



Fund

## **Fund Council**

**6<sup>th</sup> Meeting (FC6)—Rome, Italy**

**November 8-9, 2011**

### **Trustee Work Plan and Budget**

**(Approved)**

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2012 Work Plans and Budget*

*Submitted by:*  
Trustee

# **CGIAR Trustee**

## **CY2012 Work Program & Budget**

**October 2011**



## **Executive Summary**

The World Bank serves as Trustee of the CGIAR Fund, which was established as a Financial Intermediary Fund (FIF) in December 2010. The Trustee receives funds from donors, manages these resources, commits funds based on Fund Council approvals, and subsequently transfers cash to the recipients (i.e., CGIAR Centers, Consortium, Fund Office, etc.) based on instructions and following agreed procedures. The Trustee has fiduciary responsibility for funds contributed to the CGIAR Fund until their transfer.

The key results achieved by the Trustee during the current calendar year include (i) supporting the Fund Office as needed; (ii) supporting 24 donors to channel funds to the new CGIAR Fund; (iii) managing those resources; (iv) transferring resources to recipients; (v) preparing and providing financial reports for the Fund Council; and (vi) building the analytical tools to support the strengthened financial management of the Fund, including cash flow projections and financial sustainability analysis.

The proposed Trustee budget for CY12 is USD 907,500, as compared to USD 883,400 approved for CY11. The following is a breakdown of the CY12 budget, by component:

- Financial and program management represents 61% of the total budget in 2012, slightly higher than in 2011;
- Investment Management represents 6% of the total budget in 2012, which reflects the projected increase in the average portfolio size of the Fund;
- Accounting and Reporting represents 12% of the total budget, which reflects the projected increase in staff time needed to prepare financial statements and coordinate an external audit;
- Legal Services represent 11% of the total budget; and
- IT Systems Development represents 11% of the total budget, reflecting an initial cost to develop applications in support of the CGIAR's new structure.

## Introduction

1. The Trustee's total projected costs for CY12 for the CGIAR Fund have increased to USD 907,500, as compared with the approved CY11 budget of USD 883,400. The increase is mainly due to the development of financial analysis tools in support of the financial management of the CGIAR Fund. However, it is important to note that the CY12 projected budget is in line with the actual CY11 costs of USD 916,712, and is actually 1 percent less.

## CY11 Approved Budget and Outcomes

2. Table 1 below shows the CY11 budget as approved by the Fund Council for Trustee services, compared with the current estimated actual. It includes actual costs for the period January 1 to September 30, 2011 plus best estimated projections for costs for the period October 1 to December 31, 2011.

<b>Table 1: CY11 Trustee Estimated costs</b> January 1, 2011 to December 31, 2011 /a (USD)			
Trustee Services	Approved Budget (CY11)	Estimated Costs (CY11) /a	Difference
Financial and Program Management	\$ 348,400	\$ 504,147	\$ 155,747
Investment Management	\$ 35,000	\$ 25,675	\$ (9,325)
Accounting and Reporting	\$ 175,000	\$ 61,890	\$ (113,110)
Legal Services	\$ 75,000	\$ 75,000	\$ -
Trust Fund Fees	\$ 250,000	\$ 250,000	\$ -
Total	\$ 883,400	\$ 916,712	\$ 33,312

/a Jan-Sep actuals plus projections for Oct-Dec 2011

3. Currently, the Trustee expects that total costs for services provided in CY11 will amount to approximately USD 916,712, representing an overrun of USD 33,312. This overrun is mostly due to the development of analytical financial tools in support of the financial management of the CGIAR Fund and as requested by the Fund Council. At the end of the calendar year, actual costs will be calculated in all categories. Any overruns will be charged to the CGIAR Fund, under the Bank's full cost recovery policy. If it turns out that there is an under-run, the balance will be returned to the CGIAR Fund.

4. The following describe the actual Trustee services provided during CY11:

- i. *Financial and program management (over-run of USD 155,747):* The volume of financial transactions, including maintaining receipts of donor contributions, recording allocations and commitments, and making cash transfers to Research Centers was higher than estimated at the end of 2010. A steady inflow of donor contribution agreements and payments required more time for drafting, clearing, processing and reporting. Above and beyond the transactions described above, the Trustee was requested by the Fund Council to

perform additional services related to the ongoing reforms, such as the preparation of cash flows analysis and projections and working with the Fund Office to develop funding scenarios. The costs associated with this work were not included in the initial estimate;

- ii. *Legal services (no change)*: These costs included staff time required to finalize Contribution Arrangements with donors. They also include staff time to provide policy advice and legal review of financial and operational documents and to amend the existing legal documents as required; as well as travel costs to attend the regular Fund Council and Funders Forum meetings;
- iii. *Investment management (under-run of USD 9,325)*: The average portfolio size for the CGIAR Fund for CY11 was USD 73.4 million (vs. USD 100 million estimated), therefore the investment management fee (at 3.5 basis points) was lower;
- iv. *Accounting and reporting (under-run of USD 113,110)*: Given the fact that the CGIAR Fund was only established in late December 2010 and the number of transactions in 2010 was very low, no financial statements as of December 31, 2010 were issued, thus allowing the Trustee to save considerably on staff time and audit fees in this area; and
- v. *One-time Trust Fund fee (no change)*: In line with the Bank's earlier policy on Financial Intermediary Funds (FIFs) cost recovery, applicable to all Funds with over USD100 million in expected donor contributions, a one-time fee of USD 250,000 was charged by the Trustee to recover the costs incurred by central units ("non-core" units) indirectly involved in providing trusteeship services, including, but not limited to, quality control and compliance, human resources, etc.

## CY12 Proposed Trustee Budget

5. Table 2 below shows the projected costs for services to be provided by the Trustee from January 1, 2012 to December 31, 2012.

<b>Table 2: CY12 Proposed Trustee Budget</b> January 1, 2012 to December 31, 2012 (USD)	
Trustee Services	Proposed Budget
Financial and Program Management	\$ 550,000
Investment Management	\$ 52,500
Accounting and Reporting	\$ 105,000
Legal Services	\$ 100,000
IT Systems Development	\$ 100,000
Non-core Central Unit Costs	\$ -
<b>Total</b>	<b>\$ 907,500</b>

6. The proposed Trustee budget for CY2012 is USD 907,500 and reflects the following components:

- i. *Financial and program management (USD 550,000)*: Costs are based on staff time required for management of financial transactions, including maintaining receipts of donor contributions, recording allocations and commitments, and making cash transfers to CGIAR Centers, as well as cash flows projections and management, funding scenarios analysis and fund replenishment support. We foresee that the number of transactions and the time spent on financial analysis for CGIAR Fund will increase in CY12. This estimate also covers travel costs of Trustee staff to attend the regular Fund Council and Funders Forum meetings and staff time associated with implementation of the financial reporting of the CGIAR Fund, donor relationship, coordination with the Fund Office, Consortium and Funders Forum to develop operational policies relating to financial transactions, and maintenance of systems for reporting and transactional processes and procedures for the CGIAR Fund;
- ii. *Investment management (USD 52,500)*: 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 CGIAR Fund; the projected average portfolio size for the CGIAR Fund for CY12 is USD 150 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 (USD 105,000)*: Costs are based on the management of the accounting model for the CGIAR Fund, maintenance of appropriate records and accounts to identify contributions and other receipts as well as liabilities, preparation of Financial Statements, and arrangement of external audits;
- iv. *Legal services (USD 100,000)*: These costs include staff time required to finalize Contribution Arrangements with the donors. The estimate also covers staff time to provide policy advice and legal review of financial and operational documents and to amend the existing legal documents as required.
- v. *IT systems development (USD 100,000)*: 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 CGIAR Fund will be supported by this effort, by fully integrating Fund Office and Trustee processes into the project. The overall goal of the project is to eliminate the need for a home-grown system within the Fund Office and other in-house "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 CGIAR 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<sup>1</sup> 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; and

vi. *Non-Core Central Unit Costs (USD 0.0):* The Bank recently reviewed the methodology for calculating non-core central unit costs (see Annex) and concluded that these costs amount to about 10% of the direct costs for providing trustee services. Accordingly, a new fee arrangement for FIFs was announced on July 1, 2011. The latter is being incorporated into the fee arrangements for all FIFs in FY12, consistent with the full cost-recovery policy, except in cases where a FIF has paid an advance fee of USD 250,000 upon establishment of the fund (as in the case of the CGIAR Fund). In such cases, the non-core central unit costs will be charged after they cumulatively exceed USD 250,000. For the CGIAR Fund, the Trustee expects to start charging non-core central unit costs in CY13, using the calculation shown in Table 3 below:

<b>Table 3: One-time fee offset schedule</b>			
One-time fee	CY11 non-core costs (10% of CY11 core costs)	CY12 non-core costs (10% of CY12 core costs)	To be offset in CY13
(a)	(b)	(c)	(d)=(a)-(b)-(c)
\$ 250,000	\$ 66,671	\$ 90,750	\$ 92,579

<sup>1</sup> On October 31, 2011, the Trustee will launch a website catering solely to FIFs, ([www.worldbank.org/trustee](http://www.worldbank.org/trustee)) which will disseminate for each FIF (i) financial information and trend analysis; (ii) scheduled reports; (iii) financial statements; (iv) governance documents; and (v) links to helpful resources. Future plans include the addition of interactive capabilities to retrieve, filter, and download ‘real-time’ financial information and run analytical reports. In July 2011, as part of the World Bank’s Open Data Access Initiative, the Trustee launched a portal for Financial Intermediary Funds (FIFs), which include the CGIAR Fund, on the “**World Bank Finances**” website (<https://finances.worldbank.org/>). This website will provide downloadable donor contribution data for each FIF as well as funding approvals, and Trustee commitments and cash transfers to the MDBs.

## ANNEX

### Announcement by the World Bank, July 1, 2011

#### Changes in the fee arrangements for Financial Intermediary Funds (FIFs)

CFP and CFR would like to inform staff of changes in the trustee fee arrangements applicable to Financial Intermediary Fund (FIFs). The Bank currently provides trustee services for 17 [FIFs](#). Trustee fees for FIFs are based on a full cost recovery approach that focuses on actual costs. The existing fee recovers the costs incurred by Central Units that are *directly* involved in providing trustee services for FIFs; these units are CFP, CTR, LEG and TRE (referred to as the “core” units). Effective July 1, 2011, the FIF fee will cover also the costs of Central Units that are *indirectly* engaged in providing trustee services for FIFs; these units are GSD, HRS and ISG (referred to as the “non-core” units). This shift is based on a study on FIFs cost recovery undertaken jointly by CFP and CFR.

Under the new fee arrangement, FIFs will be charged the costs incurred by the core units with a 10% mark-up to cover the costs of the non-core units. This will apply to all new FIFs irrespective of the size of expected contributions as well as to existing FIFs that have not been charged for non-core units’ costs. In the past, some FIFs have been charged a one-time fee of \$250,000 to cover the costs of services provided by non-core units. This one-time fee will be discontinued for all FIFs effective July 1, 2011. FIFs that have paid the one-time fee will only be charged the 10% mark-up once the cumulative non-core units costs attributed to those specific FIFs exceed \$250,000.

The new fee arrangement will help to ensure full cost recovery for FIF trustee services provided by the Bank, in line with the full cost recovery principle for trust funds that was endorsed by the World Bank’s [Board of Executive Directors in 2007](#). The actual costs of FIF Trustee work will be reviewed on an annual basis.

The above changes are being introduced after discussions with concerned donors and secretariats (both within and outside the Bank). The Budget Manual and Trust Fund Handbook will be updated to reflect these changes and provide detailed guidance to staff.

[FAQs](#) (see below)

New Fee Arrangement for Financial Intermediary Funds (FIFs)  
Frequently Asked Questions (FAQs)  
July 1, 2011

#### 1. Why this change?

FIF trustee fees are based on a full cost recovery approach that focuses on actual costs<sup>2</sup>. The existing fee recovers the costs incurred by Central Units that are *directly* involved in providing trustee services for FIFs; these units are CFP, CTR, LEG and TRE (referred to as the “core” units)<sup>3</sup>.

A recently completed joint CFP-CFR study determined some under recovery of costs incurred by Central

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<sup>2</sup> Costs of the core units include (a) staff time and consultant costs, (b) travel costs, (c) VPU sustaining costs (staff time of the VP’s office including Advisors, RM and ACS staff) and (d) indirect costs ( markup on the weekly staff time charges established Bank-wide). Fees paid to external parties such as fees for the audit of FIFs’ financial statements and swap fees are also recovered from the FIFs.

<sup>3</sup> In addition, on a case-by-case basis, Corporate Finance and Risk Management, Credit Risk (CFRCR) and Information Solutions Group (ISG) are also directly involved. Starting FY12, FCIMT will be treated as a core CU.



Units that are *indirectly* engaged in providing trustee services for FIFs; these units are GSD, HRS and ISG (referred to as the “non-core” units).

The new FIF fee arrangement, which will become effective on July 1, 2011, will cover costs incurred by both core and non-core units in providing trustee services.

2. Does the new fee arrangement reflect a change in World Bank policy?

No, the new fee arrangement will help to ensure full cost recovery for FIF trustee services provided by the Bank, in line with the full cost recovery principle for trust funds that was endorsed by the World Bank’s Board of Executive Directors in 2007.

3. What are the changes?

Under the new fee arrangement, FIFs will be charged the costs incurred by the core units plus a 10% mark-up on cost of core units to cover the costs of the non-core units.

4. What is the basis for the 10% mark-up?

The joint CFP-CFR study that reviewed the FY10 costs of the non-core units determined that non-core units’ costs associated with FIF trustee work represented 10% of the costs incurred by core units in providing trustee services to FIFs.

5. When does the new fee take effect and which FIFs are affected and how?

The new fee will take effect on July 1, 2011. This fee will apply to all new FIFs irrespective of the size of expected contributions as well as to existing FIFs that have not been charged for non-core units’ costs<sup>4</sup>. In the past, some FIFs have paid a one-time fee of \$250,000; such FIFs will only be charged the 10% mark-up once the cumulative non-core units costs attributed to those specific FIFs exceed \$250,000<sup>5</sup>.

6. Will new fee arrangements apply to existing FIFs retroactively?

No. The fee will not be charged retroactively for existing FIFs. FIFs that have paid the one-time fee will only be charged the 10% mark-up once the cumulative non-core units costs attributed to those specific FIFs exceed \$250,000.

7. Will \$250,000 be charged when establishing a new FIF?

No. The one-time fee of \$250,000, which was discontinued for IBRD/IDA Trust funds in April 2011, will also be discontinued for all FIFs effective July 1, 2011.

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<sup>4</sup> The following FIFs have not paid the one-time fee of \$250,000: pilot Advance Market Commitment (AMC), Consultative Group on International Agricultural Research (CGIAR), The Global Alliance for Vaccines and Immunization Fund Affiliate (GFA) Trust Fund, GAVI Fund, Global Environment Facility (GEF), Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), International Finance Facility for Immunization (IFFIm), Least Developed Countries Fund (LDCF), Nagoya Protocol Implementation Fund (NPIF) and Special Climate Change Fund (SCCF). The Education for All-Fast Track Initiative (EFA-FTI) is expected to be set up as FIFs managed by CFPMI in FY12. The list excludes DRTF (HIPC) where the Bank does not charge any administration fee and African Program for Onchocerciasis Control Fund (APOC) which is managed by AFR.

<sup>5</sup> The \$250,000 fee has been charged to the following FIFs: Adaptation Fund, Consultative Group on International Agricultural Research (CGIAR Fund), Clean Technology Fund (CTF), Global Agriculture and Food Security Facility (GAFSP), Guyana REDD-plus Investment Fund (GRIF), Haiti Reconstruction Fund (HRF) and Strategic Climate Fund (SCF).

8. Does this new fee apply to FIFs under \$100 million in expected contribution?

Effective July 1, the new fee will be applicable to all new FIFs irrespective of the size of expected contributions as well as to existing FIFs that have not been charged for non-core CU costs.

9. Will the 10% mark-up to cover the cost of non-core units remain fixed?

No. The actual costs of FIF Trustee work will be reviewed on an annual basis and the fee rate for cost related to non-core central units will be revised accordingly. The Bank regularly reviews trust fund cost recovery arrangements with a focus to simplify and streamline processing.

10. What are the services the non-core units provide to FIFs?

The non-core units that indirectly support the core units<sup>6</sup> in providing trustee services for FIFs are GSD, HRS and ISG. GSD's services cover areas such as travel, corporate procurement, office space, etc.; HRS supports staff hiring and performance management; ISG supports the overall operations and maintenance of the FIFs IT systems infrastructure.

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<sup>6</sup> Trustee services provided by Core units include managing donor contributions (negotiate contribution agreements, call for funds and receipt of funds); investing liquid funds pending disbursement; transferring funds to agencies/recipients based on agreed procedures and; financial reporting.