Global Environment Facility

GEF Council
November 11-13, 2008

GUIDELINES FOR AGENCIES' REPORTING OF ADMINISTRATIVE EXPENSES

BACKGROUND

1.　　In June 2007, Council requested a review of GEF-related administrative costs across the three Implementing Agencies. The purpose of this special initiative was to provide a more factual and comprehensive understanding of the cost of doing business within GEF. The review was intended to provide a basis for moving forward after the new GEF project cycle had been implemented, as well as other operational policies of the GEF, with an aim to review costs and cost effectiveness, as detailed in the Paris Declaration on Aid Effectiveness.

2.　　The specific objectives of the review as stated in the Terms of Reference were:

(a)　　to collect and review information on the use of GEF administrative resources, so as to have comprehensive information on the different elements and drivers of expenses incurred by the Implementing Agencies as partners of the GEF and in managing and implementing GEF projects;

(b)　　to have a clear break-down of cost items financed by administrative resources – staff, consultants, travel, office space, information technology, etc; and

(c)　　to provide a better understanding of the Implementing Agencies' costs for doing GEF business, an assessment of whether GEF resources are being used effectively and efficiently, and recommendations, as appropriate, to improve the means by which administrative costs are supported.

3.　　The Terms of Reference stipulated that the review would capture three categories of administrative expenses:

(a)　　corporate budgets that have been provided to the Implementing Agencies to cover their costs in fulfilling corporate responsibilities related to institutional relations, policy and program development/management/coordination, outreach/knowledge management/external relations, management and finance, and monitoring and evaluation;

(b)　　fees that have been provided for project cycle management, including due diligence management of a project through the entire project cycle – development, preparation, supervision, and evaluation; and

(c)　　possible administrative expenses related to project management costs included in the GEF project grant.

4.　　Thus, the review was expected to map the actual administrative costs in each of the three Implementing Agencies according to the categories given above, during a reporting period covering FY01-06. Based on this data, the review was expected to address a number of specific issues and questions, as laid out in the ToR.

5.　　The Secretariat contracted an external consultant through an open bidding process to undertake the review. The consultant analyzed data provided by the three Implementing

Agencies and conducted interviews with staff members of the Agencies, the Secretariat, the Trustee, and the Evaluation Office. The Consultant also benchmarked with information provided by four other donor agencies. The Consultant's review was presented to Council in April 2008 (GEF/C.33/8, Annex A).

6.   Despite Agencies' cooperation, the Consultant encountered significant difficulties in acquiring and assembling comparable data on administrative costs from the three Agencies. For example, the Consultant was unable to extract data on administrative expenses related to project management costs under the individual project grants. For the two other categories (i.e. fees and corporate budgets), the Consultant was not able to capture actual expenses but relied on budget breakdowns of the corporate budgets and project fees granted to the Agencies during the period.

7.   Council reviewed the consultant's report and requested:

(a)   the Secretariat to convene an inter-agency working group to develop a glossary of terms and reporting guidelines that would enable comparability between the Agencies with respect to reporting on administrative expenses and that would allow a consistent approach to tracking actual administrative costs across Agencies;

(b)   the Secretariat to provide recommendations from the working group to Council in Spring 2009;

(c)   each GEF Agency to provide to the Secretariat on an annual basis a list of staff (in Headquarter, as well as in field offices) that work full time or part time for the GEF, or if such data is not available, to provide an estimate of the number of staff years spent on corporate activities and project cycle management for the GEF;

(d)   each GEF Agency to report annually on services provided and actual aggregated expenditures on corporate activities and project cycle management with breakdowns by the categories of staff, consultants, travel, and other expenditures (e.g. office space, IT, etc.); and

(e)   the Secretariat to collect this information and include it in the business plans presented to Council.

COMMON TERMINOLOGY AND CATEGORIZATION OF ADMINISTRATIVE EXPENSES

8.   In response to Council's request, the Secretariat established an inter-agency Working Group that met several times by teleconference in May 2008. The Working Group agreed to seek guidance on the terminology, starting from previous Council documents with a view to reaching a common and simplified categorization of the Agencies' administrative expenses.

9.   The GEF Agencies' contributions to the corporate activities of the GEF are outlined in Annex 2 to Council Document GEF/C.30/9 from December 2006 as follows:

"(a)   Policy Development**:**

   (i)   Prepare proposed policies, strategies and other reports for Council review and approval.

(b)   Program Management:

   (i)   oversee the implementation of decisions of the Assembly and Council in GEF-financed operations, including preparation of common guidelines to implement policies;

   (ii)   prepare business plans and focal area strategies based on analytical work and pipeline management;

   (iii)   oversee and coordinate general operations (management information system, resource management);

   (iv)   coordinate the formulation of joint work programs and pipeline entries (includes review of concepts and project proposals);

   (v)   prepare annual GEF Portfolio Performance Reports, which detail portfolio performance, implementation experience, and evaluation lessons; and

   (vi)   conduct activities to gather and disseminate lessons learned and best practices to improve portfolio quality and foster replication.

(c)   Relations with Internal and External Constituents:

   (i)   participate in STAP meetings and workshops, with a view to ensuring that STAP's advice is anchored in the GEF business plan and related GEF operations;

   (ii)   interact with Trustee on the financial management of the GEF;

   (iii)   contribute to the work of the GEF Evaluation Office by providing required information and by preparing joint management responses to evaluations;

   (iv)   reach out to GEF Participants (for example through the GEF National Dialogue Initiative) and to the NGO community; and

   (v)   participating in the development and implementation of the corporate communications strategy. "

10.   The inter-agency Working Group agreed to categorize these corporate activities under the following five headings:

(a)   *Policy support* including the development, revision and operationalization of GEF policies, strategies, business plans and guidelines; also includes participation in meetings of GEF governing bodies.

(b) *Portfolio management* including pipeline and program management, financial management and data management; also includes participation in financial consultations organized by Trustee.

(c) *Reporting* including all the reporting requirements listed in Annex 4 to the GEF Operations Manual.

(d) *Outreach and knowledge sharing* including participation in sub-regional consultations, country dialogues, STAP meetings.

(e) *Support to evaluations, reviews and studies* initiated by the GEF Evaluation Office.

11. In order to manage a project through the various phases of the project cycle, the Agencies provide a core set of services for each project. These services are carried out in accordance with each Agency's applicable operational policies and procedures. In particular, the Instrument mandates the Agencies to apply to GEF projects their standard due diligence requirements related to financial, economic, legal, environmental, social, and technical aspects, which vary for project types. Agencies' services related to project cycle management are described in Annex 10 (c) to Council Document GEF/C.31/9 describing the new GEF project cycle in June 2007. For full-size projects, the expected services from the Agencies amount to the following:[1]

(a) Project identification:

(i) Consult with appropriate stakeholders in-country, including the GEF operational focal point, identify opportunities for GEF financing, using country dialogue and other country planning/sector strategy documents as a basis.

(ii) Review options for co-financing and partnerships.

(iii) Incorporate GEF opportunities in appropriate planning/country assistance strategy documents of the GEF Agency.

(b) Preparation of project concept:

(i) Discuss GEF eligibility criteria with operational focal point and other stakeholders.

(ii) Undertake brief in-country consultation mission if necessary.

(iii) Consult within GEF Agency.

(iv) Assist project proponent to prepare PIF, in consultation with appropriate stakeholders, including the GEF operational focal point.

(v) Assist with preparation of PPG.

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[1] The description has been updated to reflect current terminology

(vi)   Obtain endorsement letter(s) from operational focal point(s).

(vii)   Discuss with GEF Secretariat on PIF clearance and PPG approval.

(c)   Preparation of detailed Project Document:

(i)   Prepare and execute legal agreements for PPG activities. Keep operational focal point informed.

(ii)   Help project proponent write Terms of Reference for consultant, if required, to undertake PPG activities.

(iii) Assist project proponent to identify and recruit consultants to assist with project preparation, if necessary.

(iv)   Supervise project preparation, in consultation with all appropriate stakeholders, including missions to the field, with particular focus on risk assessment, governance issues, execution arrangements, co-financing, capacity development, partnership building and outreach.

(v)   Help identify and recruit STAP reviewer, when specifically required; remunerate reviewer.

(vi)   Negotiate and reach agreement on incremental cost with government and other relevant stakeholders.

(vii) Submit Project Document with Request for CEO endorsement template to GEF SEC.

(d)   Project Approval and Start-up

(i)   Appraise project and finalize project implementation arrangements, including mission travel.

(ii)   Prepare legal and other documentation for approval by GEF Agency approval authority.

(iii) Assist project proponent establish project management structure in country.

(iv)   Assist project management draft TORs and select experts for implementation.

(v)   Facilitate project management with project start-up workshop.

(e)   Project implementation and supervision:

   (i)   Mount at least one supervision mission per year, including briefing operational focal points on project progress.

   (ii)   Provide technical guidance, as necessary, for project implementation.

   (iii)   Pay advances to the executing agency and review financial reports.

   (iv)   Prepare annual project implementation reports for submission to GEF Secretariat.

   (v)   Monitor and record project expenditure reports.

   (vi)   Prepare periodic revisions to reflect changes in annual expense category budgets.

   (vii)   Undertake mid-term review, including possible project restructuring. Send copy to GEF Secretariat.

(f)   Project completion and evaluation:

   (i)   Prepare Project Completion Report/Terminal Evaluation, submit the report to GEFEO and send a copy to GEF Secretariat.

   (ii)   Prepare project closing documents. Send copy to GEF Secretariat.

   (iii)   Prepare financial closure of the project. Send copy to GEF Secretariat.

12.   As noted by the consultant's review report, the terminology around the phases of the project cycle varies among the GEF Agencies. The GEF project cycle is normally presented in four phases: identification, preparation, implementation, and evaluation. However, the World Bank distinguishes only between pre-approval and post-approval for their internal recording of expenses, and the World Bank and would not be able to disaggregate their cost further without considerable effort. The pre-approval phases, covering identification and preparation in the GEF terminology, are associated with the expenses covered by the Project Preparation Grant (PPG), whereas the post-approval phases (covering implementation and evaluation in the GEF terminology) are associated with the expenses covered by the project's management budget. For practical reasons the inter-agency Working Group therefore agreed to fold all the services listed in paragraph 11 above related to project cycle management into the following two categories:

(a)   Cost related to project preparation and approval, from preparation and clearance of the PIF until start of implementation, excluding costs covered by the PPG; and

(b)   Costs related to project supervision, results management, monitoring and evaluation (including reporting and knowledge management),, from start of

implementation to project closure, excluding costs covered by the project's management budget.

13.   For each of the activity categories listed in para 10 and 12 above, the Agencies agreed to record and report their expenses within each of the following cost categories:

(a)   Staff time (in days) and staff costs (calculated from staff time)

(b)   Consultants time[2] (days) and costs

(c)   Travel costs (including tickets, per diem, and hotels)

(d)   Overhead costs (including office space, utilities, IT, HR, etc.)

14.   The resulting template for Agencies' reporting of their administrative expenses is attached as Annex A. The Secretariat finds that this simplified matrix represents a pragmatic approach that would still provide a good basis for analyzing differences in cost structure between Agencies and possible trends over time.

15.   It should be noted that this reporting of actual expenses will by necessity rely on estimates, to some degree. This relates, in particular, to the calculation of staff costs that would have to be based on best estimates of the average gross costs by staff category. Also, the GEF-related proportion of costs relating to travel and missions that cover several purposes, will need to rely on best estimates. The Agencies will explain in their annual reporting where and how such estimates have been used.

16.   It must also be emphasized that the actual (estimated) administrative expenses reported by the Agencies will not necessarily match the fee revenues they have received for that fiscal year. Especially for the 'new' GEF Agencies, who are still building up the portfolio of GEF projects, it is expected that their actual administrative costs will exceed their fee revenue for a period of time.

17.   The agreed template (Annex A) does not cover the management costs covered by the individual project allocations. The GEF Secretariat will continue its dialogue with the Agencies on how these costs could be categorized under some agreed terminology, in order to gain a fuller understanding of project management costs across the GEF portfolio.

18.   The Agencies have agreed to start this annual reporting from July to June of each year, following the Fiscal Year. Agencies have already started recording their expenses according to the agreed template from July 1, 2008. Agencies will submit their first annual report covering FY-09 to the Secretariat together with their annual project implementation reports for FY-09 and the Secretariat will present an aggregated report to Council together with the PIR-09 report.

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[2] The World Bank would not be able to provide data on consultant time used and will therefore only provide consultant costs.

[GEF Agency], [Year] **Estimated actual administrative costs**	Staff time (days)	Consultant time (days)	Staff cost (i) ($)	Consultant cost (i) ($)	Travel costs (ii) ($)	Overhead costs (iii) ($)	Total Cost ($)
1. Corporate activities:							
a) Policy support							0
b) Portfolio management							0
c) Reporting							0
d) Outreach and knowledge sharing							0
e) Support to the GEF EO							0
Subtotal	0	0	0	0	0	0	0
2. Project Cycle management:							
a) Project preparation and approval							0
b) Project supervision, monitoring and evaluation							0
Subtotal	0	0	0	0	0	0	0
Total:	0	0	0	0	0	0	0

(i) Staff time multiplied by total salary costs (per staff day) to the agency, excluding overhead costs (see column H), e.g. using average costs per category of staff. The agency may explain the used method here:

(ii) Including tickets, per diem and hotel.

(iii) Overhead costs include office space, utilities, IT, HR, etc

1a. Policy support includes the development, revision and operationalization of GEF policies, strategies, business plans and guidelines; also includes participation in meetings of GEF governing bodies - please list meeting attended on the attached sheet.

1b. Portfolio management includes pipeline and program management, financial management and data management; also includes participation in financial consultations organized by Trustee - please list meetings attended on the attached sheet.

1c. Reporting includes all the reporting requirements listed in Annex 4 to the GEF Operations Manual.

1d. Outreach and knowledge sharing include participation in sub-regional consultations, country dialogues, STAP meetings, etc. - please list meetings attended on the attached sheet.

1e. Support to evaluations, reviews and studies initiated by the GEF Evaluation Office.

2a. Project preparation and approval costs from preparation and clearance of the PIF until start of implementation, excluding costs covered by the PPG.

2b. Project supervision, monitoring and evaluation costs from start of implementation to project closure, excluding costs covered by the project's management budget.

[GEF Agency], [Year] **List of meetings attended**	Venue	Month	Year	Categories (i)	Comments
GEF Council (Add rows as needed)	Washington DC	Nov	2008	a, (b,c,d,e)	

(i)   Categories: a) policy support, b) portfolio management, c) reporting, d) outreach, e) support to the EO, f) other. If a meeting applies to several categories, please put the most relevant category first.