



Global Environment Facility

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Agenda Item 16

GEF BUSINESS PLAN FY09-10 AND FY09 CORPORATE BUDGET

Recommended Council Decision

The Council, after having reviewed the *GEF Business Plan for FY09-10 and the FY09 Corporate Budget* (GEF/C.33/11), takes note of the business plan and approves a FY09 Corporate Budget of \$22.069 million comprising:

- (a) \$13.646 million for the Secretariat;
- (b) \$2.047 million for the STAP;
- (c) \$2.469 million for the Trustee; and
- (d) \$3.907 million for the Evaluation Office.

In approving the FY09 budget for the Trustee, the Council agrees with the proposal to resume the financing of audit costs incurred by the GEF Agencies in respect of audits of the financial statements on GEF resources received by Agencies for projects and project preparation activities.

EXECUTIVE SUMMARY

1. The GEF is almost halfway through its fourth replenishment period (GEF-4). The policy recommendations of the replenishment provide guidance for the priorities and activities for the 4-year period of GEF-4 (FY07-10). To better focus and integrate GEF's response to the policy recommendations, the CEO presented to the Council at the December 2006 meeting a five-point sustainability compact consisting of five key elements (strategy, innovation, equity, accessibility, and focus) aimed at raising the impact of GEF investments to a new level of results, and making the GEF a leading force for sustainable development and addressing global environmental issues.
2. The Business Plan describes the status of policy development and implementation already underway, or planned, in order to: (i) implement the policy recommendations of the fourth replenishment; and (ii) further develop the GEF as an institution grounded in the five-point sustainability compact. It builds upon the significant achievements of FY07 and FY08, when a majority of the policy and institutional reforms were put in place, viz., the focusing of GEF strategies, streamlining of the GEF project cycle, shift to actual cost-based financing of project preparation grants, corporate budget reform, direct consultation with recipient countries, etc.
3. The positive changes underway have brought the GEF closer to both recipient and donor countries, and increased the confidence levels regarding the GEF amongst our partners and stakeholders. As one sign of this positive atmosphere, the GEF was invited to provide secretariat services to the Board of the Adaptation Fund of the Kyoto Protocol at the most recent meeting held in Bali in December 2007 of the Conference of Parties of the UNFCCC serving as the meeting of the Parties to the Kyoto Protocol.
4. During the next two years covered under this business plan, in response to the challenges facing the planet, it is expected that the Trustee will be requested by the GEF Council to initiate the discussions for the Fifth Replenishment of Resources for the GEF Trust Fund and to collaborate with the Secretariat in that process. The international community has shown an increased dedication to tackling the multi-faceted dimensions of global climate change, asserting the seriousness of global environmental problems. The GEF and its partners stand ready to serve the global community, with its 15 years of experience supporting developing countries undertake innovative approaches to greenhouse gas mitigation, to deal with adaptation to climate change, to conserve biodiversity, to reduce pollution from key chemicals, and to improve land management.
5. The total budget request for all the four GEF entities for FY09 is \$22.069 million. This represents a decrease of \$ 0.492 million compared to the approved FY08 budget of \$22.561 million. The approved FY08 budget included special initiatives totaling \$1.444 million, including \$0.5 million approved in November 2007 for the Evaluation Office to undertake the mid-term review of the Resource Allocation Framework. The Secretariat, the STAP, and the Evaluation Office have requested only nominal 3 percent increases in their core FY09 budgets to partly account for inflation. The Trustee is requesting a nominal 18 percent increase in its core FY09 budget, in part due to the to expected costs associated with management of the replenishment process and the projected higher balance in the investment portfolio of the GEF Trust Fund. It should be noted, however, that the Trustee's request for the overall FY09 corporate budget represents a net increase of only \$69,000, or 2.89 percent over the FY08 approved budget. None of the GEF entities has requested funding for special initiatives as part of this budget request.

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BACKGROUND

1. At the June 2007 meeting of the GEF Council, the Secretariat presented for Council consideration, *GEF Business Plan FY08-10 and FY08 Corporate Budget* (GEF/C.31/9). The Council took note of the business plan and approved a FY08 Corporate Budget of \$15.868 million for the Secretariat, and STAP. The Council also reviewed: (i) *FY08 Budget for the Trustee* (GEF/C.31/13), and approved \$2.4 million for the activities of the Trustee for FY08; and (ii), *Four-year Rolling Work Program and FY08 Budget of the GEF Evaluation Office* (GEF/ME/C.31/7) and approved \$3.793 million for the activities of the Evaluation Office for FY08. In addition, at the November 2007 meeting, Council approved \$0.5 million as a special initiative for the Evaluation Office to undertake the mid-term review of the Resource Allocation Framework. In total, Council approved \$22.561 million for the four GEF entities for FY08.
2. The GEF is almost half-way through the fourth replenishment period. Most of the key policy recommendations agreed as part of the replenishment are well under implementation. Implementation of GEF-4 policy recommendations have been complemented by concurrent implementation of the CEO's five-point sustainability compact, presented to the Council in December 2006.
3. The Business Plan for FY09-10 and FY09 Corporate Budget: (i) reports to the Council on achievements during the FY07-08 period; (ii) proposes directions for FY09-10; and (iii) presents specific activities and associated budget requests for FY09 for the GEF Secretariat and the STAP. Separate budget proposals for Council consideration have been tabled by the GEF Trustee and the Evaluation Office.

Achievements during FY07-08

4. FY07 saw the transition from GEF-3 to GEF-4, with the following key achievements:
 - (a) the Third GEF Assembly was convened in South Africa in August 2006;
 - (b) GEF-4, with the largest replenishment in the history of the GEF of \$3.13 billion, became effective on February 8, 2007;¹
 - (c) Council approved revised focal area strategies, a streamlined new project cycle, a public-private partnership fund, and a results-based management framework;
 - (d) a new pipeline was established for 2007, eliminating projects that were not progressing well in their preparatory phase or did not align with the directions of the more focused GEF strategies;
 - (e) revised guidelines were established for programming under the Small Grants Program;
 - (f) the corporate budget was eliminated for implementing agencies with a commensurate increase in project cycle management fees applicable to all ten GEF agencies;

¹ The Advance Contribution Scheme under the GEF-4 became effective on November 30, 2006.

- (g) a new GEF website was launched;
 - (h) a process of direct consultation with recipient countries was initiated to support programming of resources; and
 - (i) GEF resources amounting to \$1,112 million were programmed, with co-financing of \$6506 million.
5. FY08 built upon progress achieved in FY07, with the following key achievements:
- (a) The 13th Meeting of the Conference of the Parties to the UNFCCC serving as the meeting of the Parties to the Kyoto Protocol invited the GEF to provide secretariat services to the Board established to manage the Adaptation Fund;²
 - (b) the public-private partnership fund was launched in December 2007, with IFC as the lead agency;
 - (c) an exercise was initiated to develop tools or methodologies for all GEF-financed projects to be screened for their resilience to the adverse impacts of climate change;
 - (d) as part of the new GEF management information system, a web-based facility for countries to track status of project proposals was unveiled in December 2007;
 - (e) a communications strategy was approved by the Council at the November 2007 meeting and is currently under implementation;
 - (f) the new project cycle of 22 months from Council approval of concept to CEO endorsement of full-sized project has been put in place with a 10-day service standard for the Secretariat response on incoming proposals; and
 - (g) total programming of GEF resources amounted to \$641 million, with co-financing of \$3,401 million.
6. In summary, the implementation of the Policy Recommendations of the Fourth Replenishment is on schedule, with almost 90 percent of the policy recommendations under implementation (refer to Annex 1 for details). All elements of the CEO's Sustainability Compact are under implementation (refer to Annex 2 for details). Refer to Annex 3 for details of programming during FY07-08, and to Annex 4 for details of activities implemented during FY08 within the Corporate Budget approved for FY08.

BUSINESS PLAN FY 09-10

7. The Business Plan for FY09-10 proposes a course of action to mainstream the drive towards achieving results of GEF-4, and set the stage for the next phase of the GEF. The various elements of the business plan are categorized under the five major foci of the Sustainability Compact: (i) Strategy; (ii) Innovation; (iii) Equity; (iv) Accessibility; and (v) Focus.
8. The GEF Agencies and the Trustee are expected to contribute to the planning and implementation of the activities presented in the business plan, as appropriate. In many cases,

² Decision 1/CMP.3

they will continue to play a role in delivering corporate products and services; in others, the role might be of a more consultative nature.

Strategy

9. GEF strategy is embodied through two key elements: (i) the GEF focal area strategies; and (ii) the GEF Resource Allocation Framework (RAF). During FY09-10, the Council, the Secretariat, and other GEF partners will also be engaged in the discussion of broader strategies for the next phase of the GEF (GEF-5).

GEF Focal Area Strategies

10. A more strategic approach to programming (GEF/C.31/10), approved by the Council in June 2007 is under implementation, with the intersessional work program of July 2007 beginning to reflect the new directions through strategic programs. During the next two years, some of the key strategic programs under preparation for GEF financing are:

- (a) Strategic Program on Coastal Nutrient Reduction (linked to Strategic Program-2 of the GEF-4 Focal Area Strategy for International Waters). Expected GEF investment: up to \$70 million through existing Council-approved international waters projects on nutrient reduction; as component add-ons to projects in programmatic approaches with other focal areas, and as projects in this IW programmatic approach that will be brought to Council.
- (b) Strategic Program on Ecosystem Services (linked to Focal Area Strategies for Biodiversity, Climate Change and Land Degradation) through new stand-alone project proposals using country RAF allocations and/or funding from the land degradation focal area, and as new projects in programmatic approaches under implementation.
- (c) GEF Congo Basin Forest Program (linked to the sustainable forest management (SFM) strategy). Expected GEF investment: at least \$40 million (\$25million biodiversity RAF allocations plus contribution of \$15 million from Tropical Forest Account (TFA) through new projects fitting the programmatic approaches under development. target countries are: Democratic Republic of Congo, Republic of Congo, Cameroon, Gabon, Equatorial Guinea, Central Africa Republic.
- (d) Strategic Program for Sustainable Forest Management in the Amazon Basin (linked to the SFM strategy) through new projects fitting the programmatic approaches under development; as component add-on's to ongoing projects in the Amazon basin; Target countries are : Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, Venezuela.
- (e) Caribbean Alliance for Sustainability. Expected GEF investment: up to \$110 million through new projects fitting the programmatic approach under development, and through existing Council-approved projects (land degradation focal area).

11. Other country-based programmatic approaches might emerge based on the analysis of the remaining RAF amounts in the second half of GEF-4 and identified country priorities in the focal areas of Biodiversity and Climate Change.

Resource Allocation Framework

12. The GEF Resources Allocation Framework (RAF) is under implementation. Following the Council decision on the RAF of September 2005, a mid-term re-allocation, employing updated indices for benefits and performance is scheduled to be implemented beginning FY09. The GEF Evaluation Office (GEFEO) is currently undertaking a mid-term review of the RAF, with a report to be submitted for discussion at the November 2008 Council meeting. Development of indicators in international waters, POPS, land degradation, and ozone focal areas is underway, to be submitted for Council discussion at its November 2008 meeting, in conjunction with the GEFEO review. A progress report on the RAF (GEF/C.33/Inf.4) provides details of various aspects of RAF implementation.

GEF-5 Replenishment

13. The Council is expected to request the Trustee to initiate the negotiations for the Fifth Replenishment of Resources for the GEF Trust Fund and to collaborate with the Secretariat in that process. During FY09-10, the Secretariat will lead the preparation of the GEF-5 programmatic framework and associated policy recommendations to support replenishment discussions.

Innovation

Public Private Partnership

14. The GEF continues to emphasize the need for innovative solutions to deal with the challenges of global environmental management. The public-private partnership, launched in December 2007, is expected to bring in \$150 million over the next two years to complement the \$50 million approved by the Council. Future directions envisaged under this partnership are to develop the biofuels initiative under the leadership of the IFC and new platforms for membrane technology water treatment.

Technology Transfer

15. At the 13th Meeting of the Conference of the Parties to the UNFCCC held in Bali in December 2007, the GEF was requested to elaborate a strategic program to scale-up investments in environmentally-friendly technologies. The GEF is to prepare a response to this request for the meeting of the UNFCCC Subsidiary Bodies in June 2008. The program is to innovate climate-friendly technologies for both mitigation of climate change and adaptation to the adverse impacts of climate change.

16. The work of the GEF in support of climate change mitigation has always focused on technology transfer. In fact, the experience of the GEF provides one of the largest showcases or laboratories on efforts to transfer climate-friendly technologies in existence. It is appropriate that the GEF take the lead on this initiative. Over the coming months, the GEF will be assessing the

nature of its work to date on technology transfer, current technology needs as included in the Technology Needs Assessment and the existing barriers to widespread dissemination of these technologies in relevant countries. The GEF will also propose activities to overcome the identified barriers in specific cases and formulate international plans of action on the specific technologies that seek to utilize existing financial sources to overcome the barriers to the fuller maturation of the market for the technologies. In the case of technologies where international solutions may be already known--such as developing standards for lighting or refrigeration--an approach seeking to create an international performance-based standard for the technologies will be adopted. For other technologies--such as those seeking to increase the supply of renewable energy--international working groups assembling OECD governments, developing country governments, and industry can be convened to identify concrete actions to "phase-in" or widely disseminate these technologies.

Conflict Resolution

17. Imbedding the conflict resolution concept in GEF operations is turning out to be a substantive innovation in the Secretariat. The presence of the Conflict Resolution Commissioner is triggering a process where the Secretariat is being approached by stakeholders to assist in the handling of complaints and other instances of disputes and conflicts. The process thus far seems to be introducing and enhancing a sense of timely responsiveness and attention by the Secretariat.

Scientific and Technical Advice

18. The Scientific and Technical Advisory Panel (STAP) has successfully reformed to be able to engage much earlier in the project cycle to stimulate innovation in project design by GEF Agencies. These changes in the way STAP works are enabling more creative input to the work of the GEF and providing new ideas at the stage when they can make a difference and at lower transaction cost.

19. Additional work that is at the cutting edge is the developing collaboration with the Evaluation Office on experimental and quasi-experimental impact evaluations, and consideration of a more integrated approach to climate and biodiversity, including a re-evaluation of STAP's earlier work on biofuels. STAP will also take a new approach to the future of the GEF and host a broad-based science review of GEF-4 as a baseline for new ideas for how the GEF can respond to emerging environmental challenges and the key drivers that need to be addressed in the GEF-5 strategy.

Equity

20. Adoption of a flexible programmatic approach has strengthened the ability of the GEF to work with those countries least able to manage the impacts of global environmental changes. A flexible approach facilitates the approval of regional or sector-focused packages that help efforts to build country capacities in critical areas, often in conjunction with investment activities. New programs in the Pacific, and in the future across the Caribbean, exemplify the drive to help the least developed countries address some of the most critical problems facing the global environment.

Targeted Programs

21. Following up on the success with *the Strategic Investment Program for Sustainable Land Management in Sub-Saharan Africa* (approved by the Council in June 2007) and the directions of the new programmatic approaches, a program to address land degradation issue in the Middle East and North Africa is proposed for Council review in April 2008.

Capacity Building

22. In October 2003, the Council approved the *GEF Strategic Approach to Enhance Capacity Building* (GEF/C.22.8), which was guided by the aim of providing adequate support for nationally determined and prioritized capacity building needs consistent with the relevant Conventions and the objectives of the GEF in a cost effective manner, with clearly identified indicators of progress and achievement. Later, in October 2005, a paper on *Progress on the Implementation of the GEF Strategic Approach to Capacity Development* (GEF/C.27/Inf.12) was presented to the Council. It summarized the progress made up to then.

23. The main achievement was the establishment of the Global Support Program (GSP), a three-year GEF project that started in August 2005, headed by UNDP and UNEP. Its main objective was to provide countries undertaking National Capacity Needs Self Assessments (NCSAs) with methodological support and knowledge management tools. The GSP provided technical assistance, developed a range of guidelines and tools, and facilitated the exchange of lessons among the 100 NCSA projects under active implementation. Countries that were reaching the advanced stage of finalizing their needs assessment were considering their NCSAs to be a strategic tool in country programming on global environment management. To date, out of 145 that have engaged in this initiative, 63 have completed their NCSAs, whereas 82 are still in implementation.

24. As a follow-up to the NCSAs, the GEF is financing cross-cutting, free-standing capacity building projects that address national priority needs, as agreed in the *GEF Strategic Approach to Enhance Capacity Building*, and in response to the decisions of the relevant Conventions. These projects are using the GEF medium-sized project (MSP) cycle. All cross-cutting MSPs will build on the NCSAs and will address priority cross-cutting capacity constraints identified in the NSCAs. Given the enabling nature of capacity building, these projects will be funded on an agreed full-cost basis, since the baseline cost to be met from other resources may be zero. The Secretariat will continue receiving, reviewing and when appropriate, approving projects, according to a list of countries that the Agencies have already sent. A second progress report on the capacity development strategy is being presented for review at this April 2008 Council meeting.

Accessibility

25. The Secretariat has strengthened several aspects of its country relations function to provide countries with direct access for programming discussions. The new Country Profile webpage has been providing access since December 2007 to all countries, allowing them to see the status and full details of all approved projects in any country. Under a password entry system, the webpage also provides access to country focal points to all data on project concepts

under process. In the future, the fully upgraded management information system will provide real-time information regarding availability of resources and more data on the status of proposals to recipient countries. This will be supported and amplified by activities under the various GEF corporate programs such as the National Dialogue Initiative, Country Support Program (CSP), Council Member Support Program, and the Conflict Resolution Framework.

National Dialogue Initiative

26. The GEF National Dialogue Initiative in GEF-4 has made an important shift in responding to new country opportunities and challenges associated with the RAF. The Programme provides targeted and flexible support for unique country-level multi-stakeholder dialogue and sharing of information and experiences. This kind of support is leading to action on national GEF matters through strategic national priority setting and strengthened inter-sectoral and inter-agency coordination and partnerships. National Dialogues involve a diversity of government ministries and agencies, NGOs, communities, academic and research institutions, private sector, donors, GEF agencies and the media to enable them to participate more effectively in the GEF.

27. In FY 2009-2010, based on guidance from the Inter-agency Steering Committee, National Dialogues will aim to be responsive and flexible in their delivery, and tailored to country needs and requests in a strategic and timely manner in line with the opportunities and challenges of GEF-4. National Dialogues will continue to complement the three components of the Country Support Program: (i) the online Knowledge Facility; (ii) Direct Support Funding; and (iii) Sub-regional Workshops for GEF focal points – by sharing the goal of supporting GEF focal points and other stakeholders to enhance and strengthen their engagement with the GEF in countries. The current 4-year GEF funding for National Dialogues runs through 2008 and a replenishment is being sought to extend GEF's support for National Dialogues for another 4 year period. To date, 33 National Dialogues for 2,400 stakeholders, and 8 Sub-regional Consultations for 227 government and 64 NGO participants from 291 countries have been conducted.

Country Support Program

28. The Country Support Program (CSP) provides a comprehensive and integrated package of support to GEF focal points for activities related to outreach, information sharing and training to strengthen country-level coordination and promote country ownership of GEF-financed activities. The Program is comprised of three components linked closely to the GEF National Dialogue Initiative, and complements the GEF Secretariat and Agencies country level activities: (i) direct funding to support activities related to outreach, information sharing and training; (ii) a comprehensive GEF country and constituency knowledge management framework targeted specifically to GEF focal points; and (iii) sub-regional focal point information exchange and training workshops.

29. The online Knowledge Facility is being increasingly used by the focal points to stay abreast of the changes in GEF-4 and share knowledge among countries and constituencies. It will continue to evolve and expand in 2008-2010 in direct response to needs expressed by focal points. In 2008-2010, Sub-regional Workshops will continue to provide unique and transparent forums for knowledge exchange among focal points, and will also focus on the RAF mid-term

review and other emerging GEF issues. In 2007, 8 Sub-regional workshops for 241 government participants from 114 countries were conducted.

Council Member Support Program

30. The Council approved the new four-year phase of the Council Member Support Program (CMSP) in June 2005. This new program was developed in response to the evaluation of the first Focal Point Support Program, and in response to the recommendations of the three GEF Overall Performance Studies as well the Third Replenishment of the GEF Trust Fund.

31. The CMSP provides Council Members with financial assistance to facilitate communication between the Council Member and constituency Members. Council Members can hold up to two constituency meetings per year to enhance coordination, cooperation and communication. This program provides financial and logistical support including travel arrangements, hotel and daily subsistence allowance. During 2009 – 2010, the CMSP will continue its support to eligible recipient countries. This implies that up to 32 of these constituency meetings will be supported. To date, 21 Constituency Meetings have taken place with over 206 participants.

Conflict Resolution Framework

32. A robust dialogue is ongoing between the Secretariat and various stakeholders regarding any complaints related to GEF operations. The conflict resolution framework is being strengthened gradually through enhancing measures to protect the integrity of the GEF, listening to and addressing grievances raised by stakeholders, bringing a precautionary approach to the process, and addressing systematically operations issues which could potentially generate conflicts.

Small Grants Program

33. At the June 2007 meeting, Council approved \$128.32 million to replenish and support the fourth operational phase of the Small Grants Program (SGP). The SGP is currently under implementation, under the guidance of a Steering committee chaired by the GEF Secretariat and comprising representatives from the GEF Agencies as well as the Coordinator of the GEF-NGO network.

34. SGP seeks to reach poor and marginalized populations, including women and indigenous peoples. The Joint Evaluation performed during 2007 concluded that since inception, 60 percent of SGP projects directly or indirectly targeted the poor or the poorest. Compared to the earlier phases, a greater proportion of the third operational phase (OP 3) projects (72 percent) now either directly or indirectly target the poor or the poorest. Moreover, 26 percent of the SGP grants target women, and at least 15 percent of SGP grants of OP 3 explicitly target indigenous peoples. With the increased LDCs and SIDS participation in SGP, the percentages of projects reaching the poor, women and indigenous people are likely to increase during FY09-10.

35. SGP will expand to 23 new countries during GEF-4, increasing its geographical coverage particularly over LDCs and SIDS. Among these new countries, nine countries are LDCs, one SIDS, and three countries are both LDCs and SIDS. At the end of GEF-4, SGP will cover 41 out

of the 50 LDCs (82 percent), and 34 out of the 38 of SIDS (89 percent) around the world (among the four remaining SIDS, two SIDS (Bahrain and Singapore) are not eligible for GEF funding. Across focal areas, efforts will be made to achieve global environmental benefits while generating local livelihoods in poor and marginalized areas and communities. In April 2008, the GEF Council will consider the recommended follow-up actions to the Joint Evaluation in 2007, including Recommendation 5 on the revision of the fund access criteria by SGP.

Corporate Communications Strategy

36. As part of GEF's reform agenda, the Council approved in November 2007 a Communications and Outreach Strategy (GEF/C.32/8) that responds to a 2006 request for better communication with key stakeholders and the media. The Secretariat will report back formally to the Council in November 2009 on these efforts, which aim to improve GEF accessibility on four fronts: strengthening the Secretariat's capacity for direct dialogue with countries; ensuring the effectiveness of corporate programs; expanding GEF's capacity to share its knowledge base; and bolstering GEF's corporate image and public communications.

37. To meet these goals, the Secretariat has already moved forward and will continue its efforts in the coming years: the Secretariat is now, for example, revamping the GEF website to have more user-friendly features, including timely "success stories" that showcase the various focal areas and generate media attention. The Secretariat is also refining production of all focal area publications, and all corporate-level communications, most notably a redesigned Annual Report. Additionally, the Secretariat has revitalized and expanded its role in interagency communication groups which include executing and implementing sister agencies. As part of this interagency coordination, efforts have been made to support joint communications for various public and media events including side event support, material preparation, and coordinated messaging on all GEF-related projects, with the overarching goal of ensuring that the public understands that the GEF acts as an effective advocate for the global environment.

Knowledge Management

38. As a key part of the GEF's results based management approach, the Secretariat has embarked upon a Knowledge Management Initiative to formalize the experiences, lessons learned from GEF projects and to make them publicly available to all stakeholders. It will seek to identify, analyze, and translate lessons into good practices and information resources, and then disseminate this information globally for use in future project design.

39. During FY 2009, a GEF Knowledgebase will be established within the new GEF Management Information System. The Knowledgebase will be fed primarily by data provided by agencies on projects which will reach mid-term or completion stages in FY 2008 or later. It would be a depository of information on project experiences based on inputs from GEF projects at both mid-term and terminal evaluation stages.

Focus

40. The GEF will continue to focus on results and being cost-effective through all its operational activities.

Programming GEF-4 Resources

41. The progress in programming GEF-4 resources during FY07-08 and the targets for FY09-10 is summarized in Annex 3. About 40 percent of overall GEF-4 resources have been programmed until now. The programming for the different focal areas is more or less in line towards achieving the respective programming targets established under each focal area.

Managing for Results

42. Measurement of, and managing for, results for GEF is being implemented following the Results-based Management Framework, approved by the Council in June 2007. As the first step in the process of implementation, an *Annual Monitoring Review Report* (GEF/C.33/4) is being presented for Council review at the April 2008 meeting. The Secretariat, in consultation with the GEF Agencies is developing methodologies to implement other elements of the framework.

Implementing Policy Recommendations

43. The GEF is focused on continuing to implement all the policy recommendations of GEF-4, and will report on the progress in every business plan. As summarized in Annex 1 and mentioned in various parts of this document, the GEF is on track in fulfilling the policy recommendations as originally planned.

Strengthening the GEF Partnership

44. A paper on “Comparative Advantages” of each of the GEF Agencies, presented to the Council in June 2007 has greatly assisted in explaining the strengths of each agency and has allowed for more easy combinations of effort between the Agencies on joint initiatives.

Fiduciary Standards

45. The Secretariat is presenting for the Council in April 2008 meeting a compilation of agency reports (GEF/C.33/Inf.6) on compliance with the fiduciary standards approved by the Council in June 2007.

Management Information System

46. An improved management information system (MIS) is operational. Implementation to date provides for secured access to the system through web-based portals for all GEF stakeholders to get up-to-date information on the status of project proposals. Going forward, as the knowledge management system is developed, this aspect will be integrated as a part of the management information system that will map all activities across the GEF and allow easier analysis. Refer document GEF/C.33/Inf.9 for a status report on the MIS.

Operations Manual

47. A GEF Operations Manual, prepared in collaboration with Agencies, STAP, and the Trustee, will cover all aspects of GEF operational policies, procedures and guidelines as well as Trustee financial procedures and processes. The Manual is under preparation and will be

released at the April 2008 GEF Council meeting. It will bring together in one volume, for the first time, all GEF operational guidance and the corresponding Trustee processes, where applicable. It is expected to improve the understanding of GEF processes and facilitate transactional processing between all GEF partners, clients, and recipient and donor countries. The Manual will also be uploaded onto the GEF website to facilitate its updating and ready availability to all who need to refer to it.

Review of GEF-related Administration Expenses in Agencies

48. A review of GEF-related administration expenses in GEF agencies has been undertaken by an independent consultant. The report (GEF/C.33/8) is being submitted to the April 2008 Council meeting for review by the Council.

CORPORATE BUDGET FOR FY09

49. The GEF corporate budget finances the administrative costs of the Secretariat, STAP, the Trustee, and the Evaluation Office. This document contains the details of the budget request for the Secretariat, the STAP, and the Trustee; the details of the FY09 budget request for the Evaluation Office are presented in *Four-Year Work Program and FY09 Budget of the GEF Evaluation Office* (GEF/ME/C.33/1).

50. The total budget request for all the four GEF entities for FY09 is \$22.069 million. This represents a decrease of \$ 0.492 million compared to the approved FY08 budget of \$22.561 million. The approved FY08 budget included special initiatives totaling \$1.444 million, including \$0.5 million approved in November 2007 for the Evaluation Office to undertake the mid-term review of the Resource Allocation Framework. The Secretariat, the STAP, and the Evaluation Office have requested only nominal 3 percent increases in their core FY09 budgets to partly account for inflation. The Trustee is requesting a nominal 18 percent increase in its core FY09 budget, while keeping its total request to just under 3 percent of its FY08 approved budget. The increase in the core budget is in part due to the expected costs associated with management of the replenishment process, the projected higher balance in the investment portfolio of the GEF Trust Fund, and increased legal support due to GEF policy changes. The Trustee's approach to budgeting, which was discussed and agreed with Council during the June 2007 Council meeting, is based on establishing the expected work program in the coming year and basing expected costs on actual time and costs in prior years. None of the GEF entities has requested funding for special initiatives as part of this budget request.

51. A report on FY08 activities, outputs and review of expenditures financed by the corporate budget are contained in Annex 4 (Secretariat), Annex 5 (STAP), and Annex 6 (Trustee).

52. While approving the FY08 budget, Council requested the GEF Secretariat, STAP, Trustee, and Evaluation Office to collectively aim to operate during the GEF-4 commitment period (FY08-011) within a cost cap of \$ 93.5 million to cover administrative costs.³ The requested FY09 budget for all GEF entities and the trend for budget requests for FY10 and FY11, as indicated in Table 1, indicate that the cost cap will be met.

³ Joint Summary of the Chairs, Decision on Agenda Item 15, paragraph 38, June 2007 Council Meeting.

Table 1: Trends in GEF Corporate Budget during GEF-4 (FY08-11)

GEF Entities	Requests under GEF-4 (US\$ millions)				
	FY08 (approved)	FY09 (proposed)	FY10 (expected request)	FY11 (expected request)	TOTAL
Secretariat core budget	13.249	13.646	14.056	14.478	55.429
Secretariat Special Initiative	0.630				
Secretariat Total	13.879	13.646	14.056	14.478	56.059
STAP Total	1.989	2.047	2.108	2.172	8.316
Trustee Core Budget	1.986	2.250	2.318	2.387	8.941
External Audit of GEF Trust Fund	0.100	0.219	0.226	0.232	0.777
Trustee Special Initiative	0.314				0.314
Trustee Total	2.400	2.469	2.543	2.619	10.031
Evaluation Office Core Budget	3.793	3.907	4.024	4.145	15.868
Evaluation Office Special Initiative					0.000
Evaluation Office Total	3.793	3.907	4.024	4.145	15.868
Fourth GEF Assembly			2.200		2.200
Total Corporate Budget	22.061	22.069	24.931	23.413	92.475

*Note: Evaluation Office Special Initiative of \$0.500 million (for the mid-term review of the RAF) approved by the Council in November 2007 is exempted from the cost-cap and hence not included in the above table.

Secretariat FY09 Activities, Outputs, and Budget

Activities and Outputs

53. The following is a list of the proposed activities and outputs of the Secretariat in FY09, organized under the four broad headings of Governance, Program Management, Relations with Constituents, and Financial and Administrative Management, to be financed out of the core budget for the Secretariat:

Governance

Council

54. Two Council meetings will be convened in FY09. These meetings will consider, among other things:

- (a) two work programs, including programmatic approaches;
- (b) the annual monitoring report;
- (c) a review of GEF-related administrative expenses in the Implementing Agencies;
- (d) progress reports on the implementation of the RAF;
- (e) progress report on the implementation of the communications strategy;

- (f) follow-up to the GEFEO mid-term review of the RAF;
- (g) progress reports on GEF-5 replenishment discussions;
- (h) a GEF business plan and budget; and
- (i) relations with conventions and other institutions.

55. Instead of posting only two intersessional work programs for Council approval each year, the Secretariat will now post as many intersessional work programs as are needed in response to monthly assessments of the number of new concepts ready for Council approval.

56. Regular communication will be maintained with the Council.

Program Management

57. Activities relating to program management will include:

- (a) working with countries to program resources in accordance with RAF and GEF-4 programmatic framework;
- (b) preparing work programs for Council approval and preparing and approving project preparation grants, MSPs and enabling activities;
- (c) reviewing project documents for CEO endorsement;
- (d) managing the GEF project cycle;
- (e) involvement in programmatic and other evaluations managed by the GEF Evaluation Office;
- (f) implementing the results management framework and associated monitoring tools;
- (g) participating in knowledge management and related activities for dissemination of lessons learned; establishing a knowledge management framework in one or two GEF focal areas;
- (h) improving and strengthening the risk management system;
- (i) preparing the 2008 GEF Annual Monitoring Report and applying program-level monitoring tools;
- (j) implementing the public-private partnership; and
- (k) developing strategic programs and priorities for GEF-5.

Relations with Constituents

58. With respect to relations with constituents, the following activities are foreseen:

- (a) maintaining dialogue and regular communications with national focal points;
- (b) organizing a series of outreach and awareness-raising activities under the auspices of the National Dialogue Initiative;

- (c) convening sub-regional exchanges and training workshops targeted to respond to the identified needs of focal points from member countries;
- (d) organizing an orientation for new Council Members and Alternates prior to Council meetings;
- (e) supporting GEF constituency meetings;
- (f) organizing two regular NGO consultations prior to each Council meeting;
- (g) participating at Conferences of the Parties and related meetings of the global environmental conventions and CSD;
- (h) enhancing communication tools and outreach activities at the global and country levels;
- (i) supporting major GEF initiatives with appropriate outreach tools and media strategies;
- (j) expanding multimedia tools and products;
- (k) organizing a GEF familiarization seminar for staff in the GEF partner agencies;
- (l) publishing the GEF Annual Report and updated operational report of GEF projects;
- (m) developing innovative modalities through the Capacity Building Task Force to program cross-cutting capacity development funds for strengthening the enabling environment; and
- (n) addressing instances of complaints, disputes and conflicts emerging in GEF operations.

GEF-5 Replenishment

59. It is expected that two meetings with donors will be convened to discuss the Fifth Replenishment of Resources to the GEF Trust Fund.

FY09 Secretariat Budget

60. The proposed FY09 budget for the GEF Secretariat is \$13.646 million; no budget requests are made for special initiatives. This represents an increase of 3 percent in the core Secretariat budget and a 1.7 percent decrease of the total Secretariat budget including special initiatives compared to the FY08 budgets.

61. The distribution of costs by expense category is shown in Table 1. The proposed budget reflects a 3 percent nominal increase to account for inflation, or 0 percent real growth in most cost categories. The CEO has made special efforts to reduce the cost of travel by carefully reviewing the necessity of each travel request for GEF's core mission.

Table 2: Proposed FY09 GEF Secretariat Budget

<i>FY07 Actual \$m</i>	Expense Category	<i>FY08 Budget \$m</i>	<i>FY08 Estimated \$m</i>	<i>FY09 Proposed \$m</i>
<u>6.688</u>	<u>Staff Costs</u>	<u>9.650</u>	<u>9.650</u>	<u>9.940</u>
6.179	Salaries and Benefits	8.547	8.547	8.803
0.503	Travel	0.997	0.997	1.027
0.006	Training	0.106	0.106	0.109
<u>0.608</u>	<u>Consultant Costs</u>	<u>0.548</u>	<u>0.548</u>	<u>0.564</u>
0.197	Fees (long-term)	0.212	0.212	0.219
0.326	Fees (short-term)	0.253	0.253	0.261
0.085	Travel	0.082	0.082	0.084
<u>0.455</u>	<u>Council Costs</u>	<u>0.615</u>	<u>0.615</u>	<u>0.633</u>
0.138	Logistics	0.197	0.197	0.203
0.169	Council Travel	0.185	0.185	0.191
0.125	NGO Consultations (Logistics and Travel)	0.165	0.165	0.170
0.023	Council Member Support Program	0.068	0.068	0.070
<u>0.049</u>	<u>Contractual Services</u>	<u>0.052</u>	<u>0.052</u>	<u>0.054</u>
0.049	(Contracts with Firms)	0.052	0.052	0.054
<u>0.570</u>	<u>Publications, Media, Web and External Outreach</u>	<u>0.829</u>	<u>0.829</u>	<u>0.854</u>
<u>1.240</u>	<u>General Operations Costs</u>	<u>1.555</u>	<u>1.555</u>	<u>1.602</u>
0.635	Office Space, Equipment, and Supplies	0.895	0.895	0.922
0.573	Communications and Internal Computing	0.600	0.600	0.618
0.000	Corporate Services	0.000	0.000	0.000
0.032	Representation and Hospitality	0.060	0.060	0.062
<u>9.610</u>	<u>TOTAL</u>	<u>13.249</u>	<u>13.249</u>	<u>13.646</u>

STAP FY09 Activities, Outputs and Budget

62. The highlights of activities and outputs of STAP in FY08 will include:

- (a) supporting the development of the GEF-5 vision and the drafting of strategic programming;
- (b) convening a small meeting in Asia on mainstreaming in the freshwater and marine productive seascapes;
- (c) producing operational guidance on upscaling approaches within production landscapes;
- (d) producing programmatic guidance on energy efficient buildings and on best practices;
- (e) producing guidance on GEF's approach to challenges of new "live" POPs anticipated to be included in the Stockholm Convention;

- (f) continuing to address requests for guidance on operationalizing effective interlinkages for the Strategic Programs under GEF-4;
- (g) continuing to develop strategic advice to the GEF, including translating new knowledge from global assessments and convention subsidiary bodies into policy advice;
- (h) convening semi-annual STAP meetings planned for September 2008 and February 2009, as well as small and flexible meetings on policy review and on strategic program needs
- (i) supporting the operational work in the project cycle through screening of all PIFs selected for Work Program inclusion and advising on targeted research.

FY09 STAP Budget

63. STAP's estimated FY08 expenditures and proposed FY09 corporate budget are summarized in Table 2. The FY08 Work Program for STAP will be implemented within budget. The STAP Work Program for FY09 will be implemented within the same budget as approved for FY08, with a 3 percent increase in costs to offset inflation.

Table 3: Proposed FY09 STAP Budget

<i>FY07 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY08 Budget \$m</i>	<i>FY08 Estimated \$m</i>	<i>FY09 Proposed \$m</i>
<u>0.504</u>	<u>Staff Costs</u>	<u>0.823</u>	<u>0.823</u>	<u>0.891</u>
0.458	Salaries and Benefits	0.743	0.743	0.821
0.046	Travel	0.080	0.080	0.070
0.000	Training	0.000	0.000	0.000
<u>0.046</u>	<u>Consultant Costs</u>	<u>0.000</u>	<u>0.000</u>	<u>0.050</u>
0.000	Fees (long-term)	0.000	0.000	0.000
0.046	Fees (short-term)	0.000	0.000	0.050
0.000	Travel	0.000	0.000	0.000
<u>0.000</u>	<u>Council Costs</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
0.000	Logistics	0.000	0.000	0.000
0.000	Council Travel	0.000	0.000	0.000
0.000	NGO Consultations (Logistics and Travel)	0.000	0.000	0.000
<u>0.000</u>	<u>Contractual Services</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
0.000	Contracts with Firms	0.000	0.000	0.000
<u>0.000</u>	<u>Publications, Media, Web and External Outreach</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
<u>0.193</u>	<u>General Operations Costs</u>	<u>0.250</u>	<u>0.250</u>	<u>0.251</u>
0.069	Office Space, Equipment, and Supplies	0.115	0.115	0.120
0.034	Communications and Internal Computing	0.045	0.045	0.041
0.090	Corporate Services	0.090	0.090	0.090
0.000	Representation and Hospitality	0.000	0.000	0.000
<u>0.743</u>	<u>SUB-TOTAL</u>	<u>1.073</u>	<u>1.073</u>	<u>1.192</u>
	STAP -- Members Expense Category			
0.446	Honoraria & Logistical/Secretarial Support	0.374	0.374	0.360
0.000	MOUs with Expert Institutions	0.339	0.339	0.300
0.235	STAP Meetings	0.150	0.150	0.155
0.005	STAP Publications	0.053	0.053	0.040
<u>0.686</u>	<u>SUB-TOTAL</u>	<u>0.916</u>	<u>0.916</u>	<u>0.855</u>
<u>1.429</u>	<u>TOTAL</u>	<u>1.989</u>	<u>1.989</u>	<u>2.047</u>

Trustee FY09 Activities, Outputs, and Budget

64. The Trustee provides a range of standard services to the GEF Trust Fund and to the GEF Secretariat. These services are broadly defined in the Instrument and fall within the following categories: (i) financial and risk management; (ii) investment management and cash flow management; (iii) management of GEF partner relationships and transactions; (iv) accounting and reporting; (v) legal services; (vi) committing and disbursing trust fund resources; and (vii)

infrastructure and systems. In the upcoming fiscal year, it is expected that another component of the Trustee's work program will be the preparatory work leading up to the mobilization of resources under the GEF-5 replenishment and leading the replenishment discussions, in collaboration with the GEF Secretariat.

FY09 Trustee Budget

65. In addition to the standards services listed above, the FY09 work program will include the following items:

- (a) Implementation of the policies and procedures of the revised Financial Procedures Agreements with GEF Agencies;
- (b) Upon invitation from the Council, preparatory work for the GEF-5 replenishment meetings, leading replenishment discussions. This includes collaborating with the GEF Secretariat in the preparation of discussion and information papers for the meetings; Trustee will be responsible for drafting the GEF-5 replenishment resolution.

66. Overall, the budget request for FY09 represents a net increase of \$69,000 over the FY08 approved budget of \$2.4 million that included \$0.314 million for a special initiative. The proposed overall budget reflects a nominal increase of under 3 percent; the proposed increase for the core budget, however, not including the special initiative, is 18 percent. The Trustee's approach to budgeting, which was discussed and agreed with Council during the June 2007 Council meeting, is based on establishing the expected work program in the coming year and basing expected costs on actual time and costs in prior years. The primary reasons for the net increase are:⁴

- (a) The average fund balance is expected to stabilize at a level of \$2.5 billion giving rise to increased investment management costs.
- (b) The FY09 budget includes a proposed budget to cover costs for Agency audits of GEF-funded activities to be financed out of the GEF Trust Fund resources while the one-time cost of IFRS conversion for the GEF Trustee financial statements is eliminated. A special case has been made for financing Agency audits in the section that follows. If the recommendation is approved by Council, \$100,000 has been budgeted to cover these audit costs.
- (c) The largest contributor to the increased budget relates to the different activities supporting the GEF-5 replenishment discussions which are expected to begin during the upcoming fiscal year. These activities cover increased legal support, travel costs for replenishment meetings, staff time and preparation of papers and studies.

⁴ For details regarding the expenditure of the FY08 budget and relationships to the FY09 request, refer to Annex 6.

Agency Audits for the Decision of Council

67. As part of the fiduciary management framework, Trustee relies on the receipt of audited financial statements on GEF-funded activities from each Agency. The Financial Procedures Agreement, which sets out the procedures and processes between the Trustee and Agencies in respect of the administration of GEF funds allocated to the Agencies, calls for each Agency to provide audited financial statements at defined intervals agreed with the Trustee. The financing of such audit costs incurred by GEF Agencies for FY08 and beyond was excluded from the Trustee's budget proposal for FY08.⁵

68. This exclusion was proposed in light of the Council decisions to eliminate the corporate budget of Implementing Agencies as of FY08, and to agree to a fee increase from 9 percent to 10 percent of projects to ensure that no agency receives more administrative support than under the old system of fees and corporate budget.⁶

69. Under the old system, Implementing Agencies covered the cost of GEF audits from their corporate budgets, whereas the Trustee included in its budget the costs of GEF audits by Executing Agencies. With the elimination of the corporate budget and increase of the fee rate, it was proposed that the costs of GEF audits be covered by each Agency across the board.

70. After consultation with Agencies, however, the Trustee was informed that the organizational policies and procedures for many of these Agencies do not permit them to finance the cost of a separate GEF audit from their own resources. Also, given the respective relatively small portfolio size of executing agencies, the resulting 1 percent fee increase is not sufficient to cover the cost of a separate GEF audit.

71. As a result, the Trustee recommends the approval of the Council to resume the financing of audit cost incurred by the Agencies in respect of audits of the financial statements on GEF resources received by Agencies for projects and project preparation activities. The projected costs for the audit requirement will be in the region of \$28,000 - \$35,000 for Executing Agencies and \$45,000 - \$65,000 for Implementing Agencies per annum. Those costs would be included in the Trustee budget, so that the Trustee may reimburse the Agencies for their audit costs incurred in accordance with the financial procedures agreed between the Agencies and the Trustee.

⁵ The Council document GEF/C31/13 – FY08 Budget for the Trustee called for all GEF Agencies to pay for the audits of GEF accounts out of their approved project cycle management fees.

⁶ See, paragraphs 47 (b) and (c) in the joint summary of chairs of the December 2006 council meeting relating to Roles and Responsibilities of the GEF Agencies.

Table 4: Proposed FY09 Trustee Budget

Trustee Expense Category	FY08 Budget \$m	FY08 Estimated \$m	FY09 Proposed \$m
<u>Standard Services</u>	<u>1.986</u>	<u>1.988</u>	<u>2.250</u>
GEF Financial Management	0.444	0.384	0.410
Investment Management	0.700	0.775	0.800
GEF Relationship Management	0.438	0.412	0.500
Accounting and Reporting	0.158	0.153	0.155
Legal Services	0.087	0.107	0.150
Infrastructure and System	0.133	0.133	0.135
Estimated Travel Costs	0.026	0.024	0.100
<u>Audits</u>	<u>0.100</u>	<u>0.115</u>	<u>0.219</u>
External Audit Fee	0.100	0.100	0.119
Agency Audits	0.000	0.015	0.100
TOTAL	2.086	2.103	2.469

Evaluation Office FY09 Activities, Outputs and Budget

72. The four-year work plan of the GEF Evaluation Office and the FY09 budget request are detailed in *Four-Year Work Program and FY09 Budget of the GEF Evaluation Office* (GEF/ME/C.33/1). The Evaluation Office requests \$ 3.907 million for FY09. GEF/ME/C.33/1 also contains details of the estimated expenditures for FY08.

Consolidated FY09 Budget and Total Administrative Costs*Consolidated FY09 Budget Request for Four GEF Units*

73. The total consolidated budget for the Secretariat, STAP, the Trustee, and the Evaluation Office is \$21.749 million, as summarized in Table 5.

Table 5: Consolidated FY09 Budget Request for four GEF Units
(\$million)

CORPORATE BUDGET	<i>Budget Request (\$ million)</i>
Secretariat	13.646
STAP	2.047
Trustee	2.469
Evaluation Office	3.907
TOTAL Budget Request	22.069

Total Administrative Costs

74. Cost-efficient delivery of services requires the consideration of the total administrative cost of the GEF partnership and not just the resources being requested in this document. The

administrative costs of the GEF also include the budget being separately requested by the Evaluation Office (GEF/ME/C.33/1), as well as the fees paid to GEF Agencies for the delivery of project cycle management services. Table 6 shows the proposed FY09 total administrative costs⁷ of the GEF partnership compared to the approved FY08 budget and estimated FY08 total administrative costs. Figure 1 shows the trend in administrative costs as a percentage of total GEF grants approved for the period FY01-09. Figure 2 shows the trend in administrative costs as a percentage of total GEF-4 resources utilized (including GEF grants, Agency fees, corporate budget and special initiatives) for the period FY01-09.

Table 6: Total Administrative Costs of all GEF Partners
(\$ million)

GEF Costs (\$m)	FY08 Budget	FY08 estimated	FY09 proposed
Corporate Budgets of four GEF units:			
GEF Secretariat	13.249	13.249	13.646
STAP	1.989	1.989	2.047
Trustee	2.086	2.086	2.469
Office of Evaluation	3.793	3.793	3.907
Sub-total	21.117	21.117	22.069
Special Initiatives ⁸	1.444	0.934	0.000
Total Corporate Budget	22.561	22.051	22.069
Agency Fees	82.000	59.480	82.000
Total Administrative Costs	104.561	81.531	104.069
Total GEF Grants (not including agency fees)	820.000	581.200	818.000
Admin. Costs as % of Total GEF Grants	12.75%	14.03%	12.72%

⁷ Defined as all corporate budget costs incurred by the various GEF units + Agency fees to provide project cycle management services.

⁸ Special initiative budgets are expended over multiple years. FY08 estimated includes expenditures also on special initiatives approved in earlier fiscal years, for all GEF entities.

Figure 1: Trend in Administrative Costs as a Percentage of total GEF Grants (FY01-FY09)

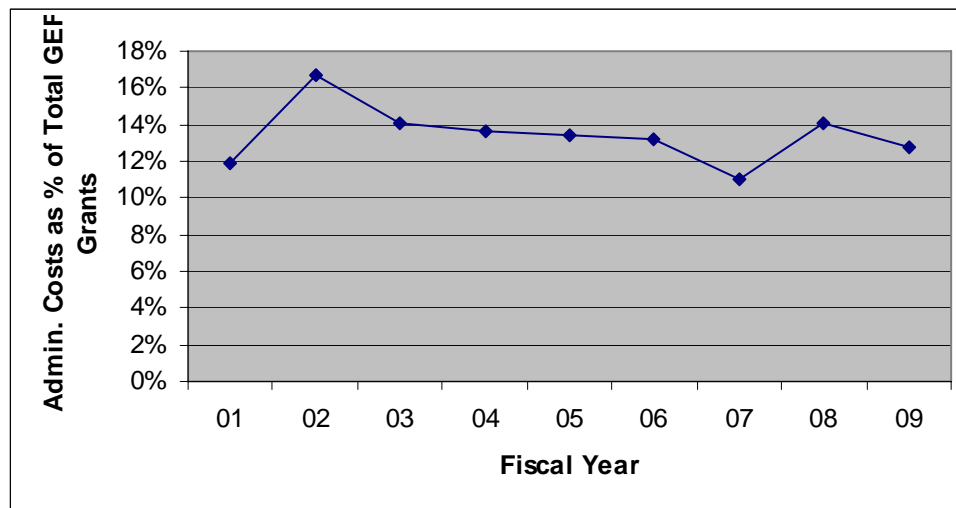
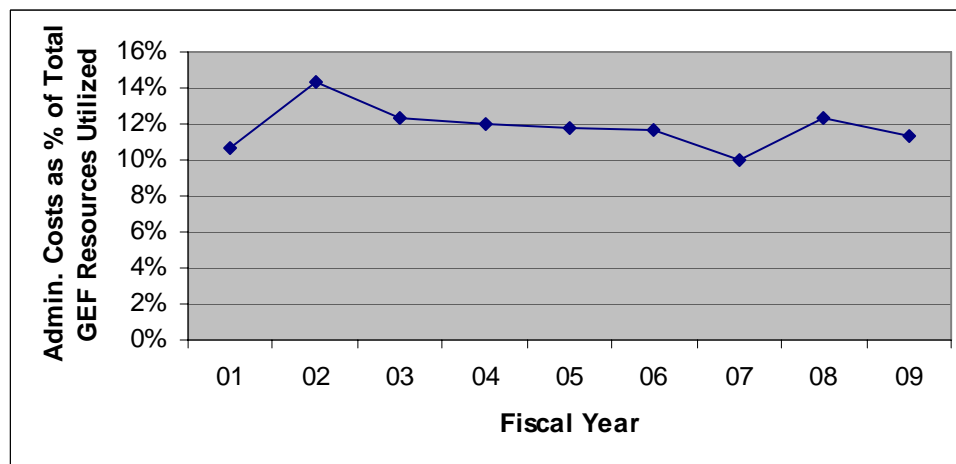


Figure 2: Trend in Administrative Costs as a Percentage of total GEF Resources Utilized (FY01-09)



ANNEX 1: PROGRESS IN IMPLEMENTING GEF-4 POLICY RECOMMENDATIONS

Date	Initial Plan of Action	Progress through FY08
Council meeting in December 2006	<ul style="list-style-type: none"> • Council to review Secretariat proposals regarding the review and revision, as necessary, of the six focal area strategies, taking into account the cross cutting issues of sustainable forest and sound chemicals management. • Council to consider Office of Evaluation review of the experience of Executing Agencies. • Council to decide on action plan for strengthening involvement of Executing Agencies in GEF operations. • Council to decide on proposed results management framework . • Council to decide on clear rules, procedures and objective criteria for project selection and management of the pipeline, including a policy for cancellation of projects. 	<ul style="list-style-type: none"> • Council discussed preliminary focal area strategies at the December 2006 Council meeting. Council approved revised strategies at the June 2007 meeting. • Council reviewed the findings of the evaluation. • Council approved the reforms recommended by the CEO at the December 2006 meeting that level the playing field among the agencies and strengthen the engagement with Executing Agencies. Council approved guidelines regarding comparative advantages of agencies at the June 2007 meeting. • Council approved Results-Based Management Framework at the June 2007 meeting. • Council approved rules and procedures for project cancellation/suspension /termination at the December 2006 Council meeting. To operationalize these rules and procedures, objective criteria were included in the new project cycle approved by the Council in June 2007. These criteria will be reflected in the GEF Operations Manual to be presented at the April 2008 meeting.
Council meeting in May/June 2007	<ul style="list-style-type: none"> • Council to decide on proposals for a simplified approach to operational programs and strategic objectives. • Council to decide on proposals of the Secretariat and agencies for clearer operational guidelines for the application of the incremental cost principle. • Council to decide on proposed specific steps for project cycle streamlining. • Council to decide on Trustee's proposed policy on strengthened accountability for Implementing and Executing Agencies. 	<ul style="list-style-type: none"> • Council reviewed revised and focused strategies at the June 2007 Council meeting. • Council approved a simplified approach to incremental cost in June 2007. • Council approved simplified project cycle at the June 2007 Council meeting. • Council approved Trustee's proposal for minimum fiduciary standards at the June 2007 Council meeting.
Council meeting in November/Decemb	<ul style="list-style-type: none"> • Council to review agencies' reports on efforts to mainstream global 	<ul style="list-style-type: none"> • Council reviewed agency reports at the November 2007 meeting.

Date	Initial Plan of Action	Progress through FY08
er 2007	<p>environmental challenges into core development work.</p> <ul style="list-style-type: none"> • Council to decide on proposed communications and outreach strategy. • A performance and outcome matrix in line with international methods and standards will be included in the Annual Performance Report, and realistic and international best practice targets for ratings will be set. The goal is to achieve satisfactory ratings in all categories by 2010. Consistent with international best practices, the target for satisfactory outcome ratings should be 75%. 	<ul style="list-style-type: none"> • Council approved a communications and outreach strategy in November 2007. • GEFEO has included a performance and outcome matrix in the Annual Performance Report.
Council meeting in May/June 2008	<ul style="list-style-type: none"> • Council to review report on implementation of Strategic Approach to Enhance Capacity Building. 	<ul style="list-style-type: none"> • Report on implementation of strategic approach to enhance capacity building submitted for review at the April 2008 meeting.
Council meeting in November/December 2008	<ul style="list-style-type: none"> • Council to consider independent mid-term review of the RAF and review progress in developing indicators. • Secretariat to prepare midterm review of progress in implementing GEF-4 policy recommendations. 	
Council meeting in May/June 2009	<ul style="list-style-type: none"> • Taking into account (i) the findings of the mid-term review, (ii) the progress in developing indicators for other focal areas, and (iii) subsequent decisions by the Council on the GEF-wide RAF framework, the Secretariat will implement a GEF-wide RAF by 2010, if feasible. 	

ANNEX 2: PROGRESS IN IMPLEMENTING THE SUSTAINABILITY COMPACT

Component	Initial Plan of Action	Progress through FY08
Strategic	<ul style="list-style-type: none"> • Focus focal area strategies on a clear set of priority issues for global environment by building synergies for cross-cutting issues. • Move to a programmatic approach and away from project-driven approach. • Apply tracking tools and measurable indicators of global outcome and impacts to all GEF projects. 	<ul style="list-style-type: none"> • The revised focal area strategies approved by the Council in June 2007 includes a clear set of objectives by focal area and cross-cutting issues. • A number of programmatic approaches have been approved by the Council in FY08 and more strategic programs will be approved during FY09-10. • A set of indicators that are included in the focal area strategies will be used when developing projects, and will be tracked as part of the Results-based Management Framework.
Innovative	<ul style="list-style-type: none"> • Finance innovative entrepreneurial efforts and technologies for which there is no market base. 	<ul style="list-style-type: none"> • Council approved project proposal in the June 2007 work program for the creation of a public private partnership fund.
Equitable	<ul style="list-style-type: none"> • Help most vulnerable countries by ensuring concrete results for global environment and for sustainable development. • Ensure today's beneficiaries have the opportunity to make financial contributions. 	<ul style="list-style-type: none"> • Ensure that the most vulnerable countries, including LDC/SIDS and countries in Africa, are not disadvantaged in the composition of the work programs.
Accessible	<ul style="list-style-type: none"> • Direct Dialogue with countries. • Creation of a position of Ombudsman. • Enhance Effectiveness of Corporate programs (NDI, CSP, CMSP, SGP). • Strengthen corporate image and public communications. • Strengthen GEF's capacity to tap into and share its knowledge base. 	<ul style="list-style-type: none"> • Secretariat has initiated direct dialogue with countries in the context of programming resources under the RAF. • Conflict Resolution Commissioner on board at the GEF Secretariat. • Developed Guidelines on Programming resources under the SGP. Report on implementation of Strategic Approach to Enhance Capacity Building submitted for Council review at the April 2008 meeting.. • Council approved a communications strategy in November 2007.
Focused	<ul style="list-style-type: none"> • Draw on the comparative advantage of each GEF partner • Eliminate corporate budget for implementing agencies beginning FY08 and increased the Agency project cycle 	<ul style="list-style-type: none"> • Council approved guidelines on comparative advantage of agencies in June 2007, which is being used to guide resource programming through agencies. • Council approved these reforms recommended by the CEO at the December 2006 meeting.

Component	Initial Plan of Action	Progress through FY08
	<p>management fee to 10%</p> <ul style="list-style-type: none"> • Simplify approval process 	<ul style="list-style-type: none"> • Council agreed on a set of rules and procedures for project selection, management of pipeline and project cancellation in December 2006. • Reduced existing pipeline to \$700 million • Ensure quality at entry through rigours review of the PIF • Modified project review templates to focus on administrative cost and cost-effectiveness • Replaced PDFs with PPGs, based on actual project preparation grants. • Proposed new project cycle for Council review in June 2007 that reduces the time between project identification and start of implementation to an average of 22 months . • Developed an internal alert system to ensure that project cycle business standards are met within the Secretariat.

ANNEX 3: RESOURCES PROGRAMMED DURING FY07-08 AND PROGRAMMING TARGETS FOR FY09-10

1. Table 1 contains details about resources programmed during FY07-08. Please note that FY07 straddles both GEF-3 and GEF-4. GEF-4 resources programmed include all approvals until March 31, 2008 and the work program proposed for Council approval at the April 2008 meeting.

**Table 1. Resources Programmed in FY07-08
(including the proposed April 2008 work program)**

Focal Areas/Themes and Strategic Objectives	GEF-3	GEF-4		
	FY07 (US\$ million)	FY07 (US\$ million)	FY08 (US\$ million)	Total GEF-4 (US\$ million)
Biodiversity	153.84	69.15	202.45	271.60
Climate Change	246.00	92.22	175.65	267.87
International Waters	17.18	80.02	117.03	197.05
Ozone Depletion	0.00	0.91	0	0.91
Land Degradation	54.17	151.04	56.54	207.58
Persistent Organic Pollutants (POPs)	27.91	33.12	87.15	120.27
Multi-Focal Areas: OP#12	25.74	-		
Core Corporate Programs	0.00	-		
Corporate Programs	0.00	110.00	1.81	111.81
Public Private Partnership	-	50.19		50.19
Total: Focal Areas/Themes	524.84	586.65	641.03	1227.33

Note: Resources programmed include the proposed April 2008 work program. Resources programmed are inclusive of Agency fees

Table 2. Resource Programming Targets for FY09-10

Focal Areas/Themes and Strategic Objectives	GEF-4 Replenishment Programming Targets (US\$ million)	GEF-4 Resources Programmed FY07-08 (US\$ million)	GEF-4 Programming Target FY09-10 (US\$ million)
Biodiversity	950.00	271.60	678.40
Climate Change	950.00	267.87	682.13
International Waters	335.00	197.10	137.90
Ozone Depletion	40.00	0.91	39.09
Land Degradation	282.00	207.58	74.42
Persistent Organic Pollutants (POPs)	282.00	120.27	161.73
Core Corporate Programs	15.00		15.00
Corporate Programs	156.00	111.81	44.19
Public Private Partnership	-	50.19	
Total: Focal Areas/Themes	3010.00	1227.68	1832.86

Note: Resources programmed include the proposed April 2008 work program. Resources programmed are inclusive of Agency fees

ANNEX 4: GEF SECRETARIAT – FY08 REVIEW OF ACTIVITIES AND ACHIEVEMENTS

1. This annex contains a list of the activities and outputs of the Secretariat financed by the FY08 Corporate Budget. It includes an accounting of both the core budget as well as the status of the activities and outputs under the various special initiatives.
2. Overall, it is estimated that FY08 budget will be fully utilized. A FY08 progress report is included for the special initiatives that will be ongoing into FY09 – Resource Allocation Framework, Results-based Management Framework, Management Information System.

Table 1. Comparison of FY08 Budget and Estimated Expenditures GEF Secretariat

<i>FY07 Actual \$m</i>	Expense Category	<i>FY08 Budget \$m</i>	<i>FY08 Estimated \$m</i>
<u>6.688</u>	<u>Staff Costs</u>	<u>9.650</u>	<u>9.650</u>
6.179	Salaries and Benefits	8.547	8.547
0.503	Travel	0.997	0.997
0.006	Training	0.106	0.106
<u>0.608</u>	<u>Consultant Costs</u>	<u>0.548</u>	<u>0.548</u>
0.197	Fees (long-term)	0.212	0.212
0.326	Fees (short-term)	0.253	0.253
0.085	Travel	0.082	0.082
<u>0.455</u>	<u>Council Costs</u>	<u>0.615</u>	<u>0.615</u>
0.138	Logistics	0.197	0.197
0.169	Council Travel	0.185	0.185
0.125	NGO Consultations (Logistics and Travel)	0.165	0.165
0.023	Council Member Support Program	0.068	0.068
<u>0.049</u>	<u>Contractual Services</u>	<u>0.052</u>	<u>0.052</u>
0.049	(Contracts with Firms)	0.052	0.052
<u>0.570</u>	<u>Publications, Media, Web and External Outreach</u>	<u>0.829</u>	<u>0.829</u>
<u>1.240</u>	<u>General Operations Costs</u>	<u>1.555</u>	<u>1.555</u>
0.635	Office Space, Equipment, and Supplies	0.895	0.895
0.573	Communications and Internal Computing	0.600	0.600
0.000	Corporate Services	0.000	0.000
0.032	Representation and Hospitality	0.060	0.060
<u>9.610</u>	<u>TOTAL</u>	<u>13.249</u>	<u>13.249</u>

3. The activities and outputs for FY08 are listed below based on the FY08 categorization of activities for ease of comparison.

A. Governance

Council

4. Regular communication was maintained with the Council during the period between Council meetings, including communications regarding decisions by mail. Two Council meetings were convened (November 2007 and April 2008) and considered policies and papers as follows:

- (a) Two work programs, including programmatic approaches for forests and the South Pacific SIDS;
- (b) Agencies' reports on efforts to mainstream global environmental challenges into core development work;
- (c) A GEF communications and outreach strategy;
- (d) A performance and outreach matrix in line with international methods and standards, as included in the Annual Performance Report of the Evaluation Office;
- (e) A report on the implementation of the Strategic Approach to Enhance Capacity Building;
- (f) Progress reports on the implementation of the Resource Allocation Framework (RAF);
- (g) The Annual Monitoring Report prepared by the GEF Secretariat, in collaboration with the GEF agencies;
- (h) A review of GEF-related administrative expenses of the Implementing Agencies;
- (i) A report on an internal audit of the Secretariat covering administrative expenses over the last three years;
- (j) A GEF business plan and budget for FY09;
- (k) A proposal to offer the services of the GEF Secretariat to manage the Adaptation Fund of the UNFCCC; and
- (l) Regular reports on relations with the conventions and other institutions with information on decisions and discussions relevant to the GEF within the context of the global environmental conventions and other international fora; and

- (m) Financial statements prepared by the Trustee and financial statements and auditors reports thereon received by the Trustee for IBRD, the GEF Secretariat, UNDP and UNEP.
- (n) Management responses (and associated policy recommendations) were prepared in response to evaluations by the GEF Evaluation Office and presented at the November 2007 and April 2008 Council meetings.

B. Program Management

5. The following activities and outputs were produced under Program Management by the Secretariat in FY08:

- (a) Consistent with the reform agenda outlined by the CEO and the decisions of the Council, worked with the agencies to identify initial ideas for further development and approval in calendar year 2008.
- (b) In collaboration with the Implementing and Executing Agencies, presented for Council approval two work programs, and two intersessional work programs; under delegated authority, the CEO approved project preparation grants, medium-sized projects and enabling activities;
- (c) Implemented the revised project cycle and developed an operations manual to support the implementation;
- (d) Participated in programmatic and other evaluations managed by the GEF Evaluation Office;
- (e) Implemented the results-based management framework and prepared the 2007 Annual Monitoring Report in collaboration with the GEF Agencies;
- (f) Completed the development of the first phase of the improved GEF Management Information System;
- (g) Continued participation in knowledge management and related activities for dissemination of lessons learned;
- (h) Took steps to launch the Public-Private Partnership Fund as the “Earth Fund;”
- (i) Initiated strategy development for GEF-5.

C Constituents

6. The Secretariat built upon the process of direct consultation with countries to discuss programming of GEF-4 resources under the Resource Allocation Framework (RAF).

7. The Secretariat-based Conflicts Resolution Commissioner has addressed dozens of complaints received from partners countries.

8. Eight GEF national dialogue consultations were held and nine sub-regional information and exchange workshops took place. The online Knowledge Management Facility is running actively and is frequently used by focal points and other partners. The GEF Secretariat, in collaboration with UNDP and UNEP, continues to provide support to national focal points under the Country Support Program. Eight countries accessed the Country Support Program during FY08, and the program has facilitated six constituency meetings.

9. Increased information has been provided to focal points and Council Members, enhancing their capacity to communicate with stakeholders and constituency members. Three issues of the GEF newsletter (Talking Points) were produced as a tool to communicate with national focal points, NGOs and other stakeholders.

10. Staff were available to assist Parties and to respond to questions at the Conference of the Parties serving as the meeting of the Parties to the Cartagena Protocol on Biosafety, as well as the Conference of the Parties to the Convention on Biological Diversity, the Stockholm Convention, the UN Convention to Combat Desertification, the UN Framework Convention on Climate Change, and other related international conferences and meetings. This included Secretariat organization of side events, exhibits, and other presentations.

11. Two NGO consultations were convened, and the Secretariat initiated collaborative work and a brainstorming session with the NGOs to review the operations of the NGO network and its relationship to the GEF Secretariat.

D. Special Initiatives

Resource Allocation Framework

12. The Council approved a special initiative budget of \$150,000 (in FY07) towards the development of indicators for the other focal areas (international waters, land degradation, and POPs). During FY08, all of the work on the development of the indicators in other focal areas was carried out within the Secretariat using the baseline corporate budget. The work primarily entailed scoping out and developing the basic approach to be taken. Most of the actual development will be undertaken in FY09. There are no additional budgetary needs beyond what has been previously approved by Council.

Resource Allocation Framework	Approved	Actual
Staff Costs	0.100	0.000
Staff Travel	0.050	0.000
TOTAL	0.150	0.000

Management Information System

13. The Council approved a special initiative budget in November 2005 for developing a new Management Information System for the GEF. The detailed needs assessment for the MIS took time and was completed only in December 2006. The first phase of the improved MIS, including a portal for country partners to access real-time information on status of proposals and availability of resources, has been completed. A total of \$ 96,000 has been spent to date. The second phase of MIS development will focus on making the MIS fully operational with the GEF agencies and will allow for direct entry of project information in a secure website. This will allow all the stakeholders to have access to the full range of information available in the database. At the same time, a clean up of the database going back to 1991 should ensure that the information available is consistent with the information held by the agencies and the Trustee.

MIS	Approved	Actual
SQL Server Back end	0.430	0.096
ASPNET/Web Enabled Front End	0.130	0.000
Capital Expenditure and Licenses	0.080	0.000
Contingency	0.060	0.000
TOTAL	0.700	0.096

Result-based Management Framework

14. The Council approved a special initiative budget of \$200,000 (in FY07) to develop a Results-based Management Framework. The Biodiversity focal area will use \$20,000 that was allocated to it to support work on the transfer of GEF-4 biodiversity tracking tools from word documents to an online application in order to facilitate submission by GEF Agencies and conduct future data analysis.

15. The Climate Change Task Force has used the \$20,000 allocated to it for the pilot knowledge management program to hire a consultant to review past work to investigate the impact and relevance of the transfer of environmentally clean technologies. Using \$40,000 allocated for the development of transport indicators, the Task Force has begun a process to define a consistent methodology for the estimation of GHG emissions from sustainable transport projects. The methodology that has been produced to date extends only to energy efficiency and renewable energy projects.

16. The International Waters Task Force has utilized \$23,000 of the \$55,000 allocated to it for developing results-based management indicators. The results of initial thinking and the discussion workshop that was held for GEF agencies in Moldova in conjunction with another GEF meeting in late 2006 has been previously reported to the Council. The Task Force plans to utilize the remainder of the funding in FY 2008 to further examine expected accomplishments and explore problematic prediction and monitoring issues that exist with complex transboundary waters programs.

17. The Land Degradation Task Force has utilized almost all of the \$40,000 that was allocated to it to organize an expert consultation on indicators on January 8-10, 2007. The workshop was hosted by FAO in Rome, Italy and brought together 45 experts and scientists working on tasks related to land degradation and sustainable land management, including forestry-related issues. The consultation endorsed the proposed Sustainable Land Management framework and the use of causal networks for indicator selection at project level.

Results Management Framework	Approved	Actual
Biodiversity Task Force - consultancies & workshops	0.020	0.000
IW Task Force - consultancies & workshops	0.055	0.023
CC Task Force - consultancies & workshops	0.040	0.000
CC - pilot knowledge management program	0.020	0.000
Land Degradation - consultancies	0.040	0.031
Overall supporting consultancies	0.025	0.000
TOTAL	0.200	0.054

Strategic Initiative to Develop Tools to Assess the Impact of Climate Change on Project Results and Sustainability

18. As part of the FY08 budget, Council approved \$250,000 to develop tools to “climate proof” the GEF portfolio. A terms of reference for the exercise has been finalized and selection of experts are underway.

Assessment of Impact of Climate Change	Approved	Actual
Assessment of Impact of Climate Change	0.250	0.000
TOTAL	0.250	0.000

Review of GEF-related Administrative Expenses in the Implementing Agencies

19. As part of the FY08 budget, Council approved \$ 380,000 to finance a review, by an independent consultant, of the administrative expenses of the GEF Implementing Agencies. A report from the consultant is being submitted for Council review/information for the April 2008 meeting.

Review of Administrative Expenses	<i>Approved</i>	<i>Actual</i>
Review of GEF-related Administrative Expenses in IAs	0.380	0.380
TOTAL	0.380	0.380

ANNEX 5: STAP – FY08 REVIEW OF ACTIVITIES AND ACHIEVEMENTS

1. Following the approval of the proposal of the Executive Director of UNEP for the reform of STAP, the STAP Search Committee was reconstituted with membership drawn from the World Bank, UNDP, and the GEF Secretariat, with the chair provided by UNEP. The Committee invited nominations of new Panel members from scientific networks, the relevant Convention Secretariats and the GEF Agencies, resulting in 67 applications for the six available positions. The Search Committee recommended candidates for the six positions to the Executive Director of UNEP, who accepted the recommendations and later obtained approval from the Council in January 2008 through a decision by mail.
2. During the process of reconstitution of STAP, four members of the previous Panel, including the Chairperson, were retained to support ongoing work in the focal areas of biodiversity, climate change, international waters and land degradation. Advisory support to the chemicals focal areas was maintained through targeted consultancies, as required.
3. Within the new GEF Project Cycle, STAP's role was re-defined and includes providing tools to the GEF Secretariat and developing review criteria to build into selective reviews, as well as engaging much earlier in the project cycle. STAP collaborated with the Corporate Operations, Policies and Services Team of the GEF Secretariat in the re-design of the Project Identification Form (PIF) and developed a screening tool, which was subsequently applied to PIFs received under the November 2007, January 2008 Inter-Sessional and April 2008 Work Programs. A review of the lessons learned from PIF screening was also performed by STAP and was shared with the Evaluation Office and all GEF agencies to assist them to improve the design of future project concepts. These reviews will be repeated for subsequent Work Programs.
4. STAP also developed two strategic documents, one to identify the role of STAP and its service standards to be included in the revised GEF Operational Manual, the second to provide targeted advice and guidance on the Sustainable Forest Management (SFM) Framework Strategy for GEF-4. The purpose of these documents is to better inform the GEF Secretariat in their task to encourage well targeted projects through provision of guidance to applicants. The provision of this guidance document to the GEF has better defined the scope of further operational guidance documents to be provided by STAP that are desirable for enhancing implementation of GEF-4 focal area strategies. Additionally, STAP reviewed the proposed Tropical Forest Account (TFA), supporting it as an approach that could focus GEF investments and increase the likelihood that they generate measurable impacts on global environmental benefits.
5. In addition to specific targeted products, the STAP members have maintained a general advisory service to the GEF, responding to many separate requests for advice and support. For example at the UNCBD SBSTTA 12 meeting held in Paris, two events were held back to back.: (i) the first Joint meeting of the Chairs of the scientific advisory bodies to the biodiversity-related Conventions; and (ii) the 12th meeting of the SBSTTA to the CBD. These meetings delivered specific inputs to STAP's cooperative program of work with scientific and technical bodies of the conventions and other scientific bodies.
6. Additional support was provided to the GEF Fourth International Waters Conference in Cape Town, South Africa (August 2007), and to the First Expert Meeting of the Knowledge

Management Land Medium Sized Project: Ensuring Impacts from Sustainable Land Management – Development of a Global Indicator System, concentrating on Evaluation of Land Degradation Indicators and Development of a Learning Network, held in Selfoss, Iceland (August 2007).

7. STAP responded to the GEF Secretariat's request to provide advice on the potential response of the GEF to enquiries from the UNFCCC regarding Carbon Capture and Storage (CCS), by forming a small expert group to consider the matter and report back to the Secretariat. The expert group, led by a Panel member, was convened in October and discussed CCS opportunities and challenges in developing countries, and ways to increase capacity to learn more about CCS. A report was provided to the GEF Secretariat. A wide range of additional and diverse advisory services have been requested of STAP by GEF Agencies and the GEF Secretariat over the year and more details can be provided on request.

8. STAP has developed a substantial program of work with the Evaluation Office, ranging from ex-ante evaluations and applying experimental design to projects to collaboration in selection of papers for and participation in the international workshop on evaluating climate change and development in Alexandria, Egypt, in May 2008.

9. At the first meeting of the revitalized STAP, convened in Nairobi in April 2008, the Panel took the first steps towards playing an active role in the preparation of focal area strategies and strategic programming for GEF-5. In this process, STAP will use its scientific network to provide input to global environmental issues to be addressed in GEF-5.

ANNEX 6: TRUSTEE – FY08 REVIEW OF ACTIVITIES AND ACHIEVEMENTS

1. The Trustee provides a range of standard services to the GEF Trust Fund and to the GEF Secretariat. These services are broadly defined in the Instrument and fall within the following categories: (a) financial and risk management; (b) investment management and cash flow management; (c) management of GEF partner relationships and transactions; (d) accounting and reporting; (e) legal services; (f) committing and disbursing trust fund resources and (g) infrastructure and systems. In the upcoming fiscal year, another component of the Trustee's work program will be the preparatory work leading up to the mobilization of resources under the GEF-5 replenishment and leading the replenishment discussions, in collaboration with the GEF Secretariat.

FY08 Highlights

2. In addition to the standard services discussed above, the Trustee has been engaged in a number of additional activities that enable it to effectively deliver on its roles and responsibilities.

- (a) Convening of a Financial Consultation with GEF Agencies, the GEF Secretariat, and the GEF Evaluation Office to discuss, develop and implement a harmonized, streamlined, and simplified set of procedures and processes for recording and reporting on financial transactions;
- (b) Collaboration with the GEF Secretariat and Agencies in the review of business processes and procedures to incorporate changes in the new GEF project cycle;
- (c) Discussions with Agencies on the revision of the Financial Procedures Agreements to reflect new procedures and processes and to ensure synchronization with the new project cycle;
- (d) In-depth review and legal clearance of the revised and updated GEF Instrument before finalization for printing;
- (e) Enhancement of the Commitment Authority model and ongoing work to refine the financial modeling tool to assist with resource allocation ;
- (f) Preparation on the November 2007 paper on Non-grant Instruments and collaboration with the GEF Secretariat in the preparation of the follow-up paper;
- (g) Special Initiatives:
 - (i) Successful completion of the first phase of the Trustee's system upgrade for the GEF Trust fund, with new applications for recording Council and CEO approvals, Trustee commitments, and cash transfers to Agencies;
 - (ii) Conversion of the GEF Trust Fund's Audited Financial Statements from Special Purpose Reporting to International Financial Reporting Standards (IFRS).

3. The FY08 expected budget for the Trustee reflects this continued high level of engagement. Based on actual expenditures for the first eight months of FY08 and revised projections for the remaining four months, it is expected that the Trustee's original budget estimate for FY08 remains accurate.

4. Looking at each budget component, there is variation in actual and estimated costs. The budget component relating to investment management – IMD cost – is expected to be 7 percent higher than anticipated since the average level of GEF funds held in trust was higher than forecasted. The fund balance was closer, on average, to the \$2.5 billion mark while the Trustee forecasted average balances of \$2 billion. IMD costs are estimated at 3.5 basis points times the average balance of funds held in trust. As a result, IMD costs are expected to reach a level of \$775,000 versus the \$700,000 originally forecasted.

5. The changes to the project cycle necessitated revisions to the Financial Procedures Agreement between the Trustee and the Agencies. Substantial legal work was provided in the preparation of a draft revised Agreement, which was presented to the Agencies for their comments and suggestions. In addition, the Trustee is providing extensive unplanned legal advice and administrative support to the GEF secretariat on matters of a corporate nature. As a result, legal costs came out higher than expected.

Table 1: Budgetary Details for Services Provided by the Trustee

Trustee Expense Category	<i>FY08 Budget \$m</i>	<i>FY08 Estimated \$m</i>	<i>FY09 Proposed \$m</i>
<u>Standard Services</u>	<u>1.986</u>	<u>1.988</u>	<u>2.250</u>
GEF Financial Management	0.444	0.384	0.410
Investment Management	0.700	0.775	0.800
GEF Relationship Management	0.438	0.412	0.500
Accounting and Reporting	0.158	0.153	0.155
Legal Services	0.087	0.107	0.150
Infrastructure and System	0.133	0.133	0.135
Estimated Travel Costs	0.026	0.024	0.100
<u>Audits</u>	<u>0.100</u>	<u>0.115</u>	<u>0.219</u>
External Audit Fee	0.100	0.100	0.119
Agency Audits	0.000	0.015	0.100
Total – Trustee Core Budget	2.086	2.103	2.469
<u>Special Initiatives</u>			
IFRS Conversion	0.314	0.314	0.000
TOTAL	2.400	2.417	2.469

6. In FY07, it was expected that the Trustee would support the Secretariat in the development and implementation of this new Public Private Partnership (PPP) initiative. The

Trustee budgeted \$50,000 for this work under the heading of GEF Financial Management. After providing initial support to this initiative during the beginning of the fiscal year, the Trustee has not been requested to provide further support. This in part explains the savings gained for the component GEF Financial Management.

7. In summary, the expected cost saving in the components for GEF financial management (-13.5 percent) and relationship management (-5.9 percent) is balanced out by the increased IMD costs (+10.8 percent) and legal costs (+23 percent) to provide an expected budget that exceeds the original estimate by \$2,000 for the services provided by the Trustee.

Special Initiatives

8. Trustee Systems Development Project. The Council approved \$250,000 as an FY07 Special Initiative to cover a portion of the costs associated with the Trustee's Systems Development Project for the GEF Trust Fund. As reported to Council in June 2007, \$160,000 was utilized by the end of FY07, leaving a balance of \$90,000 to be fully spent in FY08 to help defray the costs of building, testing, and implementing applications related to recording of Council and CEO approvals, commitments, and cash transfers to GEF Agencies. The new applications, which were developed in consultation with GEF Agencies and the Secretariat, were completed and rolled out to users in January 2008.

Table 2: Trustee Systems Development Project

<i>Expense Category</i>	<i>Budget Approved in FY07 a/ \$</i>	<i>FY07 and FY08 Estimated Actual \$</i>
<u>Staff Costs</u>	<u>100,000</u>	<u>94,000</u>
Salaries and Benefits	40,000	35,500
Travel	60,000	58,500
<u>Contractual Services</u>	<u>150,000</u>	<u>156,000</u>
Contracts with Firms	150,000	156,000
TOTAL	250,000	250,000

a/ This amount was spent over a two year period.

9. IFRS conversion. The second special initiative covers the conversion of the GEF Trust Fund's financial statements from special purpose reporting to IFRS. Funding for the IFRS conversion was approved in the FY08 budget. The expected costs remain largely on target and the final invoices will be paid before the end of FY08. Disbursement to date in respect of fees under contract for the audit of the financial statements for the year ended June 30, 2007 amount to \$177,250.

**Table 3: Conversion of GEF Trust Funds Financial Statements
to International Financial Reporting Standards**

Expense Category	<i>FY08 Expected Actual</i> \$
<u>Staff Costs</u>	<u>108,000</u>
Salaries and Benefits	108,000
<u>Contractual Services</u>	<u>206,000</u>
Contracts with Firms	206,000
TOTAL	314,000

ANNEX 7: CORPORATE BUDGET CATEGORY DEFINITIONS

1. The following expense categories are used to track cost components in the corporate budget for all agencies. The specific categories used by each agency are governed by the relevant policies, guidelines and practices of the reporting agency.
 - (a) *Staff costs*: salaries and staff benefits, travel and training costs as they pertain to regular and fixed-term staff;
 - (b) *Consultant costs*: fees and travel costs as they pertain to consultants;
 - (c) *Council costs*: costs of organizing Council meetings, travel for Council Members and Alternates, costs and travel for the NGO network to participate in NGO consultations and Council meetings, and support for Council Members;
 - (d) *Contractual services*: contracts with firms for consulting and other services;
 - (e) *Publications, media, web and external outreach*: costs associated with vendors for designing, printing, and publishing and other costs associated with outreach; and
 - (f) *General operations costs*: office occupancy services (e.g., office space, utilities, communications, systems support, and equipment supplies and fixtures) provided by the respective parent agency and charged to each GEF unit on some agreed basis (e.g., square footage of space occupied); office technology and communication equipment; central services (e.g., personnel, treasury, accounting & audit, security, travel, information systems, general services, etc.) provided by the respective parent agency and charged to each GEF unit on some agreed basis (e.g., a percentage of net staff salaries); representation and hospitality costs.