in paragraphs 2 and 3 above.**
5. An overview of annual expenditures for the Trustee, CU and M&E are presented in the next sections. A similar overview for FY16 and FY17 is available in the Budget Performance Reports for those respective years, which were previously shared with the SC. The FY18 Budget performance review is presented later in this report.
6. Unless otherwise stated, all figures are presented in thousands (\$'000). Due to rounding, some numbers and percentages presented throughout this note may not add up precisely. Each fiscal year (FY) covers the period starting July 1 to June 30.

<sup>1</sup> The FY16 – FY18 budget figures presented in this section do not include funding for DIME. Funding approved for DIME under the FY16 – FY18 Administrative Budget will be reported on separately by DIME upon completion of the impact evaluations funded from this budget.

## 1.2 FY16 – FY18 TRUSTEE EXPENSES

7. Table 1.2 represents the approved budget and actual expenditures for Trustee services for FY16-18, covering the period July 1, 2015 to June 30, 2018.

**Table 1.2: Approved Budget vs. Actual Expenditures for Trustee Services for FY16-18**

Trustee	Approved Budget	Actual Expenditures	End-of-Year Balance
FY16	376	379	(3)
FY17	479	436	43
FY18	374	353	21
<b>FY16 - FY18</b>	<b>1,229</b>	<b>1,168</b>	<b>61</b>

8. Actual costs and expenses incurred by the Trustee during FY16 – FY18 were \$1.168 million. Despite a small overrun in FY16, overall FY16-18 expenditures were \$0.061m less than the total approved budget for that period. The residual balance of **\$0.061m** will be returned to the GAFSP Trust Fund.

## 1.3 FY16 – FY18 COORDINATION UNIT EXPENSES

9. Table 1.3 represents the FY16-18 approved administrative budget and actual expenses for the GAFSP CU. The SC approved a total budget of \$8.23 million to cover CU services over three years, of which \$6.841 million was disbursed. The residual balance of **\$1.389m** will be returned to the GAFSP Trust Fund.

**Table 1.3: Approved Budget vs. Actual Expenditures for CU Services for FY16-18**

Coordination Unit	Approved Budget	Actual Expenditures	End-of-Year Balance
FY16	2,681	1,910	771
FY17	2,531	2,379	152
FY18	3,017	2,551	466
<b>FY16 - FY18</b>	<b>8,230</b>	<b>6,841</b>	<b>1,389</b>

10. The gradual increase in CU expenditures from FY16 to FY18 is reflective of the increased CU staffing and expanded CU work program requested by the SC over the period. Specific examples of the additional services provided by the CU include the coordination of the GAFSP Program Evaluation, the GAFSP reform working groups, the Missing Middle Initiative (MMI) and the increased stakeholder outreach. Inflation and an increase in the World Bank's indirect cost recovery rate on staff salaries account for a small portion of the increase as well. More details on CU activities in each FY are provided in the individual fiscal year budget performance reports.

11. In addition to the three-year budget, the SC approved supplemental funding allocations for specific stand-alone activities coordinated by the CU. Funding of \$350,000 was approved for the MMI Evaluation and \$250,000 was allocated to support the SC’s resource mobilization efforts. As these activities are ongoing, these funds have not been accounted for in this three-year reconciliation.

1.4 FY16 – FY18 MONITORING & EVALUATION EXPENSES

12. Table 1.4 represents the approved budget and actual expenditures for M&E for FY16 through FY18. The M&E budget reflected here only includes the approved funding and expenditures for the CU M&E and Geo-referencing activities and does not include DIME. The budget approved for DIME activities, which was part of the original FY16-18 M&E budget approval, is not reported here. DIME will report on the use of these funds separately.

**Table 1.4: Approved Budget vs. Actual Expenditures for M&E for FY16 – FY18**

M&E	Approved Budget	Actual Expenditures	End-of-Year Balance
FY16	826	604	221
FY17	818	407	411
FY18	825	886	(61)
<b>FY16 - FY18</b>	<b>2,468</b>	<b>1,897</b>	<b>571</b>

13. The overall budget approved for CU M&E and geo-referencing activities was \$2.468 million. Actual expenditures for the FY16 through FY18 period totaled \$1.897 million, leaving \$0.571 million undisbursed. In addition to the geo-referencing work, the M&E work program focused on the revision and implementation of the updated GAFSP results framework in FY16 and FY17 and the coordination of the GAFSP Program Evaluation in FY18. With approval from the SC, \$363,500 from the approved CU M&E budget was re-allocated to cover the cost of the Program Evaluation firm. The residual balance **of \$0.571m** will be returned to the GAFSP Trust Fund.

## 2. FY18 PERFORMANCE BY BUSINESS FUNCTION

### 2.1 TRUSTEE

14. Actual costs and expenses incurred by the Trustee during FY18 were \$353k, or \$21k less than the estimated amount approved by the SC in October 2015. Table 2.1 shows the overall variance at 6%, with further details on the variances with respect to the costs related to financial and relationship management and investment management provided below under each functional area.
15. Apart from a slight overage reported in FY16, the Trustee costs have remained within the overall estimated approved budget during the three-year period.

**Table 2.1: FY18 Original Budget vs Actual Expenditures**

Trustee Services	FY18	FY18	Variance	Variance
	Orig Bud	Actuals	(\$)	(%)
Financial & Relationship Mgt	75	133	(58)	-77.9%
Investment Management <sup>a/</sup>	254	174	80	31.4%
Accounting & Reporting	40	40	-	0%
Legal Services	5	5	-	0%
External Audit Fees	-	-	-	
FY15 Adjustment	-	-	-	
<b>TOTAL</b>	<b>374</b>	<b>353</b>	<b>21</b>	<b>6%</b>

a/ Investment Management fees are calculated based on a flat-fee of 3.5 basis points against the average annual balance of the portfolio; the average portfolio size is projected at US\$725 million in FY18.

#### 2.1.1 Trustee Activities and Results

16. **Trust Fund 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 also covers staff time associated with financial reporting of the GAFSP Trust Fund activities, negotiation and signing of contribution agreements, and coordination with the CU and Supervising Entities on any changes to operational policies relating to financial transactions. The higher financial and relationship management costs in FY18 reflect staff time costs related to the revision of the GAFSP operational and governance model as approved by the SC at its April 2018 meeting.

17. **Investment Management:** Assets held in trust by the World Bank are maintained in a commingled trust funds investment portfolio (the “Pool”) for all trust funds administered by the World Bank’s Treasury, including the Trust Fund’s assets. The World Bank’s Treasury manages the Pool and charges each participating trust fund an investment management fee in the amount of 3.5 basis points (i.e. 0.035%) on the average annual balance of a trust fund. The decrease in investment management fees was due to the average fund balance of the GAFSP Trust Fund of \$498 million being lower than the projected portfolio size of \$725 million.
18. **Accounting and reporting:** Costs are based on the management of the accounting model for the GAFSP Trust Fund and maintenance of appropriate records and accounts to identify contributions and other receipts as well as GAFSP Trust Fund commitments and transfers to Supervising Entities. This also includes staff time associated with the preparation of financial statements and arrangement of the individual external audit.
19. **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 GAFSP Trust Fund’s operation, as necessary.
20. **External Audit Fee:** This covers the external auditor’s costs associated with the individual external audit of the GAFSP Trust Fund. Following the SC decision in August 2014 for an individual external audit of the GAFSP Trust Fund to be conducted once every three fiscal years, an individual audit of the GAFSP Trust Fund was performed in FY17 covering the period FY14-FY16. The next individual audit will be conducted in FY20 and will cover FY17-FY19.

## 2.2 COORDINATION UNIT

21. The CU finished FY18 under budget by \$466k (or 15%). Actual expenditures were \$2.551 million against an original budget of \$3.017 million (Table 2.2). The TAC and Knowledge Forum—budgeted at \$728k combined—did not take place in FY18 as originally planned, which accounted for a significant portion of the underrun. The MMI and Portal initiatives approved during the three-year cycle were funded through a reallocation of funds between tasks within the original FY18 budget. These work program adjustments required redeployment of resources between functions to achieve business objectives, but while staying within overall budget envelope. Table 2.2 provides a breakdown of expenses of CU costs by thematic area.
22. While every effort was made to estimate input costs for budget planning years, the actual outcome may differ because of work program shifts and decisions made to respond to changing business needs.

**Table 2.2: CU FY18 Cost by Task/Thematic Area**

Coordination Unit	FY18 Orig Bud	FY18 Expenses	Variance (\$)	Variance (%)
Core CU work	548	502	45	8%
Outreach/Advocacy/Partnerships	468	467	1	0.3%
Communications	341	332	9	3%
Steering Comte + Working Gr mtgs	505	580	(75)	-15%
TAC Meetings	335	-	335	100%
Operations & Portfolio	426	249	177	41%
KM/Sharing/Training	395	2	393	99.6%
Missing Middle Initiative	-	138	(138)	
Portal	-	282	(282)	
<b>Total CUBUDGET</b>	<b>3,017</b>	<b>2,551</b>	<b>466</b>	<b>15%</b>

### 2.2.1 Coordination Unit Activities and results

23. Below summarizes the CU's activities and financial results for FY18:

- **Core CU (8%)** ended the fiscal year with a net savings of \$45k. This was the result of unused funds allocated for the Resource Mobilization donor landscape analysis and RM strategy work, which was funded through a special budget allocation of \$250,000 approved by the SC for RM.
- **Steering Committee & Working Group** expenses (-15%) saw an increase of \$75k because of two SC meetings and an extensive working group process in FY18, which also included additional funding approved by the SC for consultancy support to the Reform Working Group process.
- **TAC Meeting** did not take place in FY18.

- The **Operations & Portfolio** (41%) came in under budget with savings of \$177k realized in the areas of travel and contractual services.
- **Knowledge Forum** did not take place in FY18. The small reported expenditures represent delayed posting of travel costs related to the FY17 Forum, which occurred late in the fiscal year.
- The **Missing Middle Initiative** had not been included as an expenditure category in the original FY16-18 budget. Funds were redeployed from other line items to support this work.
- The **Portal** expenses were also not anticipated at the beginning of the FY16-18 cycle. Funds were redeployed from other line items to support this work.

24. While not an exhaustive list, the following highlights some of the CU's key achievements and/or activities during FY18:

- **Annual Report:** The 2018 Annual Report presents evidence of GAFSP's strong results, including in cross-cutting areas, and provides consistent detail on all projects financed to date;
- **Communication:** A new and revamped GAFSP website, bringing together the Public and Private Sector Windows, was developed and subsequently launched, which served to enhance and modernize delivery of relevant GAFSP information to various audiences;
- **Steering Committee Meetings:** The CU organized two successful Steering Committee Meetings, the first held November 6-7, 2017 in Rome and the second April 25-26, 2018 in Washington DC;
- **Working Group Meetings:** The CU established and coordinated the Reform Working Group tasked with spearheading the GAFSP's restructuring exercise and developing options for GAFSP's reformed operational and delivery structure, with consultant support;
- **Outreach Advocacy, and Partnerships:** The CU successfully designed and delivered a well-attended side event entitled Operationalizing an SDG2 Indicator: The Global Agriculture and Food Security Program (GAFSP) and the Food Insecurity Experience Scale (FIES) at the Committee on World Food Security (CFS) meeting in Rome, Italy. Throughout the year, the CU proactively reached out to and partnered with a broad spectrum of stakeholders;
- **Missing Middle Initiative (MMI):** The design documents for all five MMI pilot projects were approved by the SC and three MMI pilot projects were launched. The CU coordinated a review of initial lessons from the MMI;
- **Portal:** System enhancements were made to the online Portal—a tool that provides a live web-based platform for GAFSP reporting and portfolio management—to improve



functionality and product capabilities. The portal was first used in FY18 for the twice-yearly project progress reporting exercise. The Portal is intended to be accessible by all stakeholders;

- **Program Evaluation:** On behalf of the SC, the CU commissioned and coordinated an independent Program Evaluation to assess the development effectiveness and organizational/operational effectiveness of the whole Program, and to document lessons and experiences. The evaluation took place between August 2017 and April 2018 and the report was subsequently delivered;
- **Resource Mobilization:** The CU supported the SC in laying the groundwork to develop and implement the GAFSP resource mobilization strategy, including: commissioning analyses of non-OECD DAC donors and non-traditional financing, recruiting and supporting a high-level consultant tasked with implementing the strategically most valuable actions within the brief period he was on board, and preparing for the recruitment of a firm to then support the SC's RM efforts. This initiative aims to raise a targeted \$1.5 billion over five years, including through preparing for a major replenishment event in FY20.

## 2.3 MONITORING &amp; EVALUATION

25. This section discusses the M&E expense outcome for FY18. Table 2.3 summarizes the overall FY18 expense outcome for CU M&E and Geo-referencing M&E.

**Table 2.3: M&E FY18 Budget vs Actual Expenditures**

M&E	FY18 Orig Bud	FY18 Actuals	Variance (\$)	Variance (%)
CU M&E <sup>1/</sup>	608	379	228	38%
<i>Program Evaluation</i>		359	(359)	
Geo-Ref. M&E	217	148	69	32%
<b>TOTAL</b>	<b>825</b>	<b>886</b>	<b>(61)</b>	<b>-7%</b>

<sup>1/</sup>Undisbursed balance contributed to the financing of the Program Evaluation

## 2.3.1 M&amp;E Activities and results

26. Below summarizes the M&E activities and financial results for FY18

- **The CU M&E** expensed \$379k against its FY18 original budget of \$608k. The costs include staff and consultant time and travel to support the implementation of the GAFSP M&E framework, including FIES, and the Program Evaluation. Note that the undisbursed balance reflected against the FY18 original budget was approved separately by the SC to contribute to financing the cost of the Program Evaluation.
- **The Geo-Referencing M&E** activity expensed \$148k against its FY18 budget of \$217k resulting in an overall savings of \$69k. Explanations for variance in each cost area are provided in Table 2.4 below.

**Table 2.4: Geo-Referencing M&E Results**

Cost Categories	FY18 Budget	FY18 Expenditures	Variance	Comments
<b>Contractual Svcs</b>				
Platform upgrade and maintenance	17	0	17	Savings: Small technical adjustments completed by the team.
<b>Personnel Costs</b>	0	0		
Consultants	155	148	7	Savings: Days released in one of the consultant contracts.
<b>Travel</b>		0		
Travel	45	0	45	Savings: Planned missions to Niger, Senegal, Nicaragua and The Gambia cancelled for several reasons.
<b>TOTAL</b>	<b>217</b>	<b>148</b>	<b>69</b>	

### 3. RECONCILIATION ADJUSTMENT

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27. To close the first three-year administrative budget cycle, the CU undertook a thorough review of all CU accounts. This in-depth review resulted in the identification of residual balances from prior fiscal years that were not at the time transferred back to the GAFSP Trust Fund. The additional balance to be returned is \$0.846 million, which results primarily from incorrect end-of-fiscal year reflows between CU-administered allocations; it includes principally funds that were unaccounted for at the end FY15 reconciliation exercise and inception of the FY16-18 cycle (\$0.719m), funds from closed allocations (\$0.099m), and a small balance under remaining allocations (\$0.028m).
28. The balance identified resulted in a positive impact on the overall GAFSP funding availability since these additional funds will be made available for further redeployment once returned to the GAFSP Trust Fund.
29. After thorough review, the CU has strengthened its annual reconciliation processes and procedures. These procedures include but are not limited to (a) rigorous reconciliation exercise for all CU-related budget categories at the end of each fiscal year, and, (b) improved documentation and verification of requested transactions that are carried out by the business units that execute the CU-allocated budget.

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