

**CGIAR Trustee Estimated Actual Costs for CY2016
and Proposed Budget for CY2017**

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/System Council approvals, and subsequently transfers cash to the recipients (i.e., CGIAR Centers, ISPC, IEA, Fund/System Management 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 Trustee is actively involved in the restructuring of the CGIAR System, by participating in the Funders & Centers meetings, providing input and feedback in the drafting of the framework documents and the legal agreements, and by creating a new CGIAR Financial Intermediary Fund to support the new CGIAR System, while ensuring a smooth transition from the existing Fund into the new Fund.

The key results achieved by the Trustee during the current calendar year include (i) supporting the Fund Council and the Fund Office as needed, as well as the Transition Team; (ii) supporting 36 donors to channel funds to the CGIAR Fund; (iii) managing those resources; (iv) transferring resources to recipients; (v) preparing and providing financial reports for the Fund Council.

The proposed Trustee budget for CY17 is USD 690,000, a 9.17% increase over the approved budget for CY16, mainly due to the higher legal services costs in connection with the drafting and preparation of the legal documents related to the CGIAR System's reorganization. The following is a breakdown of the CY17 budget, by component:

- Financial and program management represents 70% of the total budget in 2017, slightly lower than in 2016;
- Investment Management represents 3.6% of the total budget in 2017, which reflects a lower projected average cash balance of the Fund;
- Accounting and Reporting represents 8.7% of the total budget, which reflects a slightly higher projection of staff time needed to prepare financial statements for the two FIFs, and coordinate an external audit;
- Legal Services represent 10.9% of the total budget, higher than in 2016 given the work expected on new legal documents related to the establishment of the new CGIAR fund and the winding down of the existing fund; and
- External Audit represents 6.5% of the total budget, to be paid to the World Bank's external auditor in line with last year.

Introduction

1. For CY16, the Trustee's total projected costs for the CGIAR Fund are USD 644,000, slightly above the approved CY16 budget of USD 632,000.

CY16 Approved Budget and Estimated Outcomes

2. Table 1 below shows the CY16 budget as approved by the Fund Council for Trustee services and the actual budget as calculated and estimated as of September 30, 2016.

Approved vs Actual Trustee Budget
 January 1, 2016 to December 31, 2016
 (USD)

| Trustee Services | Approved for 2016 | Best Estimate Actuals for 2016 |
|--|--------------------------|---------------------------------------|
| Financial and Program Management | \$ 478,000 | \$ 474,000 |
| Investment Management | \$ 42,000 | \$ 28,500 |
| Accounting, Reporting & Audit Coordination | \$ 50,000 | \$ 50,000 |
| Legal Services | \$ 17,000 | \$ 46,500 |
| External Audit | \$ 45,000 | \$ 45,000 |
| Total | \$ 632,000 | \$ 644,000 |

3. Currently, the Trustee expects that total costs for services provided in CY16 will amount to approximately USD 644,000 a 1.9% increase over the approved budget. The lower investment management fee incurred during 2016 due to a lower than forecasted average annual balance of the undisbursed cash in the CGIAR Fund was more than offset by the increase in the Legal services costs, due to the work related to the reorganization of the CGIAR system.

CY17 Proposed Trustee Budget

4. Table 2 below shows the projected costs for services to be provided by the Trustee from January 1, 2017 to December 31, 2017.

Proposed Trustee Budget
 January 1, 2017 to December 31, 2017
 (USD)

| Trustee Services | Forecasted Budget for 2017 |
|--|-----------------------------------|
| Financial and Program Management | \$ 485,000 |
| Investment Management | \$ 25,000 |
| Accounting, Reporting & Audit Coordination | \$ 60,000 |
| Legal Services | \$ 75,000 |
| External Audit | \$ 45,000 |
| Total | \$ 690,000 |

5. The proposed Trustee budget for CY2017 is USD 690,000 and reflects the following components:

- i. *Financial and program management (USD 485,000)*: Costs are based on staff time required for management of financial transactions, including negotiating and executing contribution agreements with Funders, maintaining receipts of Funders' contributions, recording allocations and commitments, and making cash transfers to CGIAR Centers. We foresee that the number of transactions and the time spent on the management of the two CGIAR Funds will slightly increase in CY17. This estimate also covers staff time associated with implementation of the financial reporting of the CGIAR Fund, Funders' relationships, coordination with the System Office 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 25,000)*: 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 CY17 is USD 72 million. In the event that disbursements take place more rapidly (or slowly) than anticipated, the average balance would be lower (or higher), and the investment management fees would reduce (or increase) accordingly;
- iii. *Accounting, reporting and audit coordination (USD 60,000)*: 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 cash transfers, preparation of Financial Statements, and arrangement of external audits;
- iv. *Legal services (USD 75,000)*: These costs include staff time required to finalize Contribution Agreements with the Funders. The estimate also covers staff time to provide policy advice and legal review of financial documents and to amend the existing legal documents as required. The costs show a one-time increase given the work expected on the new legal documents related to the establishment of the new CGIAR fund and the winding down of the existing fund.
- v. *External audit fee (USD 45,000)*: The financial statements for the existing CGIAR Fund are subject to an annual audit performed by our external auditor, KPMG. This amount represents an estimate of the invoice to be received from KPMG and is roughly at the same level as the actual invoice for CY16.