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Agenda Item 12

GEF FY05 CORPORATE BUDGET

Recommended Council Decision

The Council reviewed document GEF/C.23/9 *GEF FY04 Corporate Budget*, and approves the proposed FY05 corporate budget of \$25.775 million, subject to the comments made during the Council meeting. The budget comprises:

(a) An amount of \$25.089 million for the resource requirements of the seven GEF units in the provision of corporate management services: GEF Secretariat, Monitoring & Evaluation Unit; the Scientific and Technical Advisory Panel; the Trustee; and the coordination units of the three Implementing Agencies; and

(b) Special Initiatives, one of \$30 thousand to begin preparations for the Third GEF Assembly and one of \$656 thousand to continue technical work on the Performance-Based Allocation system.

The earlier Special Initiative, *Focal Point and Council Member Support Program*, will be extended for another year using the resources originally approved by Council for this purpose in 1999.

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EXECUTIVE SUMMARY

Corporate management activities are led by the GEF Secretariat, the independent Monitoring & Evaluation Unit, the Trustee, and the Scientific and Technical Advisory Panel. These activities depend critically upon the inputs of the three Implementing Agencies. This integrated approach has proved to be highly cost-effective because it builds upon the mainstream activities of, and leverages the resources of, the Implementing Agencies. The corporate budget request is for resources to cover the costs of the corporate management activities of the GEF units, including the additional costs of the critical inputs made by the Implementing Agencies.

Specifically, Council approval is sought for a proposed FY05 Corporate Budget of \$25.775 million comprising: \$25.089 million for the resource requirements of the seven GEF Units for their planned corporate management activities and deliverables for the first year of the GEF FY05-FY07 Corporate Business Plan; and Special Initiatives in the amount of \$0.030 million to begin preparations for the Third GEF Assembly and \$0.656 million to continue technical work on the Performance-Based Allocation system.

The proposed budget covers core costs -- for activities already committed in previous years -- as well as the additional costs -- for those new actions needed to carry out recent Council decisions or to meet operational needs. Core costs are expected to increase by about 3.0 per cent over the costs for the same activities last year due to annual price increases. Additional costs will be incurred by filling the new post of Director for the independent M&E Unit, a post which had been created by Council; by the need to cover the costs of Council Meetings, which until the Secretariat reached full recruitment had been financed from the savings resulting from unfilled vacancies; and by pilot activities in knowledge management proposed by the CEO.

I. INTRODUCTION

The Three Levels of GEF Financing

1. The GEF Annual Corporate Budget is one of three independent and distinct types of funding that the GEF provides. Its purpose is to fund corporate management activities for the seven GEF Units.¹ The other two types of funding are project allocations and agency fees. A more detailed explanation of each type of funding is provided below.

Corporate Budget

2. The GEF Annual Corporate Budget is determined by the rolling three-year GEF Business Plan. This annual corporate budget provides the seven GEF Units with the budgetary framework and resources for programming their corporate services for the fiscal year.² The FY05 Corporate Budget supports the planned activities and deliverables for the first year of the GEF FY05 - FY07 Business Plan,³ which establishes a planning framework for projecting allocations in the GEF focal areas. It also outlines the corporate management activities necessary to support the planning framework.

3. The corporate budget provides the annual funding for the corporate management activities and special initiatives, which support the objectives of the Business Plan. These corporate management activities include: institutional relations, policy and program development, communications and outreach, management and finance, monitoring and evaluation, and knowledge management. The first five categories have been the basis of previous budget requests, whereas the last category is new but covers only a small pilot activity. The scope of these corporate management activities is largely independent of the size of the GEF portfolio, since they are the minimum set of common activities for the effective operation of the GEF. A key feature of GEF corporate management activities is that they are implemented collectively by the GEF Secretariat and Implementing Agencies, and coordinated through inter-agency task forces. The Implementing Agencies have undertaken to participate in a number of GEF task forces chaired by the Secretariat, to provide inputs for and to review GEF policy papers prepared by the Secretariat, to consult with operational staff on the corporate agenda, and to provide corporate support for meetings of the conventions GEF serves. The corporate business plan established a number of indicators for describing the deepening commitment of the Implementing Agencies. These activities, including the support given by the Implementing Agencies, are described in greater detail in the following paragraphs.

4. All of the activities of four of the GEF Units – the GEF Secretariat, the Monitoring & Evaluation Unit, the Trustee, and the Scientific and Technical Advisory Panel – are GEF corporate management activities. The activities of three Implementing Agencies are of two

¹ GEF Secretariat; Monitoring and Evaluation Unit; the three Implementing Agencies' coordination units; the Trustee; and the Scientific and Technical Advisory Panel (STAP).

² Additionally, during the year, as appropriate, the GEF CEO may authorize supplemental budgetary resources, within the existing approval authority given to him by Council, on the basis of estimated year-end expenditures.

³ *GEF Business Plan FY05-FY07*, GEF/C.22/6.

types: support for the GEF corporate management activities, the costs of which would be covered in this budget, and GEF project implementation services, the costs of which are covered by approved project fees. The strong support from Implementing Agencies helps GEF to carry out its functions cost effectively and to leverage the resources and assets of Implementation Agencies. For example, the newly proposed GEF knowledge management pilot would seek to build on and promote synergies between the knowledge management systems developed by the three Implementing Agencies over the past three decades.

Project Allocations

5. Project allocations cover the incremental costs of goods, works, and services procured by the GEF grant recipients as part of the preparation and implementation of projects. Allocations require CEO approval in the case of Enabling Activities (EAs) and Medium Size Projects (MSPs), and Council approval in the case of Full Size Projects (FSPs)

Agency Fees

6. Agency fees allow Implementing Agencies and Executing Agencies to recover costs of Project Cycle Management Services⁴ in respect of the GEF projects they implement. These services comprise: support to the GEF grant recipient in project identification, preparation, and development, project appraisal, negotiation of the GEF grant, project supervision, and evaluation. Costs include those of the agency's regional operations staff and consultants as well as operational support from environmental and social specialists; legal costs; and the administrative costs of disbursing, overseeing procurement of goods and services and financial management of GEF grant resources by the recipient, accounting, treasury operations, and evaluation.

Common Corporate Management Activities

7. The seven GEF Units are involved in a broad array of activities, which have been classified under six categories. This section outlines the typical yearly activities in category.

Institutional Relations

8. These activities include all those of the GEF Secretariat and Implementing Agencies relating to the governance of the GEF – i.e. the Assembly, the Council, conventions, non governmental organizations, STAP, and partnerships such as those with Executing Agencies. Typical annual activities include preparation for and participation in GEF Council meetings, STAP meetings and workshops, and Conferences of the Parties to the conventions that GEF serves; and a review of the experience of working with the Executing Agencies under expanded opportunities. The Implementing Agencies also promote partnerships with the Executing Agencies and carry out fiduciary responsibilities mandated by the Trustee, under the Memoranda of Agreement with the Executing Agencies for transfer of GEF resources for projects that were

⁴ A proposal for a Revised Fee Structure, GEF/C.21/10, April 11, 2003

approved by Council prior to direct access. Continued collaboration with CSD will be based on CSD's two-year planning cycles.

Policy and Program Development

9. These activities include those related to the GEF inter-agency task forces, composed of the GEF Secretariat and Implementing Agencies, established to develop and review GEF operational policies and programs, focal area strategic priorities, the project cycle, standard portfolio and project performance reviews, and the preparation of the GEF Business Plan. The Business Plan for a rolling three-year period is presented for review at the November Council meeting each year and serves as the basis for considering the budget the following May. Preparation of the Business Plan is preceded by a detailed pipeline management exercise, in order to identify project development timetables that match the resource allocation priorities.

Outreach & Communications

10. The GEF Secretariat coordinates a communications and outreach work plan and executes it jointly with the Implementing Agencies. The plan covers media relations, partnerships with federations of environmental journalists, publications production and distribution, website maintenance, and outreach support for the Secretariat and Implementing Agencies' participation in major environmental conferences and conventions. At these conferences, targeted publications, exhibitions and videos are presented, supplemented from time to time by news releases, lunchtime seminars, and visits by conference participants to GEF-funded projects. The External Relations team of the GEF Secretariat also responds to requests for GEF information on a daily basis, organizes information seminars, and provides speech and media support for the GEF CEO/Chair. The Implementing Agencies, similarly, have a corporate responsibility to support the GEF in informing the general public, key stakeholders, and other institutions about the GEF's mandate and activities.

Management and Finance

11. These activities include daily operations and finance issues such as: the management and coordination of Work Program submissions and Pipeline entries; database management; preparation of GEF Annual Report and the GEF Corporate Budget; audits and the oversight of the fee system.

Monitoring and Evaluation

12. These activities include the Project Implementation Review, GEF Lessons Notes, M&E Standards and Guidelines, thematic reviews and the development and revision of program-level indicators. GEF Units also undertake activities to generate and disseminate lessons learnt and best practices in order to improve the GEF portfolio quality and enhance project replication efforts. Staff from the GEF Secretariat and the Implementing Agencies also engage in the following monitoring and evaluation activities: the Specially Managed Project Reviews

(SMPRs), knowledge management, the development of program indicators and program studies, and special evaluations.

13. These corporate management activities are carried out by the GEF Units, are further discussed in Section II. Special Initiatives are discussed in Section III. The budgets presented by expense category are in Section IV.

II. FY05 CORPORATE BUDGET BY CORPORATE MANAGEMENT ACTIVITIES

14. This section discusses the proposed FY05 Corporate Budget in terms of the GEF Units' resource requirements for the planned corporate management activities that support GEF's business plan. The proposed budget covers core costs, for activities already committed in previous years, as well as the additional costs, for those new actions needed to carry out Council decisions or to meet operational needs.

- (a) Core costs are expected to increase by about 3.0 per cent due to annual price increases.
- (b) Additional costs will be incurred by filling the new post of Director for the independent M&E Unit, a post which had been created by Council; by pilot activities in knowledge management proposed by the CEO; and by the need to cover the costs of Council Meetings, which until full recruitment had been financed from the savings resulting from unfilled vacancies in the Secretariat.

15. With respect to Council meetings, additional financing is required for increased NGO participation. This increased financing has been provided for in the proposed budget to cover the costs of Council meetings (which includes the costs of NGO consultations). The Council, at its meeting in November 1994, approved the provision of support from the corporate budget for NGOs, including major groups and local communities, to participate in the Council meetings and the NGO consultations. As agreed by the Council, the annual corporate budget has included financing for the travel and per diem of 14 NGO representatives from developing countries and economies in transition. The selection criteria followed in choosing the NGO representatives is based on principles of regional representation and self selection by the NGOs, taking into account the GEF thematic scope.

16. Since 1995, accredited NGOs to the GEF have been organizing themselves through the GEF-NGO Network. Currently, the network is structured around 15 regional focal points, including one for indigenous peoples in the developing world; 2 regional focal points from donor constituencies, and a central focal point. In May 2003, the GEF-NGO Network adopted Guidelines for the Coordination Committee of the GEF-NGO Network, to clarify its functioning, structure and the responsibilities of the regional focal points and thematic focal points. The Guidelines also establish election procedures, to ensure transparency and representation of more than 600 accredited NGOs to the GEF.

17. The inclusion of two additional focal areas to the GEF increased the interest of NGOs in POPs and land degradation, and it is now proposed that an additional \$12,000 be included in the

budget for the Council meetings to permit an additional two to three NGO representatives to participate.

18. The FY05 budget for all units is in Table 1. (The FY04 performance highlights and the estimated expenditures for FY04 are in the Annex.)

TABLE 1: PROPOSED FY05 CORPORATE BUDGET FOR ALL UNITS

Corporate Management Activity	Proposed FY05 GEF Corporate Budget (\$m)						
	Secretariat	UNDP	UNEP	IBRD	STAP	M&E	Trustee
Institutional Relations	1.460	0.107	0.355	0.329	0.140		
Policy & Program Development	5.017	1.813	1.370	1.693	0.300		
Outreach & Communications	1.556	0.158	0.228	0.286	0.160		
Management & Finance	1.688	0.552	0.533	0.423	0.160		1.450
Monitoring & Evaluation		0.218	0.305	0.425		2.321	
Knowledge Management	0.493						
Fixed Costs							
Council Meetings	0.434						
Honoraria & Logistical/Secretarial Support					0.510		
STAP Meetings/Workshops					0.605		
TOTAL	10.648	2.848	2.791	3.156	1.875	2.321	1.450

19. The presentation of the text and tables has changed from that in previous years. The sub-sections have been reformulated in order to better reflect the inter-relations of the Units, in particular the integration of the support provided by the Implementing Agencies. Therefore, the first sub-section describes the activities of the Secretariat as supported by the three Implementing Agencies. The second sub-section describes STAP's activities as supported by the Secretariat and the Implementing Agencies. The following sub-section includes the Monitoring & Evaluation's activities as supported by the Secretariat and the Implementing Agencies, and the last sub-section describes the Trustee's activities. Special Initiatives – for beginning the planning for the Third Assembly and continuing technical work on the Performance-Based Allocation System – are shown at the end.

Highlights of GEF Secretariat Activities with IA Support

Institutional Relations

20. National Dialogue Initiative: The Implementing Agencies will support the Secretariat in implementing the National Dialogue Initiative, through the inter-agency advisory committee

established to coordinate and plan the national consultations. The GEF Secretariat and UNDP have lead roles in managing the initiative. The Secretariat chairs the advisory committee and UNDP administers the program. The main objectives of the GEF Dialogue Initiative are to assist Participant countries by (a) promoting in-depth understanding of the GEF's strategic directions, policies and procedures; (b) strengthening country coordination and ownership in GEF operations and sharing lessons learned from project implementation; and (c) achieving greater mainstreaming of GEF activities into national planning frameworks and coordination and synergies amongst the GEF focal areas and convention issues at the national level. The GEF Secretariat and Implementing agencies provide resource persons to participate in the workshops.

21. Focal Point Support: UNDP and the World Bank will continue to support the implementation of focal support under the arrangement previously approved as a Special Initiative, until a new arrangement is approved by Council. Following an evaluation of the support being provided, the GEF Secretariat will submit to the Council for its consideration proposals for a new focal point support program (see document GEF/C.23.12).
22. Donor Relations: To address the specific information requirements of donors to the GEF's Trust Fund, the Secretariat will aim to establish partnerships with agreed institutions in donor countries, hold seminars, produce targeted communication products, create targeted website inputs and linkages, and respond to information requests. This will require inputs from the Implementing Agencies.
23. Expanded Opportunities for Executing Agencies: The Secretariat and Trustee will make arrangements with the seven Executing Agencies to provide direct access to GEF resources, in accordance with Council's decision on this matter. The Implementing Agencies will continue to carry out their fiduciary responsibilities for projects that were approved prior to direct access for the Executing Agencies (the fees for these projects were fully allocated to the Executing Agencies).
24. CSD: The GEF Third International Waters Conference will offer an opportunity to transfer lessons from GEF water-related projects to the CSD. The GEF may organize consultations between CSD and GEF experts and project directors regarding the emerging policies. The GEF Secretariat and the Implementing Agencies will jointly organize side-events during CSD-13, in April and May 2005.
25. SIDS: The GEF family will participate in meeting for the ten-year review of the implementation of Barbados Program of Action (BPOA) in August 2004 in Mauritius. The GEF Secretariat and Implementing Agencies will jointly organize side-events, an exhibition, and a special video and publication for the meeting.
26. Fourth Replenishment of GEF Trust Fund: The Secretariat and Trustee will begin jointly planning for the fourth replenishment of the GEF Trust Fund. The first planning meeting for the replenishment itself will be convened in FY05.

27. Trustee: In collaboration with the Trustee, new Financial Procedure Agreements will be signed with UNDP and UNEP which formalize the new financial procedures recently adopted.

Policy and Program Development

28. Support for NEPAD: The GEF Secretariat and the Implementing Agencies will continue to provide coordinated support to African countries for the implementation of the NEPAD Environmental Action Plan. They will draw in particular on the numerous GEF tools and modalities to assist countries, including support under the Strategic Approach to Enhancing Capacity Building.

29. Capacity Building: The Secretariat and Implementing Agencies will continue to work to implement the Strategic Approach to Enhancing Capacity Building. In particular, the interagency group on capacity building will further their work on (a) targets and indicators for measuring results and impacts of capacity building activities; (b) operational modalities and project criteria for the implementation of the strategic approach, including country capacity building programs for LDCs and SIDS; and (c) technical support.

30. Biodiversity: The interagency biodiversity task force will ensure the proper alignment of the pipeline with GEF-3 priorities and envelopes as measured by matching the pipeline with allocations, retro-fitting projects in the pipeline with GEF-3 priorities and moving towards the achievement of GEF-3 replenishment targets.

31. Climate Change: The interagency task force will finalize and implement the methodology for estimating CO₂ abatement as a GEF-3 priority; pilot adaptation; and help to operationalize the Special Climate Change Fund.

32. International Waters: Particular objectives of the inter-agency task force include: (a) producing a GEF SIDS Report and holding a side event at the SIDS Review Conference in Mauritius; (b) producing the first GEF document on waters-related experiences for the April 2005 CSD; (c) holding a side event of project experience at the 2005 CSD; and (d) holding, at CSD's request, a Roundtable on Integrated Water Resources Management with partners for use at the 2005 policy session of CSD. The Secretariat and the Implementing Agencies will also plan and hold the Third GEF International Waters Biennial Conference in early 2005 with the assistance of the Government of Brazil.

33. POPs: The POPs program of the inter-agency task force will shift from priority setting (National Implementation Plans) to implementation, and to preparing for the First COP of the Stockholm Convention.

Outreach and Communications

34. Electronic Outreach: FY05 will see an emphasis on strengthening the GEF's electronic outreach based on the recommendations of consultancy reports addressing the GEF's critical outreach and communication needs. The Secretariat and the Implementing Agencies will

collaborate to harmonize their web outreach and to integrate that with the GEF database, operations, and the outputs of the independent Monitoring and Evaluation Unit.

35. The Implementing Agencies' outreach activities also focus on basic information material on the GEF program for clients and marketing the strategic directions and impacts of the GEF portfolio. The Implementing Agencies also manage operations databases to respond to the specific information and reporting requirements of the GEF.

Management and Finance

36. Project Cycle: The Secretariat and the Implementing Agencies will consult on the streamlining of the GEF project cycle. Preliminary proposals on simplifying the project cycle have been submitted by the Secretariat and Implementing Agencies for further discussion at the Inter-agency Operations Coordination Consultation meetings in the coming months and the process will continue. The Secretariat and Implementing Agencies will continue to hold Inter-agency Operations Coordination Consultations Meetings, in order to further improve operational efficiencies in, among other things: logical frameworks, project executive summaries, and review sheets.

37. Proposals for Medium Sized Projects: The MSP working group, consisting of representatives from GEF Secretariat, Implementing Agencies, NGOs, and one Executing Agency with expanded opportunities, will continue its work in FY05. The Secretariat and Implementing Agencies will implement an action plan to follow up on the recommendations of the working group. The final recommendations of the working group will be presented to the Council for review at its meeting in November 2004.

38. Revised Fee System : The Secretariat and the Implementing Agencies will monitor the implementation of the fee system and periodically review operational procedures for the fees.

39. Co-finance: Procedures will be reviewed to ensure that all new requirements on monitoring and reporting of co-finance are fully adopted and any additional reporting requirements are met.

Highlights of M&E Activities with Secretariat and IA Support

40. The Monitoring & Evaluation Unit's FY05 budget request is included in Table 1 and shown in greater detail in Table 2. A more detailed proposal of a four-year draft work program for FY05-08 will be submitted to the November 2004 Council meeting, at the time when the Unit's Director has taken office.

41. As stated in the Terms of Reference for the Monitoring and Evaluation Unit, M&E is a shared responsibility within GEF, and provisions have been made for extensive participation by the GEF Secretariat and the Implementing Agencies. At the project level, supervision, monitoring and evaluation (including the conduct of annual and terminal project reviews) are the responsibilities of the Implementing and Executing Agencies, and are covered by the fees.

Similarly, necessary follow-up to project-level evaluation conclusions and recommendations by the Implementing and Executing Agencies and the GEF Secretariat are also project cycle management services covered by the fees. On the other hand, M&E corporate management activities have been entered as a sub-item under the GEF Secretariat's and Implementing Agencies' budget in this document. The purpose is to reimburse the entities' special contributions on M&E policies and guidelines, Monitoring and Evaluation, which will be requested by the M&E unit, within the activities listed below. The M&E unit and independent consultants will be responsible for the contents of all evaluations. These inputs will be specifically agreed with the M&E unit and monitored during the year.

Table 2: Proposed FY05 Monitoring & Evaluation Budget

Corporate Management Activity	\$m
M&E Policies and Procedures	0.371
Monitoring	0.553
Evaluation	0.996
Support to Communication / Knowledge Management	0.401
TOTAL	2.321

42. A key task for the unit during the period will be to provide oversight and support to the Third Study of GEF's Overall Performance (OPS3), which will be implemented by an independent, external team. The other main areas of work are described below.

M&E Policies and Guidelines

43. Following the GEF Council's decision on M&E's independence, the unit will further revise its guidelines and the various M&E tools and modalities to better fit this new status. It will also continue to design, with the support of the Secretariat and the Implementing Agencies, new criteria and guidelines for improved measurements of GEF results at project, program, policy, and overall levels. In 2005 this will include work to guide the measurements of results concerning stakeholder participation, persistent organic pollutants, and activities within integrated ecosystems. There will also be further testing and, if needed, refinement of selected indicators for biodiversity, climate change, and international waters.

Monitoring

44. As for FY04, the annual Project Performance Report (PPR) will use three information sources: the Project Implementation Review (PIR), the Specially Managed Project Review (SMPR), and Terminal Evaluation Review (TER). The PIR is based on Implementing Agency annual reports on all ongoing project activities, which assesses the overall implementation status and progress toward achieving global environmental objectives in the GEF portfolio, portfolio risks, co-financing and leverage, and outcomes and impacts of the GEF program. It also summarizes key findings from portfolio reviews on specific topics in each focal area and actions to improve portfolio quality.

45. The SMPRs will involve field and desk reviews of a cohort of nine projects. Implementing Agencies' staff will participate as panel members for the SMPRs of other Agencies' projects and as observers for their own projects. The Implementing Agencies' staff are also members of the focal area program studies and Local Benefits study teams, as well as the inter-agency task forces to prepare indicators. Project teams provide active support and cooperation to facilitate the GEF M&E reviews.

46. All the Implementing Agencies' terminal evaluations completed during the preceding year will be reviewed according to the GEF review criteria (TER).

47. The M&E unit has been tasked with the verification of measurement and progress towards achieving the GEF3 performance targets established for each of the focal areas at the third replenishment. The M&E unit will (a) contribute to establish methodologies to measure and verify these targets, and (b) report annually to Council on cumulative progress towards targets. In particular, a special report will be prepared by the fall of 2004 as agreed at the third replenishment negotiations.

Evaluation

48. As specific inputs to OPS3, the M&E Unit, with the participation of the Implementing Agencies, will in the first half of FY05, carry out minor program evaluations on final results in the program areas of ozone, and review strategies and early experiences within the novel focal areas of integrated ecosystems and persistent organic pollutants (POPs).

49. The study on the Nature and Role of Local Benefits in GEF Programs and Projects was initiated in February 2003. It will take stock of what benefits GEF-supported projects bring at the local level and the links between these benefits and the attainment of global environmental benefits, which GEF is mandated to provide. The study is co-funded by three bilateral donors and will be completed around January 2005. Input to the study will be provided by the Implementing Agencies.

50. It is expected that the four-year work plan for FY05-FY08, to be prepared for the November 2004 Council meeting, will identify some additional major evaluation topics for initiation in the second or third quarter of FY05. During the next few months, relevant topics and themes will be explored with the Secretariat and Implementing Agencies. These may include enabling activities under various conventions, global and regional projects, specific efforts for capacity building, GEF funding policies, practices in project monitoring and evaluation, and the application of lessons learned. The priority themes will be arrived at through prior fast but focused identification assessments and consultations with relevant GEF partners.

Dissemination of M&E Results and Knowledge Management

51. Knowledge management is a corporate GEF task, which will be led by the GEF Secretariat with the support of the Implementing Agencies. In this context, the GEF M&E Unit proposes to concentrate initially on developing better procedures, tools, and methods to

disseminate lessons and knowledge gained from evaluations. In particular, the unit will develop its own web page. It will also endeavor to develop common standards, or protocols, on the formulation of “findings, lessons and recommendations” and articulate substantive issues and learning topics as illustrations in an identified pilot focal area. The protocol would be used to guide analyses, present lessons, and systematically organize information in ways that can be easily retreated, compared, and analyzed. Lessons learned on the pilot system could be extended gradually to meet the needs of other focal areas. Other key initial areas to be explored further are knowledge user needs, effective channels and mechanisms for dissemination, two way communication and networking.

Budget Size

52. The budget assessment for FY05 is especially based on four factors. Firstly, the unit needs more than a minimum capacity in order to exercise in a credible way the independence it was accorded by the GEF Council. A new position will be added as the Director of the unit. Secondly, the GEF active portfolio is fast increasing with a rate of about 20 per cent a year. Thirdly, as a result of the policy of expanded opportunities for Executing Agencies, GEF M&E unit will in the course of the near term enter into cooperation with seven new Executing Agencies. Fourthly, GEF’s portfolio is already expanding to include efforts under two new Conventions (UNFCCC and POPs).

Highlights of STAP Activities with IA and Secretariat Support

53. The proposed FY05 activities of the Scientific and Technical Advisory Panel (STAP), and the support of the Secretariat and the three Implementing Agencies, are discussed in the following paragraphs. The STAP FY05 budget request is included in Table 1.

54. STAP will continue the implementation of its triennial work program (2003-2005) to deliver independent scientific and technical advice to the GEF Council. This will include: advice on how the GEF could better exploit the inter-linkages between the main focal areas; advice on mainstreaming biodiversity in production landscapes and seascapes; an assessment of technologies and socioeconomic factors influencing land management and food production in drylands; an environmental risk assessment of *Bt* cotton in Brazil; advice on the application of economic incentives in river basin management as a means to resolve upstream-downstream conflicts; advice on strategic options and priorities in the management of groundwater resources; and advice on bio-fuels. STAP will also undertake a review of targeted research.

55. Secretariat and Implementing Agencies’ Input: The objective of the Secretariat and Implementing Agencies’ cooperation with STAP is to help ensure that STAP’s work program is anchored in the GEF corporate business plan and support GEF program development. The Secretariat and the Implementing Agencies will also take part in the two meetings of STAP-III, related Panel meetings and STAP technical workshops and brainstorming meetings, related to the above-mentioned topics to be held in FY05.

Highlights of Trustee Activities

56. The Trustee budget for FY05 is \$1.450 million and has been calculated in accordance with the full cost recovery policy adopted by the World Bank for trust fund administration activities in FY03.⁵ This policy requires the Bank to recover the actual administration and supervision costs for all trust funds. Past Trustee budgets were based on a fixed increase over prior years' budgets. The resulting budget allocations were not commensurate with the trustee services implemented to mainstream the GEF activities and to meet the evolving standard of care. For instance, the most recent budget of US\$874,000 did not reflect the level of activities being performed by the Trustee. It is therefore not a meaningful comparator for the proposed fee for FY05.

57. The budget proposed for FY05 covers the portfolio of Trustee's activities related to (i) the management of donor contributions; (ii) financial and investment management of GEF resources; (iii) commitments and disbursements of GEF resources to the Implementing and Executing Agencies; (iv) infrastructure and systems support; and (v) accounting and reporting for the GEF Trust Fund. Further details on the basic services provided by the Trustee, as well as an estimate of the volume of activities anticipated during FY05 including increases due to expansion of agency activities, are provided in the attached letter from the Trustee to the CEO (Annex B). In addition to its basic services, the Trustee is working to enhance its overall management of the GEF resources. The main focus of this work is outlined in the following paragraphs.

58. Strengthening Financial and Risk Management: The Trustee has been actively exploring ways to strengthen the financial and risk management of the GEF Trust Fund, including:

- (a) Evaluating currency risk: GEF donor contributions are received in many currencies, while commitments and disbursements for the work program, agency fees and corporate budgets are made in US dollars. The GEF Trust Fund is therefore exposed to the risk of currency fluctuations from the time of conclusion of negotiation of a new replenishment resolution through the time contributions are converted into US dollars at the time of encashments. During FY04, the Trustee started the work of assessing the currency exposure; this work will continue into FY05 and will culminate in a recommendation as to whether it may be beneficial for the Trust Fund to hedge the currency risk.
- (b) Standardizing policies and procedures: During FY04, the Trustee, in collaboration with the GEFSEC, proposed and obtained support from the agencies to streamline the policies and procedures with respect to timely reporting and recovery of unused resources resulting from project drops, cancellations, terminations, and amendments. The recovery of these resources increase the amounts available for the Council and CEO approvals. Work on this continues

⁵ The trust fund cost recovery policy was announced to the donors at the Donor Forum on World Bank Administered Trust Funds of February 10-11, 2003. See also GEF FY04 Corporate Budget (GEF/C.21/11), paragraph 78.

with the implementation of the policy and procedures expected to take full effect in FY05.

- (c) Streamlining audit procedures and guidelines for GEF-financed activities: The major tool the Trustee uses to ensure the appropriate use of the GEF resources is external auditor reports on the annual financial statements of each agency. Therefore, it is imperative that a uniform and a well understood basis of reporting be applied consistently to all implementing and executing agencies. During the first Financial Consultation Meeting with the agencies and GEFSEC in FY04, the Trustee proposed the first audit procedures and guidelines for GEF-financed activities, which help to streamline and clarify the audit requirements. Implementation of these procedures will begin in FY05.

59. Strengthening collaboration and coordination with other partners of the GEF family: With the expansion of the GEF partnerships, the Trustee's fiduciary responsibilities also increase. In FY05 the Trustee will intensify its efforts to improve information flow, knowledge sharing, and collaboration with the partners of the GEF family. In FY05, the Trustee will focus its efforts on:

- (a) Working with the executing agencies to help them comply with the financial management requirements of the Trustee.
- (b) Conducting a financial consultation meeting with the implementing and executing agencies. The focus of FY05 meeting will be on the issues of data sharing, central data management, and on identifying issues and lessons learned from past and existing processes and procedures.
- (c) Share lessons learned with the agencies in the areas of data reconciliation and data management, especially for the agencies experiencing migration to new business databases.
- (d) Engage the agencies in the process of financial policy setting.

60. Improving the Efficiency and Effectiveness of Trustee Functions: The Trustee has undertaken a substantive program to standardize and modernize business systems and processes, which have improved internal controls and the reporting of information. In FY05, the Trustee will focus on:

- (a) Operationalizing the simplified commitment processes.
- (b) Sharing information with agencies on Trustee's business processes.
- (c) Continuing to enhance business systems to improve management oversight and internal controls and thus ensure more transparent and accurate financial reporting.
- (d) Preparing and identifying issues for the GEF-4 replenishment negotiations

~~50. — In addition to carrying out its on-going work program, the Trustee will focus on the following three areas in FY05:~~

- ~~□ Strengthening the financial and risk management of the GEF Trust Fund~~
- ~~□ Strengthening collaboration and coordination with GEF partners; and~~

III. SPECIAL INITIATIVES

Review of Previous Special Initiatives

Strategic Collaboration and Framework for Capacity Building for the Global Environment

61. The Secretariat and Implementing Agencies developed a strategy on capacity building which was presented to the November 2003 Council. The paper, *Strategic Approach to Enhancing Capacity Building*, was approved by Council, and the Council requested the GEF Secretariat, in collaboration with the Implementing Agencies and the monitoring and evaluation unit, to undertake further work to operationalize the strategy. The Secretariat convened an Interagency Task Force on Capacity Building and this Task Force worked on the development of (a) targets and indicators for measuring results and impacts of capacity building activities; (b) operational modalities and project criteria for the implementation of the strategic approach, including for the enhancement of capacity building components within GEF projects and for country capacity building programs for LDCs and SIDS; and (c) proposals for Council consideration for a technical support program.

Focal Point and Council Member Support Program

62. The GEF Council approved a Focal Point Support Program in 1999 for a three 3-year period. In May 2003, the program was extended for an additional year pending an independent evaluation of the program. An independent evaluation of the program was completed in March 2004 and recommendations have been made for enhancement and continuation of the program. The Secretariat requests to extend the deadline for this initiative for another year, making use of the funds that Council has already approved for this purpose.

Proposed FY05 Special Initiatives

63. Assembly: Initial planning for the Third GEF Assembly will be undertaken in FY05. This will include identification of a host country, consultations with the host country and the Council on the dates for the meeting, and preliminary work on the logistical organization of the meeting. An experienced conference consultant will be recruited to assist the Secretariat in its preparations for the Assembly.

64. Performance-Based Allocation System: The Secretariat is developing a Performance-Based Allocation System and will need to continue with technical work in support of that system. Initial deployment of the system, in the form agreed to by Council, is expected in November 2004. Staff time and specialized consultants will be needed.

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65. The FY05 Corporate Budget incorporates funding for the proposed contribution of these two Special Initiatives, summarized in Table 3.

Table 3: Proposed FY05 Special Initiatives

Special Initiatives	\$m
Assembly preparations	0.030
Technical work on the Performance-Based Allocation System	0.656
TOTAL	0.686

IV. PROPOSED FY05 CORPORATE BUDGET BY EXPENSE CATEGORY

Corporate Expense Categories

66. The proposed FY05 Corporate Budget is further discussed in this section in terms of the corporate expense categories, which are typically and commonly used by the GEF Units. These common expense categories, which have been agreed with all GEF Units, are defined and described below. Within each GEF Unit, these expense categories are governed by the relevant policies, guidelines and practices of the respective parent agency providing administrative support to that GEF Unit.

- (a) Staff Salaries and Benefits: Salaries and staff benefits pertaining to regular and term staff.
- (b) Staff Travel: Travel related to corporate activities such as Convention-related meetings, Council, inter-agency/bilateral/multi-lateral meetings and international conferences/workshops.
- (c) Consultant Fees and Travel: Consultant fees and associated travel to support corporate work program and activities.
- (d) Contractual Services: Contractual provision of goods and services by vendors; primarily related to publications costs (design, printing, translation).
- (e) Meetings/Conferences/Workshops: Meeting services and travel for recipient-country Council Members and Alternates and NGOs to attend GEF Council meetings and workshops convened by GEF Secretariat; and includes costs of interpretation and hospitality.
- (f) Office Equipment: Office technology and communication equipment.
- (g) General overheads: 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).

- (h) **Institutional services:** 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).

GEF Secretariat

67. GEF Secretariat's estimated FY04 expenditures and proposed FY05 Corporate Budget are summarized in Table 4, and discussed in the following paragraph.

Table 4: Proposed FY05 GEF Secretariat Budget

<i>FY03 Actual</i>	<i>Expense Category</i>	<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
4.963	Staff Salaries and Benefits	5.916	4.753	6.419
0.450	Staff Travel	0.656	0.794	0.940
0.298	Consultant Fees and Travel	0.425	0.548	0.480
0.373	Contractual Services	0.416	0.361	0.467
0.132	Meetings/Conferences/Workshops	0.513	0.388	0.553
0.302	Council Meetings*	0.311	0.338	0.434
0.065	Office Equipment	0.029	0.017	0.033
0.466	Office Space	0.466	0.478	0.526
0.164	General Overheads	0.448	0.382	0.505
0.238	Parent Agency Institutional Services	0.258	0.300	0.291
7.451		9.438	8.359	10.648

*Given that Council Meetings are a fixed cost, as opposed to other meetings and conferences which tend to vary from year to year, it has been put under a separate line item.

FY04 Estimated

68. At the end of FY04, GEF Secretariat budget will under spent by about \$1.1m, due to the fact that some budgeted positions were not filled. The funds will be returned to the GEF Trust Fund.

FY05 Proposed

69. For FY05, the GEF Secretariat expects to fill all the vacant positions. No increases above the FY04 budgeted amounts are expected beyond projected price increases and annual salary adjustments.

Implementing Agencies

UNDP-GEF

70. UNDP-GEF's estimated FY04 expenditures and proposed FY05 Corporate Budget are summarized in Table 6 and discussed in the following paragraph.

Table 6: Proposed FY05 UNDP-GEF Budget

<i>FY03 Actual</i>	<i>Expense Category</i>	<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
1.795	Staff Salaries and Benefits	1.848	1.848	1.903
0.271	Staff Travel	0.279	0.279	0.287
0.166	Consultant Fees and Travel	0.171	0.171	0.176
0.026	Contractual Services	0.027	0.027	0.028
0.022	Meetings/Conferences/Workshops	0.023	0.023	0.024
0.016	Office Equipment	0.017	0.017	0.018
0.213	General Overheads	0.219	0.219	0.226
0.176	Parent Agency Institutional Services	0.181	0.181	0.186
2.685	TOTAL	2.765	2.765	2.848

FY04 Estimated

71. Staff salaries represent the time allocated by 13 professional and five support positions. The staff complement table in Annex A refers. UNDP/GEF's planned corporate activities will be implemented within the FY04 budget allocation.

FY05 Proposed

72. UNDP/GEF's staffing level will remain as in the previous year and the overall budget has been increased by three percent to offset cost increased.

UNEP-GEF

73. UNEP-GEF's estimated FY04 expenditures and proposed FY05 Corporate Budget are summarized in Table 7 and discussed in the following paragraph.

Table 7: Proposed FY05 UNEP-GEF Budget

<i>FY03 Actual</i>	<i>Expense Category</i>	<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
1.711	Staff Salaries and Benefits	1.800	1.800	1.813
0.281	Staff Travel	0.300	0.300	0.300
0.002	Consultant Fees and Travel	0.050	0.050	0.040
0.065	Contractual Services	0.100	0.100	0.100
0.061	Meetings/Conferences/Workshops	0.060	0.060	0.025
0.077	Office Equipment	0.100	0.100	0.083
0.275	General Overheads	0.200	0.200	0.280
0.100	Parent Agency Institutional Services	0.100	0.100	0.150
2.572	TOTAL	2.710	2.710	2.791

FY04 Estimated

74. UNEP/GEF's planned corporate activities will be implemented within the FY04 budget allocation.

FY05 Proposed

75. The planned UNEP/GEF corporate activities for FY05 will be implemented within the same budget allocation as for FY04 with a three percent increase in costs to cater for inflation.

IBRD-GEF

76. IBRD-GEF's estimated FY04 expenditures and proposed FY05 Corporate Budget are summarized in Table 8 and discussed in the following paragraphs.

Table 8: Proposed FY05 IBRD-GEF Budget

<i>FY03 Actual</i>	<i>Expense Category</i>	<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
1.947	Staff Salaries and Benefits	2.060	2.060	2.122
0.329	Staff Travel	0.285	0.285	0.294
0.109	Consultant Fees and Travel	0.156	0.156	0.161
0.064	Contractual Services	0.070	0.070	0.072
0.015	Meetings/Conferences/Workshops	0.020	0.020	0.021
0.022	Office Equipment	0.023	0.023	0.024
0.287	General Overheads	0.290	0.290	0.296
0.041	Parent Agency Institutional Services	0.160	0.160	0.165
2.814		3.064	3.064	3.156

FY04 Estimated

77. The IBRD-GEF unit remained within its budget in FY04. No significant re-allocation across expense categories is expected.

FY05 Proposed

78. No increases above the FY04 budgeted amounts are expected beyond projected price increases and annual salary adjustments, and the allocation across expense categories is expected to remain broadly similar to FY04.

Scientific and Technical Advisory Panel

79. The Scientific and Technical Advisory Panel's estimated FY04 expenditures and proposed FY05 Corporate Budget is summarized in Table 9 and discussed in the following paragraph.

Table 9: Proposed FY05 STAP Budget

<i>FY03 Actual</i>	STAP – Secretariat Expense Category	<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.208	Staff Salaries and Benefits	0.520	0.444	0.470
0.059	Staff Travel	0.030	0.098	0.100
0.000	Consultant Fees and Travel	0.040	0.043	0.040
0.000	Contractual Services	0.030	0.043	0.040
0.018	Office Equipment	0.050	0.056	0.040
0.071	General Overheads	0.155	0.051	0.070
0.000	Parent Agency Institutional Services	0.000	0.000	0.090
0.356	Sub-Total	0.825	0.735	0.850
<i>FY03 Actual</i>	STAP – Members Expense Category	<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.435	Honoraria & Logistical/Secretarial Support	0.570	0.482	0.510
0.233	STAP Meetings	0.425	0.603	0.515
0.668	Sub-Total	0.995	1.085	1.025
1.024	STAP Total	1.820	1.820	1.875

FY04 Estimated

80. It is estimated that the Work Program for STAP as adopted for FY04 will be implemented within the budget allocation.

FY05 Proposed

81. The STAP Work Program for FY05 will be implemented within the same budget as approved for FY04 with a three percent increase in costs to cater for inflation.

Monitoring & Evaluation

82. The Monitoring & Evaluation Unit’s estimated FY04 expenditures and proposed FY05 Corporate Budget is summarized in Table 10, and discussed in the following paragraphs.

Table 10: Proposed FY05 Monitoring & Evaluation Budget

<i>FY03 Actual</i>	<i>Expense Category</i>	<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.749	Staff Salaries and Benefits	1.004	0.907	1.362
0.073	Staff Travel	0.210	0.174	0.216
0.360	Consultant Fees and Travel	0.459	0.465	0.473
0.401	Contractual Services	0.050	0.125	0.052
0.022	Meetings/Conferences/Workshops	0.000	0.000	0.000
0.006	Office Equipment	0.064	0.026	0.066
0.046	Office Space	0.046	0.095	0.047
0.108	General Overheads	0.060	0.041	0.062
0.037	Parent Agency Institutional Services	0.042	0.041	0.043
	OPS3*	0.230	0.230	
1.802		2.165	2.165	2.321

*Applies to FY04 only

FY04 Estimated

83. Overall expenditures are estimated to be as budgeted. Expenditures pertaining to staff were lower than anticipated and there was an increase in short-term consultants services. Some savings were made on staff travel. The expenditures for office accommodation increased by \$0.030m due to the need for an extra conference room and some furniture. There were some increases in expenses on telephone conferences related to the new GEF M&E modality, the SMPR. Other items are estimated to be as budgeted.

FY05 Proposed

84. Increases in staff salaries reflect the expenses for an additional staff member, the unit Director. The relatively high level of activities during the year necessitate an increase also for short term consultants. Some additional expenses are expected for staff travel. There will also be increases in publication and dissemination costs due to the completion of a number of evaluation reports. For other items only normal price increases are expected.

ANNEX A

FY04 ESTIMATED BUDGETS AND PERFORMANCE HIGHLIGHTS

GEF Secretariat Activities with IA Support

Institutional Relations

85. The Secretariat carried out consultations to facilitate full representation of Council Members at Council Meetings. The Implementing Agencies reviewed and provided input to the Secretariat on a number of Council policy papers.

86. Constituencies: The Secretariat provided support to Council Members to assist them in their constituency coordination activities. Two orientation seminars were held in FY 04 to provide information on the GEF to new Council Members and Alternates. Also, five constituency groupings held meetings in FY04 where the Secretariat and UNDP provided support to inform Council Members on Council Meetings, and to facilitate the logistics related to the organization of the meetings. The Secretariat also facilitated the process by which participants can join a constituency grouping. Five new countries joined constituencies in FY 04: Kazakhstan, Syria, Namibia, Rwanda and Seychelles.

87. Country Dialogue Workshops and GEF National Dialogue Initiative: The Implementing Agencies and the Secretariat conducted workshops collectively in Bosnia , Eritrea, Kenya, Kyrgyzstan , Laos, Mongolia, Rwanda and Syria. The GEF's Country Dialogue Workshop (CDW) Program approved by Council in 1999 completed its final group of country workshops in FY04, and a new program (the GEF National Dialogue Initiative) is currently under development.

88. Focal Point Support: UNDP and the World Bank, coordinated and overseen by the Secretariat, provided direct support to countries, developing annual work programs for focal point support activities. GEF Secretariat, UNDP and World Bank staff met regularly to discuss ways to strengthen the focal point support program. An evaluation of the focal point support program was completed in March 2004. The Secretariat disseminated information to focal points on the availability and use of focal point support funds. This information was also placed on a dedicated web page.

89. Expanded Opportunities for Executing Agencies: The Secretariat, the Trustee, and the World Bank Legal Department, have collaborated with the Executing Agencies to reach agreement on the legal agreements (Financial Procedures Agreements and Memoranda of Understanding) necessary to ensure that procedures are in place for direct access by the Executing Agencies to GEF resources. The agreements with ADB and IADB were concluded in FY04. Proposed agreements were sent to the other five executing agencies which are currently reviewing them.

90. The Implementing Agencies also entered into Memoranda of Agreement with the Executing Agencies for the transfer of GEF resources, and carried out their fiduciary responsibilities as mandated by the Trustee. The Implementing Agencies also continued in FY04, to support implementation of the policy of expanded opportunities for GEF Executing Agencies, including promoting projects prepared by Executing Agencies.

91. Relations with Conventions: The Secretariat and Implementing Agencies represented the GEF in, among others, the main following Convention related meetings in FY04: Seventh meeting of the Conference of the Parties to the Convention on Biological Diversity; Seventh meeting of the International Negotiating Committee for the Stockholm Convention on Persistent Organic Pollutants; Sixth Session of the Conference of the Parties to the UN Convention to Combat Desertification; Ninth session of the Conference of the Parties to the UN Framework Convention on Climate Change; Twenty-third meeting of the Open Ended Working Group of the Parties of the Montreal Protocol and thirtieth meeting of the Implementing Committee for the Montreal Protocol.

92. The Implementing Agencies supported preparation of GEF contributions to the meetings of the Conference of the Parties and the Subsidiary Scientific and Technical Bodies of the Conventions for which GEF acts as a financial mechanism, including the regular reports of GEF to the respective Conferences of the Parties.

93. The Implementing Agencies attended negotiations on the guidance to the GEF and responded to queries addressed by Parties concerning the GEF. The costs of the Bank-GEF team's participation in such meetings are shared with mainstream Bank budgets.

94. UNEP/GEF made a major contribution to the preparation of the GEF report to the First Meeting of the Conference of the Parties Serving as the Meeting of the Parties to the Cartagena Protocol on Biosafety (COP/MOP-1), and took the lead in organizing and convening the two GEF side-events held at the margins of the COP/MOP-1.

95. CSD : As requested by the Council, the Secretariat, with input from the Implementing Agencies, presented to the Council for consideration proposals regarding strengthened collaboration with CSD. In FY04, the GEF Secretariat maintained regular contacts with the CSD Secretariat on GEF participation for CSD 12, including a visit to New York in February 2004. The Secretariat and the Implementing Agencies participated in CSD 12, which was held in New York in APRIL 2004. A meeting between the CEO/Chairman and the Under Secretary-General for Economic and Social Affairs to consult on efforts to strengthen collaboration between the CSD and the GEF is scheduled to take place in May 2004.

96. SIDS: The GEF Secretariat participated in the SIDS inter-regional meeting in the Bahamas in January 2004 and was represented at the SIDS preparatory meeting held in New York in April 2004. A special publication on GEF support for SIDS will be disseminated at the preparatory meeting.

97. Others: In January 2004, the CEO/Chairman and staff participated in a meeting of the Joint Liaison Group comprised of the Executive Secretariats and staff of the CBD, UNCCD and UNFCCC.

98. During FY04, UNEP/GEF continued to maintain its Liaison office in Washington, which acts, owing to time difference and geographical location, as a facilitator between UNEP's headquarters in Nairobi and GEF partners in Washington and New York.

Policy and Program Development

99. Renewable Energy Conference : The GEF participated in the preparatory work for the World Renewable Energy Conference, that will be convened by the Government of Germany in Bonn in June 2004.

100. UNFF : The GEF is one of the members of the Collaborative Partnership on Forests which supports the work of the United Nations Forum on Forests. The GEF works actively with the UNFF Secretariat and CPF members and have kept them abreast of latest developments of interests - particularly the designation of land degradation as a focal area and the approval of the Operational Program on Sustainable Land Management. The 4th session of the UNFF will be held in May 2004, and a particular agenda item that is of direct relevance to the GEF is the paper produced by the Ad hoc Expert Group on Finance and Transfer of Environmentally Sound Technologies. The GEF had provided input to this paper, and will follow closely the discussions of the Forum on this issue. The GEF participated in the CPF event held in conjunction with the World Forestry Congress and plans to attend the next meeting in May.

101. Biodiversity: The Implementing Agencies and the Secretariat were actively engaged in various international processes and fora related to the biodiversity focal area, including major contributions to the World Parks Congress in Durban, the Millenium Ecosystem Assessment, the United Nations Framework on Forests, and the Critical Ecosystems Partnership Fund, among others. UNDP has generated a number of "knowledge" publications such as "Local Business for Global Biodiversity Conservation" – launched jointly by GEFSEC and UNDP at the World Parks Congress in Durban; "Conserving Forest Biodiversity: Threats, Solutions and Experiences" proudly displayed by Len Good at various international meetings. UNDP and the World Bank are collaborating on a joint study on "Interlinkages between Protected Areas and their Surrounds". UNDP is developing a series of "Advisory" and "Good Practise" notes for GEF corporate based on our "on-the-ground" experience in projects. These differ from the M & E studies in that they are based on decades of collective "on-the-ground" experience by agency (UNDP) staff. UNDP knowledge networks such as Bioplan (joint UNDP-UNEP), and SHARK, which lie outside of projects, are open to all, and advance collective global knowledge on biodiversity practice. UNDP raise awareness of the GEF corporately through publications and presentations in journals such as "Parks" – a paper on GEF funding for marine biodiversity conservation, and presentations at conferences and meetings such as at the recent "White Water – Blue Water" conference in Miami.

102. Land Degradation: Following designation of land degradation as a GEF focal area in 2002, the Secretariat and the Implementing Agencies prepared the GEF Operational Program on Sustainable Land management that was approved by Council in May 2003 as basis for implementation of GEF activities in the prevention and control of land degradation. The immediate task was to assist countries to understand appropriate ways of developing activities that would be eligible for GEF support.

103. There are three modalities which have been adopted so far in developing activities in the area of land degradation:

- (a) First is the GEF Country Pilot Partnership for Sustainable Land Degradation which is being initiated in six areas covering Central Asia, Africa and Latin America. The partnership is aimed at assisting eligible countries to address land degradation issues in a comprehensive and integrated manner based on priorities outlined in their National Action Programs on Desertification, Poverty Reduction Strategy Papers (PRSPs). The partnership comprises of a package of interventions to address land degradation - policy, regulatory and institutional reforms, capacity building, and investments - financed, in a coordinated way, from a variety of sources, including national budgets, bilateral development cooperation agreements, country assistance programs of multilateral organizations and private foundations.
- (b) The second modality is for development of individual project activities at both the regional and national level through partnership between the countries and the GEF Implementing Agencies.
- (c) The third modality is through an umbrella project which will assist 50 Least Developed Countries and Small Island States to develop capacity to develop and implement land degradation activities and to complete their national action programs under the UNCCD by the year 2005. Complementary to these initiatives will be the follow up to the NEPAD environment action plan which has been developed by African countries with support from a Medium Sized Project from the GEF. A follow up program will involve all the GEF Implementing Agencies working with Africa countries to implement demonstration activities both at country and regional level.

104. Strategy: An inter-agency retreat was organized between the Secretariat and the Implementing Agencies to discuss the strategic direction of the GEF.

105. Performance Based Allocation System: As per Council request, the Secretariat chaired a Technical Working Group and has hired technical experts to develop a Performance Based Allocation System for GEF resources. Secretariat staff and the three Implementing Agencies also provided their inputs through consultations. Two papers, one in November 2003 and another in May 2004 were presented to the Council showing the work in progress on this issue.

106. New Fee Structure: The Secretariat, in collaboration with the Implementing Agencies prepared a new proposal for the GEF fee structure, that was presented to the Council in May 2004.

107. Support to NEPAD : The Implementing Agencies and the Secretariat are firmly committed to the support of NEPAD and the NEPAD Environmental Action Plan. The GEF CEO/Chairman and staff and the Implementing Agencies, have participated in a number of international meetings on the implementation of the NEPAD Environmental Action Plan. GEF support to the NEPAD Environmental Action Plan will be made through a coordinated and comprehensive partnership involving all the Implementing Agencies and appropriate Executing Agencies according to their comparative advantage within the GEF and their ongoing activities in Africa. An Interagency Task Force on NEPAD chaired by the Secretariat was established in FY 04 to guide this process.

108. Proposals for preparation of MSPs: Procedures for preparing, approving and managing medium-sized projects were approved by the GEF Council in April 1996. After five years of MSP project implementation, a review of the GEF experience related to MSPs was undertaken in 2001 as an input to the Second Overall Performance Study of the GEF. A number of findings and recommendations emerged from the evaluation.

109. As a follow-up to the MSP evaluation, the GEF Secretariat organized in June 2003 an MSP Working Group to review the recommendations from the Evaluation Report with the objective to develop proposals to improve the MSP procedures. The MSP Working Group, consisting of representatives from each of the three Implementing Agencies, two NGOs, an Executing Agency working under the expanded opportunities and Secretariat staff , held its first meeting in July 2003 and several subsequent meetings have followed. An action plan emerging from the group will be distributed for information in May 2004.

110. Adaptation : In the business plan presented to the Council in November 2003, resources were targeted to implement a strategic priority on piloting an operational approach to adaptation under the climate change focal area. The GEF Secretariat, Implementing Agencies and STAP have collaborated on the development of operational guidelines and policy considerations to guide the development of project proposals under the strategic priority. The results of this work will be presented to the Council for its review at its meeting in May 2004.

111. Implementation of approved strategic priorities: Strategic priorities were first introduced in the GEF Business Plan, FY04-06, discussed by the Council at the May 2003 meeting; the priorities were emphasized in the Business Plan, FY05-07. Since the introduction of the priorities, project developments and reviews have progressed well in responding to the priorities. The Secretariat and the Implementing Agencies are now gearing up for a pipeline management exercise to assess the allocation of resources against the priorities and to plan for the next business plan period, FY06-08.

112. During FY04, the Bank undertook activities to raise awareness and understanding among country and sector management unit on the linkages between GEF's strategic priorities and the

Bank's poverty reduction mission. These included contributions to analytical work on climate change mitigation priorities in the urban transport sector, productive uses of renewable energy, the role of renewables in scaling up energy access, opportunities for promoting Sustainable Land Management within rural, forest and water sector strategy papers, the integrating biodiversity in the production landscape, and options for POPs emissions mitigation within sectoral development plans.

113. A key deliverable in FY04 was the continuing integration of GEF products in the new Bank project documentation and monitoring systems to fully reflect GEF corporate requirements related to processing steps, project review criteria, results measurements, and reporting needs. The Bank also launched the implementation of the Council decision on the conversion of GEF grants denominated in SDR to US Dollars.

114. Partnerships: Partnership approaches for program of GEF resources were reviewed, and a second Strategic Partnership in the international waters focal area with the World Bank was developed, related to the 2010 and 2015 sustainable fisheries targets from the Johannesburg Summit for the Large Marine Ecosystems of Sub-Saharan Africa.

115. OP 14: The GEF inter-agency POPs task force, helped the Secretariat to develop the operational program No 14 on Persistent Organic Pollutants. In addition, the Secretariat and Implementing Agencies participated and contributed to two STAP workshops on POPs and a STAP workshop on international waters and groundwater systems.

Outreach and Communications

116. Outreach focused on external relations support for the meetings of the Convention on Biological Diversity, Convention to Combat Desertification, UN Framework Convention on Climate Change, World Parks Congress, Commission on Sustainable Development, NEPAD, SIDS prepcom, PEMSEA session and Bonn Renewable Energy Conference. Communication activities included exhibits, targeted publications, speeches, billboards, videos, special folders and fact sheets, CEO receptions and side events, public and media relations, and joint collaborations with Implementing Agencies. Other highlights of FY 04 included CEO visits to Japan and China, and development of a comprehensive GEF Communications and Outreach Strategy and an Electronic Outreach Action Plan. During UNFCCC meetings, UNDP participated in three GEF side events on National Communications and NAPAs. CDAC and SGP jointly hosted a reception to launch the Adaptation Policy Framework and SPG experiences on Climate Change.

117. During FY04, the GEF Secretariat External Relations team engaged a consultant to develop a long-term communications and outreach (C&O) strategy for the GEF. The final report, entitled " Recommendations for a revised GEF Communications and Outreach Strategy " was accepted by the joint interagency GEF C&O working group and led to the elaboration of a C&O work plan for FY05, focused on the GEF's upcoming replenishment process. The work plan is currently being refined for implementation jointly by Secretariat and the Implementing Agencies.

118. A second consultant produced a GEF website strategy whose objective was to make the GEF website more effective, competitive and user friendly. An Editor/Web Administrator is currently being hired to implement the recommendations of the final report which is entitled "A roadmap for redesigning the GEF website and strengthening electronic outreach."

119. UNEP prepared outreach material (publications, an exhibition and a video) on the Action Plan for the Environment Initiative of NEPAD and GEF support to this process. These were given high prominence at the Second Special Session of the African Ministerial Conference on the Environment held in Maputo, Mozambique from 9-10 June 2003; at the Interactive Panel Session on the Future of Protected Areas in Africa and Enhancing Partnerships for Conservation and Sustainable Development in Africa, Durban, South Africa, 16 September 2003 (participation and exhibition); and the Partnership conference on NEPAD held in Algiers, Algeria from 15-16 December 2003.

120. In addition, UNEP organized a GEF side event and an exhibit on GEF-CGIAR-UNEP collaboration at the margins the Annual Meeting of the CGIAR, held in Nairobi in October 2003; provided a training module on the GEF and GEF procedures to the Sixth Global Training Program on Environmental Law and Policy held by UNEP in Nairobi from 24 November – 5 December 2003; and participated in and provided a presentation on GEF support to the MEAs at the 10th Meeting of the Secretariats of the Multilateral Environmental Agreements, convened by UNEP in Nairobi from 8 – 9 March 2004.

Management and Finance

121. New Operations Coordination Team: The GEF Secretariat created the new Operations Coordination Team (OCT), that has the objective to improve institutional co ordinations and operational efficiencies. In that regard, the team has organized with the Implementing Agencies a series of meetings to address and resolve outstanding operational issues. These consultations have resulted in concrete steps in improving work program submissions and information exchanges between the Secretariat, the Agencies and the Trustee.

122. Financial Consultations Meeting: The Trustee managed and chaired a Financial Consultations meeting with the Secretariat and the Implementing Agencies, in order to enhance the financial management process. Main issues discussed were reporting requirements of the Agencies, audits, project cycle and clarification of operational terms.

M&E Activities with Secretariat and IA Support

123. The M&E unit's main assignments are focal area wide program studies in climate change, biodiversity and international waters. The studies consist both of field research and desk review. The program studies will constitute a broad information basis for the Third Study of GEF's Overall Performance (OPS3), which is to be carried out by independent consultants in FY05. The studies in biodiversity and international waters make use of program indicators developed early in the period by the M&E unit, in cooperation with GEF focal area task forces.

124. The unit has also completed the review of GEF's Engagement with the Private Sector, which will be submitted to the 2004 May Council meeting. Another crosscutting evaluation, "The Nature and Role of Local Benefits in GEF Programs", has progressed as planned and will be completed in 2005.

125. The annual monitoring of all GEF projects will be presented in the 2003 Project Performance Report (PPR) to the 2004 May Council meeting. The review covers a total of 334 ongoing and recently completed GEF projects, based on individual project and portfolio-wide reports by the Implementing Agencies. The Bank's annual Project Implementation Review report also summarized results from portfolio reviews, such as on energy efficiency, conservation trust funds, and biodiversity conservation and governance.

126. Other key inputs to the report are 9 Specially Managed Project Reviews (SMPR) and 18 Terminal Evaluation Reviews (TER) carried out by the unit in cooperation with the GEF Secretariat and the Implementing Agencies. The PPR also includes analyses of the Implementing Agencies' projects-at-risk assessment systems.

127. Concerning knowledge management, the unit has engaged in a number of internal GEF discussions to clarify concepts, tools, modalities, priorities and the M&E unit's responsibility within a GEF-wide framework.

128. In regard to thematic reviews, the Implementing Agencies contributed to the thematic reviews coordinated by the M&E department including the Study on Local Benefits in GEF Program Areas. The Implementing Agencies also contributed to follow up of the OPS2 recommendations on the Medium Sized projects, the private sector review and the development of biodiversity indicators.

The Secretariat and the Implementing Agencies formed a part of the selection committee for the recruitment of the Head of the Monitoring and Evaluation Unit, including the meeting of the panel held in Washington, DC.

STAP Activities with IA and Secretariat Support

129. Meetings of STAP-III : STAP held the third and fourth meetings of STAP-III in Washington D.C. from 6-8 October 2003 and 2-5 March 2004 respectively. The Panel contributed to a paper on the role of STAP and to new Rules of Procedure. In this respect, a brainstorming meeting on STAP rules and procedures was held in Geneva on 26 January 2004 and a paper on the STAP Rules of Procedure prepared accordingly. A STAP high-level meeting on inter-linkages was held in New York on 27 April 2004.

130. UNEP/GEF provided inputs to the preparation of the third and fourth meetings of STAP-III, held in Washington DC from 6 – 8 October 2003, and from 2-5 March 2004, respectively, and the Implementing Agencies participated fully in those meetings as part of their institutional relations commitments.

131. UNEP chaired and provided technical support to the Search Committee, composed of the Secretariat and Implementing Agencies, on the Partial Reconstitution of STAP-III. In response to the Council decision on enhancing the efficiency of STAP, UNEP prepared and finalized the draft Rules of Procedure for STAP, including participation at a meeting held in Geneva on 26 January 2004 with the Executive Director of UNEP and the Chair, Vice Chair and two Panel members. In response to the recommendation of the second overall performance study of the GEF (OPS-2), UNEP took the lead in the preparation of a paper on the role of STAP which was discussed at the 3rd meeting of STAP-III. UNEP/GEF also contributed to the establishment of the new STAP Roster of Experts. In all, *eight staff weeks* were contributed to these activities.

132. Brainstorming Meetings and Technical Workshops: STAP organized the following brainstorming meetings and technical workshops, which were also attended by the Secretariat and Implementing Agencies:

- (a) STAP Workshop on Best Practices in Restoration of Drylands, held within the margins of the International Rangelands Conference in Durban from 28-31 July 2003;
- (b) STAP/GEF Technical Workshop on the Destruction and Decontamination of Obsolete POPs, Washington 1-3 October 2003;
- (c) STAP Workshop on the use of Bio-indicators, Bio-makers and Analytical Methods for the Analysis of POPs in Developing Countries, Tsukuba, Japan 10-12 December 2003;
- (d) STAP/GEF Technical Review Workshop on Strategic Options and Priorities in Groundwater Resources, Paris 5-7 April 2004; and
- (e) Drylands writing group meeting, Washington 16-18 May 2004.

133. STAP's output included: guidance on best practices in the rehabilitation and restoration of drylands; targeted research in natural protected areas in the face of global environmental change; a report on the use of bio-indicators, biomarkers and analytical methods for POPs in developing countries; a report on non-combustion technologies for the destruction and decontamination of POPs; an environmental risk assessment of *Bt* maize in Kenya; and new guidance on reducing the long term cost of low greenhouse gas-emitting technologies (OP 7).

134. Study on inter-linkages among GEF focal areas: STAP prepared a draft paper on inter-linkages among GEF focal areas and devoted time to developing this at the fourth meeting of STAP-III. STAP organized two writing group meetings on inter-linkages in Washington from 14-16 April 2004 and 16-18 May 2004. A High Level segment of STAP was held on inter-linkages in New York on 27 April 2004 with participation of the STAP Chair, Heads of Agencies and the GEF CEO.

135. Monitoring and Evaluation: The Panel made a significant contribution to the implementation of the M&E work program for FY04 including participation at the Portfolio Performance Review meeting held in New York from 13-14 January 2004; participation in the study of Local Benefits in GEF program areas; and development of Indicators of project impacts.

136. Roster of Experts : The Panel responded to OPS-2 recommendations on the Roster of Experts. As a result a new roster of experts was established with 225 names, about 40% from developing countries.

137. STAP Website: A new STAP website has been established.

138. The Implementing Agencies contributed to preparations for, and participated fully in, STAP technical workshops and brainstorming sessions aimed to develop GEF operational policies and technical strategy in GEF operational programs as follow:

- (a) STAP/GEF Technical Workshop on Emerging Innovative Technologies for the Destruction and Decontamination of Obsolete POPs, 1-3 October 2003, Washington D.C.;
- (b) STAP Workshop on the use of Bio-indicators, Biomarkers and Analytical Methods for the Analysis of POPs in Developing Countries, 10-12 December 2003, Tsukuba City, Japan;
- (c) STAP study on inter-linkages among GEF focal areas, including participation at the meeting of STAP held in Washington D.C. from 2-5 March 2004 and at the STAP high-level meeting on inter-linkages held in New York on 27 April 2004; and
- (d) STAP/GEF Technical Review Workshop on Strategic Options and Priorities in Groundwater Resources, held in Paris, France from 5-7 April 2004.

139. UNEP/GEF also provided input to the STAP targeted research proposal on Protected Areas, presented to the 5th World Parks Congress held in Durban, South Africa.

140. Secretariat Input : Almost all of Secretariat input to STAP is in the area of Policy and Strategy Development. Highlights of FY04 discussion/participation with STAP are in the following areas:

- (a) Guidance on best practices in the restoration and rehabilitation of drylands;
- (b) A workshop to develop new guidance on OP#7 ;
- (c) A biosafety source book;
- (d) Advice on groundwater;
- (e) Advice on emerging innovative technologies for the destruction and decontamination of obsolete POPs;

- (f) Advice on the use of bio-indicators and analytical methods for the analysis of POPs in developing countries; and
- (g) Strategic advice on the inter-linkages between biodiversity, climate change, land degradation, and international waters.

Trustee

141. In FY04, the Trustee, in collaboration with the Secretariat, held its first annual financial consultation meeting with the implementing and executing agencies in October 2003. Nine of the ten agencies were able to attend the meeting.

142. The meeting provided an opportunity to familiarize the agencies with the financial processes and procedures for commitments, disbursements and financial reporting that is required by the Trustee.

143. During this meeting, the Trustee also obtained support and agreement on the following proposed policies and procedures: (a) audit policies and guidelines for GEF-financed activities; (b) policies and procedures for approving and reporting unused resources resulting from project drops, terminations, cancellations, and amendments; (c) common definitions of data elements and fields for GEF activities across all agencies; and (d) simplified procedures for issuing Trustee commitments.

144. At the request of the Council in its November 2003 Council Meeting, the Trustee completed drafting and negotiating ten Financial Procedures Agreements with the implementing and executing agencies during FY04.

Table A1: GEF Secretariat's Estimated FY04 Budget

<i>FY03 Actual</i>		<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>	Corporate Management Activity	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
1.319	Institutional Relations	1.417	1.428	1.460
3.756	Policy & Program Development	4.871	3.810	5.017
0.787	Outreach & Communications	1.511	1.000	1.556
1.589	Management & Finance	1.639	2.121	1.688
	Knowledge Management*			0.493
	Fixed Costs			
	Council Meetings			0.434
7.451	TOTAL	9.438	8.359	10.648

* Newly Proposed for FY05

Table A2: Monitoring & Evaluation Unit's Estimated FY04 Budget

<i>FY03 Actual</i>		<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>	Corporate Management Activity	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.270	M&E Policies and Procedures	0.230	0.281	0.371
0.991	Monitoring	1.115	1.031	0.553
	Evaluation			0.996
0.541	Support to Communication / Knowledge Management	0.590	0.562	0.401
	OPS3*	0.230	0.230	
1.802	TOTAL	2.165	2.104	2.321

* For FY04 only, not part of baseline budget

Table A3: STAP's Estimated FY04 Budget

<i>FY03 Actual</i>		<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>	Corporate Management Activity	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.107	Institutional Relations	0.150	0.134	0.140
0.089	Policy & Program Development	0.325	0.289	0.300
0.125	Outreach & Communications	0.175	0.156	0.160
0.036	Management & Finance	0.175	0.156	0.160
0.356	Sub- Total	0.825	0.735	0.760
	Fixed Costs			
0.434	Honoraria & Logistical/ Secretarial Support	0.570	0.482	0.510
0.233	STAP Meetings/Workshops	0.425	0.604	0.605
0.668	Sub- Total	0.995	1.085	1.115
1.024	TOTAL	1.820	1.820	1.875

Table A4: Trustee Estimated FY04 Budget*

<i>FY03 Actual</i>		<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.848	TOTAL	0.874	0.874	1.450

* Due to a new Trustee policy, the Unit no longer provides a breakdown of its budget by activity.

Table A5: UNDP-GEF Estimated FY04 Budget

<i>FY03 Actual</i>		<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>	Corporate Management Activity	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.101	Institutional Relations	0.104	0.104	0.107
1.709	Policy & Program Development	1.760	1.760	1.813
0.149	Outreach & Communications	0.153	0.153	0.158
0.520	Management & Finance	0.536	0.536	0.552
0.206	Monitoring & Evaluation	0.212	0.212	0.218
2.685	TOTAL	2.765	2.765	2.848

Table A6: UNEP-GEF Estimated FY04 Budget

<i>FY03 Actual</i>		<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>	Corporate Management Activity	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.351	Institutional Relations	0.370	0.370	0.355
1.239	Policy & Program Development	1.306	1.306	1.370
0.210	Outreach & Communications	0.222	0.222	0.228
0.491	Management & Finance	0.517	0.517	0.533
0.281	Monitoring & Evaluation	0.295	0.295	0.305
2.572	TOTAL	2.710	2.710	2.791

Table A7: IBRD-GEF Estimated FY04 Budget

<i>FY03 Actual</i>		<i>FY04 Budget</i>	<i>FY04 Estimated</i>	<i>FY05 Proposed</i>
<i>\$m</i>	Corporate Management Activity	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
0.397	Institutional Relations	0.319	0.319	0.329
1.463	Policy & Program Development	1.644	1.644	1.693
0.354	Outreach & Communications	0.278	0.278	0.286
0.416	Management & Finance	0.411	0.411	0.423
0.182	Monitoring & Evaluation	0.412	0.412	0.425
2.814	TOTAL	3.064	3.064	3.156

TRUSTEE LETTER TO THE GEF CEO

The World Bank
Washington, D.C. 20433
U.S.A.

Arif Zulfikar

Acting Vice President
Concessional Finance and Global Partnerships

March 24, 2004

Mr. Leonard Good
Chief Executive Officer and Chairman
Global Environment Facility (GEF)
1818 H Street NW
Washington, DC 20433
USA

Dear Mr. Good,

This letter puts forth the fiscal year 2005 budget request for the services provided by the International Bank for Reconstruction and Development (the World Bank) in its role as the Trustee of the GEF Trust Fund (the Trustee).

Paragraph 8 of Annex B to the Instrument for the Establishment of the Restructured Global Environment Facility” (the “Instrument”) states that “... the Trustee shall be reimbursed annually from the resources of the [GEF Trust] Fund for the reasonable expenses incurred by it for the administration of the [GEF Trust] Fund and for expenses incurred in administratively supporting the Secretariat [of the GEF]. The reimbursement shall be made on the basis of estimated cost, subject to end-of-year adjustment”. Pursuant to this paragraph, and in light of the World Bank’s revised cost recovery policy, adopted during fiscal year 2003 which requires the World Bank to recover the full costs of administration and supervision for trust funds whose size is \$30 million or more, we request a budget in the amount of US\$ 1,450,000 for fiscal year 2005.

The budget reflects the nature of the services to be provided by the Trustee during fiscal year 2005 (an illustrative list of the types of basic services expected to be provided by the Trustee is attached as Attachment I) and takes into account the anticipated scope of services for fiscal year 2005 (Attachment II provides an estimate of the volume of activities that we expect to undertake for the GEF Trust Fund during fiscal year 2005).

If you have any question, please feel free to contact Ms. Kyung Hee Kim either by email (kkim2@worldbank.org) or by phone (202) 458-0929.

International Bank for Reconstruction and Development
as Trustee of the GEF Trust Fund

By _____

Arif Zulfiqar

Acting Vice President

Concessional Finance and Global Partnerships

Date _____

cc: Messrs./Mmes. King, Bliss-Guest (GEF); Kim, Schermerhorn, Crivelli,
Chen (CFP)

GEF Trust Fund

Basic Services provided by the Trustee in its Administration of the GEF Trust Fund

A.A. Management of the Donor Contributions

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Once negotiations for a replenishment of the GEF Trust Fund are completed and a replenishment resolution is adopted, the Trustee carries out the implementation of the Rreplenishment Rresolution, including:

- ☐• Facilitate final documentation and any logistical arrangements for Instruments of Commitment (IoCs) submission
- ☐• Recording IoCs in the business system and general ledger
- ☐• Monitoring effectiveness of the replenishment
- ☐• Addressing interactively donor questions with respect to possible constraints on their contributions due to budget requirements, information, legal restrictions, etc..
- ☐• Tracking, and calling and collecting installment payments and collect payments
- ☐• Manage quarterly encashment calls and collecting encashment payments
- ☐• Manage day-to-day donor relations/enquiries
- ☐• Provide standard reporting to donors
- Implementing the terms and conditions of the replenishment policy related to donor contributions (including, for example, pro rata exercises, and calculation of net present value of encashments)

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B.B. Sound Financial and Investment Management of GEF Resources

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Under the Instrument, pending transfers to the Agencies, the Trustee may invest the funds held in the GEF Trust Fund. In this connection, the Trustee ensures sound financial and investment management of GEF resources, including:

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- ☐• Active management of GEF Trust Fund investment portfolio within the applicable risk limits
- ☐• Periodic review of risk profile, asset allocation of the portfolio and benchmarking
- ☐• Settlement and custody of investments
- ☐• Assessing and monitoring operational risks, liquidity risks and currency risks
- ☐• Compliance and reporting
- ☐• Currency conversion
- ☐• Allocating investment income monthly

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C. Committing and Disbursing GEF Resources

The Trustee makes commitments and disbursements of GEF resources to the implementing and executing agencies of the GEF (the “Agencies”). The tasks involved in connection with making such commitments and disbursements include the following:

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- ☐ Recording Council and CEO approvals/endorsements of all GEF financed activities
- ☐ Entering into Financial Procedures Agreements with the implementing and executing agencies of the GEF (“the agencies”).
- ☐ Issuing Trustee commitments to the aAgencies upon reviewing of Council/CEO approvals and availability of funds
- ☐ Maintaining commitment authority
- ☐ Disbursing funds to the aAgencies based upon agreed policies and procedures
- ☐ Recording cancellation and reflows of GEF funded activities, if any
- ☐ Managing day-to-day agency relations/inquiries

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D. Infrastructure and Systems

The Trustee Provides infrastructure necessary to fulfill Trustee role, including:

- ☐ Maintaining details and audit trail of all transactions
- ☐ Accounting for flow of funds at all stages
- ☐ Maintaining system of internal controls (operational & financial)

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E. Accounting and Reporting

The Trustee Maintains accounting records for the GEF Trust Fund of the GEF transactions and provides appropriate reports, including:

- Providing monthly funding status and payment status of donor contributions to the GEF Secretariat
- Providing semi-annual reports to the GEF Council on the financial status and management of the GEF Trust Fund
- Providing annual audited financial statements for the GEF Trust Fund
- Coordinating and collect annual audited financial statements of the aAgencies
- Providing other ad hoc reporting as needed

- Collecting and reviewing various quarterly and annual financial reports from the agencies

Attachment II

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GEF Trust Fund

Below is the current estimate of the expected volume of transaction processing activities and key services the Bank as the Trustee expects to perform during fiscal year 2005 for the GEF Trust Fund:

- Donor Contributions – Installment invoicing and payment processing of donor payments: \$ 588 million, in 120 - 200 transactions
- Donor Contributions – Validation, invoicing and payment processing encashments of notes: \$ 500 million, in 90-120 transactions
- Trustee Commitments to the Agencies: \$500 million, in 40-80 transactions
- Disbursements to the Agencies and the GEF Secretariat: \$550 million, in 30- 50 transactions
- Activities associated with managing and Trustee monitoring the funding status of the GEF Trust Fund: 20 – 40 transactions
- Collection and review of quarterly reports from the agencies: 80 reports

GEF UNITS – FY03 STAFFING COMPLEMENT

GEF SECRETARIAT***Front Office***

CEO & Chairman

Deputy CEO

Corporate Secretary

Resource Management Officer

Corporate Team

Country Relations Officer

Country Relations Officer (2)

Institutional Specialist

Capacity Development Manager

Finance & Administration

Strategic Planner

Finance Officer

Sr. Operations Officer

Program Coordinator

Data Administrator

Communication & Outreach

Team Leader

Sr. Editor & Pub. Manager

Web Communications

Biodiversity

Team Leader

Senior Biodiversity Scientist

Senior Biodiversity Specialist

Senior Natural Resource Management Specialist

Biodiversity Specialist

Land & Water Resources

Team Leader

Sr. Adviser International Waters

Sr. Adviser Land Degradation

Natural Resource Management Specialist

Climate Change

Team Leader

Sr. Environmental Specialist

Sr. Environmental Specialist

Environmental Specialist

Environmental Specialist (Private Sector)

Persistent Organic Pollutants

Sr. Environment Specialist

Secretariat supported by 10 program and administrative staff

Monitoring & Evaluation*Director (vacant)*

Sr. Monitoring and Evaluation Coordinator

Sr. M & E Specialist

Supported by program and administrative assistant

UNDP-GEF

Professional Positions (fully funded by Corporate Budget):

Sr. Monitoring & Evaluation Coordinator
Monitoring & Evaluation Specialist
Finance Officer
Corporate Policy & Strategy Officer

Professional Positions (partially funded by Corporate Budget):

Executive Coordinator
Deputy Executive Coordinator
Principal Technical Advisor - Climate Change
Principal Tech. Advisor - Biodiversity, Medium-sized projects, NGO
Principal Technical Advisor - International Waters
Sr. Technical Advisor - Land Degradation
Chief, Programme Operations Support
Economist -Environment & Partnerships
NCSP-Climate Change Coordinator

Support Positions (fully funded by Corporate Budget):

Executive Associate for Human Resource Management
Finance & Operations Associate
Administrative Assistant

Support Positions (partially funded by Corporate Budget):

Programme/Communications Associate
Programme Associate

UNEP-GEF

Director
Deputy Director
Senior Program Officer – Biodiversity
Senior Program Officer – Climate Change
Senior Program Officer – International Waters
Senior Program Officer – POPS
Senior Program Management Officer
Washington Liaison Officer
Data Management Officer
Program Officer – Land Degradation
Program Officer – International Waters

Supported by 15 Program and Administrative Secretaries/Assistants

IBRD-GEF

GEF Executive Coordinator (partially funded by GEF)
Senior Operations Officer (GEF Coordinator)
Senior Operations Officer (Portfolio Management)
Budget Officer
Operations Analyst

Supported by one Program Assistant and one Information Assistant (partially funded by GEF)

Corporate management activities are carried out by the central GEF coordination team with the support of a wide range of specialist inputs drawn from across the institution. These staff resources are mainstreamed into IBRD's operations and are only partially funded from the GEF corporate budget. These include (a) technical specialists in the Environment Department for biodiversity, climate change, international waters, land degradation, ozone depletion and POPs; (b) GEF regional coordinators in the Africa, East Asia/Pacific, Europe/Central Asia, Latin America/Caribbean, Middle East/North Africa, and South Asia regions; (c) IFC Environmental Projects Unit staff; and (d) budget and information systems staff Environmental Projects Unit staff.

STAP SECRETARIAT

STAP Secretary – Washington
Program Officer – Biodiversity
Program Officer – Nairobi (part-time)
Program Management Officer – Nairobi (part-time)

Supported by 2 Program and Administrative Secretaries/Assistants