

GLOBAL
ENVIRONMENT
FACILITY

PROPOSED ADMINISTRATIVE BUDGET
OF THE GEF FOR FY95

GEF Council Meeting
Washington, D.C.
February 22 - 24, 1995

RECOMMENDED DRAFT COUNCIL DECISION

The Council is invited to review this document and to consider adopting the following decision:

The Council, having reviewed document GEF/C.3/4, approves the GEF Administrative Budget for FY95 proposed therein.

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PROPOSED ADMINISTRATIVE BUDGET OF THE GEF FOR FY95¹

INTRODUCTION

1. At the request of the second Council meeting in November 1994, the Secretariat has coordinated the preparation of the proposed GEF administrative budget for fiscal year 1995 for review and approval by the Council. This budget includes information on the proposed administrative budgets of the three Implementing Agencies, the Scientific and Technical Advisory Panel (STAP) and its Secretariat, the Trustee, and the GEF Secretariat.
2. The Chairman's Semi-Annual Report on the Pilot Phase of July 1994 provided information on the proposed FY95 budget. However, GEF Participants did not have an opportunity to discuss the budget submission. Nevertheless, following pilot phase practice, it did provide the basis on which the Implementing Agencies began to incur expenditures during the first half of this fiscal year.
3. A brief discussion of the 1995 budget took place at the second Council meeting. At that meeting, the Implementing Agencies were requested, pending the Council's review and approval of the FY95 budget at the February 1995 Council meeting, to ensure that their administrative expenditures did not increase by more than 10 per cent over their FY94 expenditures. Collectively, the Implementing Agencies have complied with this target. However, as noted in Annex A, there are differences among the Implementing Agencies.
4. This note provides explanatory text and background information concerning the proposed FY95 budget. It is a compilation of the proposed budget and explanatory text prepared by each Implementing Agency, the Trustee, and the Secretariat. UNEP prepared the proposed budget and explanatory text for STAP and its secretariat. It does not deal with the administrative budget management systems that are to be put in place over the coming year to ensure consistent and transparent reporting to the Council. ²
5. After the second Council meeting, each Implementing Agency prepared a revised budget proposal for FY95. The Secretariat subsequently discussed each budget submission with the Implementing Agencies and sought clarifications where needed. A common format for presenting the budgets has been agreed and is presented in this paper. Annex A provides each agency's budget proposal.

SECRETARIAT COMMENTS ON THE FY95 REVISED BUDGET SUBMISSION AND BUDGET PROCESS

6. FY95 represents a watershed in the development of the GEF. The completion of negotiations on the restructuring of the GEF has led to the creation of a new Secretariat, agreement on a new Scientific

¹ The GEF fiscal year runs from July 1 - June 30.

² See *Issues concerning Administrative Budget Management*, document GEF/C.2/7. See also *GEF Administrative Expenditures: the Pilot Phase Experience*, document GEF/PA.93/4.

and Technical Panel (STAP) and the need for the Implementing Agencies to prepare for a significant increase in their respective workloads in response to the anticipated increased levels of project funding.

7. It should be noted that, at this time, the submissions of the three Implementing Agencies are not strictly comparable. In addition to direct administrative costs largely related to program coordination and development, UNDP, through their GEF projects, charge an overhead fee to cover project supervision and oversight. In UNDP's case this may also involve a budget transfer to their field offices to cover in-country supervision costs.³ Such costs, however, are included in the administrative budget of the World Bank. As noted in document GEF/C.2/7, the Secretariat plans to put a system in place that will ultimately ensure a greater degree of comparability than is currently the case.

8. Furthermore, unlike the Pilot Phase, the Council will now approve the administrative budget of the GEF. Ultimately it may be desirable for the Secretariat to present a more integrated "corporate" budget describing the interactions and relationships of the three agencies and the Secretariat and to ensure that the overall growth and direction of GEF operations are consistent with comparable work program assumptions discussed by GEF Council.

9. To achieve this, it would be appropriate for the Council to approve the GEF administrative budget in two steps. First, at the regular meeting of the Council held in October/November each year, the Council would review and approve an indicative work program for the next fiscal year including the assumptions under which the budget would be prepared. Second, at the regular Council meeting held in April/May each year, the Council would review and approve the specific budget for the forthcoming fiscal year. A mid-year budget review, chaired by the Secretariat, would be undertaken in December of each year. At that time, as appropriate, reasonable budget adjustments could be approved by the CEO. The Council would be informed of such revisions at its April/May meeting. This proposed process will be elaborated upon in the budget management paper to be considered at the fourth Council meeting.

10. At the second Council meeting, Council Members were concerned with the proposed growth in administrative expenditures. It should be noted that the revised estimates for FY95 included in Annex A are either close to the same level or lower than the FY95 estimates included in the Chairman's Report (July 1994). This is due to shifting assumptions regarding the overall size of the 1995 work program as well as a major effort on the part of the Implementing Agencies to reduce their proposed budgets in response to the Council's concern about increasing administrative costs.

FUTURE COST SAVINGS

11. Given the Council's concern with the overall level of expenditures, there may be a number of areas where further cost savings could be identified for future budget submissions⁴. These are discussed below.

³ For a full description of these costs see annex A, attachment 1, which describes overhead charges accruing to UNDP projects.

⁴ It should be noted that by the time of the Council meeting in February 1995, nearly eight months of the current fiscal year will have elapsed. The level of actual expenditures and current commitments may mean that there is less scope for additional cost containment measures during the remainder of FY95 than there would be in subsequent years.

12. **Travel Costs:** The GEF Operations Committee (GEFOP) is currently experimenting with video and telephone conferencing. To date, the experience has been very encouraging and suggests that considerable cost savings could accrue to the GEF administrative budget.⁵ The Secretariat plans to continue using conference calls for its operational business and will monitor overall costs and identify potential cost savings.

13. **Project Preparation Work:** During the Pilot Phase, some part of project preparation work was financed under the administrative budget.⁶ This included project identification, strategy work, project preparation and consultations with recipient countries. While it will not be possible to take all such expenditures out of the GEF's administrative budget, many of those expenditures, primarily in-country costs, could reasonably be funded under the Project Preparation and Development Facility (PDF). As operational experience is gained with the PDF, moving legitimate project preparation expenditures from the administrative budget will result in a reduction in administrative costs.

14. **Common Services:** Each Implementing Agency as well as the Secretariat has independently developed its capacity to manage its GEF obligations. While the precise modalities differ and depend upon the organizational structure and procedures of each agency there are a number of common elements. For example, with respect to management and coordination functions, each Implementing Agency has pursued a matrix management approach – thematic expertise (in the four functional areas) and regional expertise (staff increments to regional bureaus in UNDP, regional coordinators in the World Bank, and possible staff increments to regional offices in UNEP). Each Implementing Agency has also recruited staff dealing with cross-cutting issues (e.g. financial and budget, external affairs and communications). The Secretariat has no plans for regional staff but has enhanced its technical capacity in the thematic areas to complement its cross-cutting staff (e.g. legal, financial, and external affairs and communication). However, from an integrated GEF perspective there may be cost saving opportunities that can result from better program coordination and agreement on specific, yet clearly differentiated, responsibilities. In this regard, it should also be noted that some commitments, e.g., staffing patterns and new positions, included in the FY95 proposals are expected to carry forward beyond this fiscal year.

15. **Common Products:** There may also be scope for better coordination with respect to the production of specific GEF products. For example, UNDP, the World Bank and the Secretariat, and to a lesser extent, UNEP, have all produced public information materials on the GEF. Closer cooperation and preparation of common public information materials could both reduce costs and save staff resources.

16. **Improved budget planning and coordination:** Over time the level of budget coordination between the Implementing Agencies will improve further and may lead to the further identification of cost savings. The system suggested in document GEF/C.2/7, for example, would ensure comparable

⁵ To date, a full day's conferencing including representatives from the three Implementing Agencies, the Secretariat, STAP and the Secretariats of the Conventions has been less than \$5,000 which should be compared to a cost of \$25,000 for a meeting of the same representatives. On the other hand, GEFOP meetings will be held more frequently.

⁶ See, for example, Document GEF/C.3/6, *The Project Development and Preparation Facility (PDF)*, which notes that under its administrative budget, UNDP funded the preparation of 55 technical assistance projects at a cost of \$6.9 million. Similarly, the World Bank has utilized GEF administrative resources to supplement its economic and sector work program to provide assistance to countries to prepare global environmental strategies consistent with their national environment resource management strategies.

assumptions with regard to future work programs and categories of expenditures and would, therefore, provide a basis for ensuring that the budget submissions more comparable.

17. During the Pilot Phase, the Implementing Agencies absorbed some of the GEF's administrative costs. This had an important impact upon GEF administrative expenditures. As an integral part of its regular work program each Implementing Agency is committed to the objective of protecting the global environment. Each agency has prepared plans for internalizing the work of the GEF by ensuring that GEF objectives are "mainstreamed" in the regular work of the agency. It may be appropriate for the GEF Secretariat to undertake discussions with the management of each Implementing Agency to assess what additional opportunities may exist to further integrate GEF's efforts with the agency's broader role in protecting the global environment.

CONCLUSION

18. The budget proposals prepared for FY95 and included in Annex A to this text should provide sufficient information for review and approval by Council. While there may be less scope during the remainder of this fiscal year to make financial adjustments, the Council's views will be important in shaping not only the FY95 budget but also subsequent budget proposals.

OVERVIEW OF PROPOSED ADMINISTRATIVE BUDGET OF THE GEF FOR FY95

1. This Annex presents the following overview tables:

Table 1: GEF Administrative Budget - Proposed Expenditures for FY95;

Table 2: GEF Administrative Budget - Proposed Expenditures for second half FY95 (Jan.-June '95); and

Table 3: Proposed Budget Summary for FY95 and percentage increase over FY94.

2. It also presents the revised FY95 budget proposals as follows:

Attachment 1 UNDP;

Attachment 2 UNEP;

Attachment 3 World Bank as Implementing Agency;

Attachment 4 STAP;

Attachment 5 Trustee; and

Attachment 6 Secretariat.

3. The attachments have been prepared by the respective agency, with explanatory text concerning the estimated actual figures for the first half of fiscal year 1995 (FY95I), and the proposed budget for the second half of fiscal year 1995 (FY95II).

4. The process followed in preparing this budget submission involved: (i) the agreement of the budget inter-agency working group on the budget table formats; (ii) the submission of a draft budget review section by each agency to the Secretariat; (iii) preliminary discussions to provide clarification of the estimates; and (iv) final submission. However, the Secretariat did not provide guidance beyond the agreed common format. In response to points raised in the context of the interagency team on Administrative Expenditures, each agency selected those revisions it wished to make in its budget submission for FY95 II.

5. In reviewing the budget figures and their growth rates, several points ought to be kept in mind:

(a) the volume of GEF1 funding will more than double vis-a-vis pilot phase funding;

(b) the restructuring of the GEF implied certain changes in the roles and responsibilities of the Secretariat and the Implementing Agencies;

- (c) comparisons between agencies budget growth rates are significantly affected by the conditions in the base year, i.e. FY94; and
- (d) comparisons between UNDP and the World Bank concerning implementing agency administrative expenditures are complicated by the different treatment of supervision costs which are counted as project costs in the case of UNDP and administrative costs in the case of the World Bank.

6. **Tables 1 & 2 present full year and FY95 II budget details, including number of positions, agency coordination expenses, and project related expenditures. These figures are found again in the budget tables in the Attachments.**

7. **Table 3 shows that, in terms of Estimated Actuals for July - December, 1994 (FY95 I) overall GEF administrative expenditures were 4% above the FY94 level. This modest increase is primarily due to the World Bank spending at a rate 7% below that of FY94.**

8. **As for the Proposed Budget for January - June, 1995 (FY95 II), the overall increase from FY94 is 68%, resulting in a full FY95 increase over FY94 of 36%. This increase compares with a 51% increase envisaged in the original budget presented in the July 1994 Chairman's Report.**

Table 1: ADMINISTRATIVE BUDGET - PROPOSED EXPENDITURES FOR FY95

	UNEP	UNEP	WORLD BANK	SUBTOTAL	SECRET.	STAP	TRUSTEE	SUBTOTAL	TOTAL
Coastal and Inland (no. of positions)									
Staff Resources									
Core Unit									
No. of Professional level	11	5	11	27.0	15	3	4	22	49.0
No. of Long Term Consultants a/	1.5	0	6	7.5	1	0	0.5	2	9.0
No. of Seconded	(1.5)**		0	0.0	2.5	0	0	2.5	2.5
Total Higher Level *	12.5	5	17	34.5	18.5	3	4.5	26.0	60.5
Total Support Level	6	6	7	19.0	8	3	1	12	31.0
Regional Bureaux									
No. of Professional level	8	4	1	13.0	0	0	0	0	13.0
No. of Long Term Consultants a/	2	0	0	2.0	0	0	0	0	2.0
No. of Seconded	0	0	0	0.0	0	0	0	0	0.0
Total Higher Level *	10	4	1	15.0	0	0	0	0	15.0
Total Support Level	6	4	0	10.0	0	0	0	0	10.0
Total No. of Higher Level Positions *	22.5	9	18	49.5	18.5	3	4.5	26.0	75.5
Total No. of Support Level Positions	12	10	7	29	8	3	1	12	41.0
Agency Coordination Expenses (US\$ thousands)									
Staff	2080.0	595.6	1818.0	5283.6	1999.0	309.2	414.0	2722.2	8005.8
Consultants	1640.0	864.0	580.0	3084.0	249.0	239.6		488.6	3572.6
Travel	160.0	514.0	473.0	1147.0	325.0	121.6	75.0	521.6	1668.6
Meetings/Seminars	300.0	310.8	50.0	660.8	638.0	346.1		984.1	1644.9
Equipment	30.0	94.0	80.0	204.0	82.0	14.4		96.4	300.4
Translation		1.5	5.0	6.5	82.0	0.0		82.0	88.5
Communications	50.0	40.0	35.0	125.0	61.0	60.0		121.0	246.0
Management Information System	140.0	0.0	60.0	200.0	38.0	0.0		38.0	238.0
Representation		6.3	9.0	15.3	25.0	5.0		30.0	45.3
General Operating Costs	300.0	17.5	348.0	665.5	400.0	29.6	57.8	487.4	1152.9
Contractual Services	90.0	13.0	215.0	318.0	292.0	53.5	246.4	591.9	909.9
Financial/Legal		0.0	445.0	445.0	0.0	0.0		0.0	445.0
Other	330.0	-99.3	175.0	405.7	104.0	99.3		203.3	609.0
TOTAL ADMINISTRATIVE COSTS	5920.0	2347.4	4293.0	12560.4	4295.0	1278.3	793.2	6366.5	18926.9
Project Expenditures									
Project Expenditures b/									
Project development			4972.0	4972.0					
Project preparation	(3400.0)		2326.0	2326.0					
Project supervision/implementation c/			2308.0	2308.0					
Project monitoring/evaluation									
Field-Office support d/	(1180.0)		1494.0	1494.0					
Sector Strategy/studies/etc.			626.0	626.0					
Technical Asst. (incl. IA collaboration)			11726.0	11726.0					
Total Project Expenditure d/									
GRAND TOTAL	5920.0	2347.4	16019.0	24286.4	4295.0	1278.3	793.2	6366.5	30652.9

a/ Those employed six months or more.
 b/ Total estimated project disbursements (not incl. POF) for FY95 are: \$73.18m for UNDP, \$10.84m for UNEP, and \$90-120m for the World Bank.
 c/ Not included in Grand Total in view of UNDP method of projecting these costs.
 d/ Excludes proposed POF expenditures.
 * Higher Level = Professional Level, Long Term Consultant, Seconded
 ** Represents seconded from UNDP and UNEP to Secretariat (1 Prof. level staff from ea. agency plus 50% editorial asst. from UNDP).

Table 2: ODP ADMINISTRATIVE BUDGET - PROPOSED EXPENDITURES FOR SECOND HALF FY95 (Jan.-June '95)

	UNDP	UNEP	WJANK AFC	Subtotal	SECRET.	STAF	IRVETER	Subtotal	TOTAL
Coordinating Units (no. of positions)									
Coord. Unit									
No. of Professional level	11	5	11	27.0	15	3	4	22	49.0
No. of Long Term Consultants a/	1.5	0	6	7.5	1	0	0.5	2	9.0
No. of Seconded	(1.5)	(1)	0	0.0	2.5	0	0	2.5	2.5
Total Higher Level *	12.5	5	17	34.5	18.5	3	4.5	26.0	60.5
Total Support Level	6	6	7	19.0	8	3	1	12	31.0
Regional Bureaux									
No. of Professional level	8	4	1	13.0					13.0
No. of Long Term Consultants a/	2	0	0	2.0					2.0
No. of Seconded	0	0	0	0.0					0.0
Total Higher Level *	10	4	1	15.0					15.0
Total Support Level	6	4	0	10.0					10.0
Total No. of Higher Level Positions *	22.5	9	18	49.5	18.5	3	4.5	26.0	75.5
Total No. of Support Level Positions	12	10	7	29	8	3	1	12	41.0
Agency Coordination Expenses (US\$ thousands)									
Staff	1480.0	433.6	1138.0	3051.6	1190.0	149.5	207.0	1546.5	4598.1
Consultants	840.0	507.0	355.0	1702.0	99.0	230.5		329.5	2031.5
Travel	100.0	295.0	304.0	699.0	192.0	60.0	37.5	289.5	988.5
Meetings/Seminars	250.0	125.0	40.0	415.0	453.0	300.0		753.0	1168.0
Equipment	20.0	65.0	58.0	143.0	52.0	10.0		62.0	205.0
Translation		0.0	5.0	5.0	66.0	0.0		66.0	71.0
Communications	30.0	22.0	19.0	71.0	35.0	30.0		65.0	136.0
Management Information System	140.0	0.0	30.0	170.0	19.0	0.0		19.0	189.0
Representation		3.0	7.0	10.0	12.0	3.5		15.5	25.5
General Operating Costs	150.0	12.5	174.0	336.5	200.0	11.0	28.9	239.9	576.4
Contractual Services	60.0	5.0	129.0	194.0	168.0	50.0	123.2	341.2	535.2
Financial/Legal	0.0	0.0	222.0	222.0	0.0	0.0		0.0	222.0
Other	250.0	0.0	99.0	349.0	37.0	0.0		37.0	386.0
TOTAL ADMINISTRATIVE COSTS	3370.0	1468.1	2580.0	7368.1	2523.0	844.5	396.6	3764.1	11132.2
Project Expenditures									
Project Disbursements b/			3503.0	3503.0					
Project development			1337.0	1337.0					
Project preparation			1309.0	1309.0					
Project supervision/implementation c/	2300.0								
Project monitoring/evaluation									
Field-office support c/	730.0								
Sector Strategy studies/etc.			1168.0	1168.0					
Technical Asst./inc. IA collaboration			492.0	492.0					
Total Project Expenditure d/			7807.0	7807.0					
GRAND TOTAL	3370.0	1468.1	10387.0	15175.1	2523.0	844.5	396.6	3764.1	18939.2

a/ Those employed six months or more
 b/ Estimated project disbursements (not incl. PDR for FY95 (Jan-June)) are \$46.3m for UNDP.
 c/ Not included in Grand Total in view of UNDP method of projectizing these costs.
 d/ Excludes proposed PDR expenditures.
 * Higher Level = Professional Level, Long Term Consultant, Seconded
 ** Represents seconded staff from UNDP and UNEP to Secretariat (1) professional-level staff from ea. agency plus 50% editorial assistant from UNDP.

TABLE 3: PROPOSED BUDGET SUMMARY FOR FY95 AND PERCENTAGE INCREASE OVER FY94

	Estimated Actuals for FY95 ¹ (July - Dec.)		Proposed Budget FY95 ² (Jan. - June)		Proposed Total Budget for FY95 (July - June)		Original FY95 Budget (July - June)	
	\$1000	% ^{1/}	\$1000	% ^{2/}	\$1000	% ^{3/}	\$1000	% ^{4/}
UNDP	2,600.0	+16	3,320.0	+49	5,920.0	+32	7,840.0	+75
UNEP (excl. STAP)	879.3	+60	1,468.1	+164	2,347.4	+114	2,605.0	+137
World Bank (incl. IFC)	5,632.0	-7	10,387.0	+71	16,019.0	+32	17,119.6	+41
STAP/UNEP	433.8	+35	844.5	+163	1,278.3	+99	1,570.0	+145
Trustee	396.6	0	396.6	+1	793.2	+1	793.2	+1
Secretariat	1,772.0	+3	2,523.0	+47	4,295.0	+25	4,232.0	+23
Total	11,707.1	+4	18,939.2	+68	30,652.9	+36	34,159.8	+51

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CEO approve in special session
are FY95 < 80

- 1/ Estimated Actuals for FY95 I vs. half of FY94 (Estimated Actuals for FY94, as reported in Chairman's Report, July 1994).
- 2/ Proposed Budget FY95 II vs half of FY94 (Estimated Actuals for FY94, as reported in Chairman's Report, July 1994)
- 3/ Proposed Budget full year FY95 vs FY94 (Estimated Actuals for FY94, as reported in Chairman's Report, July 1994)
- 4/ Chairman's Report (July 1994) Budget full year FY95 vs FY94 (Estimated Actuals for FY94, as reported in Chairman's Report, July 1994)



UNDP PROPOSAL FOR FY95 ADMINISTRATIVE BUDGET

OVERVIEW

1. The GEF Council cannot make informed decisions on implementing agency administrative expenditures without considering these expenditures within the context of (1) project expenditures, and (2) the GEF work load already underway and that to be undertaken. Although project expenditures are disclosed in the financial reports annexed in the Chairman's Report, these have not been integrated into considerations of administrative costs.
2. Furthermore, simple comparisons of change in administrative expenditures from one year to the next, must also factor in the nature of the change in responsibilities in those years. This year's addition of GEF I responsibilities to an ongoing duty to implement the Pilot Phase portfolio, obviously requires increased administrative resources.
3. UNDP's FY95 administrative expenditure projection of \$7.8 million presented in the July 1994 Chairman's Report and subsequently discussed in the November 1994 Council meeting reflected UNDP's recognition of the need to "gear up" for an anticipated sharply increasing pace of GEF I programme development. It also reflected UNDP's need to be ready for full implementation of its entire pilot phase work programme (consisting of 55 technical assistance projects, 28 Pre-investment feasibility projects - PRIFs and the Small Grants Programme, totalling \$276 million - all of which will be in full implementation by mid-1995). UNDP's administrative expenditure projection of \$7.8 million would have constituted 10.4% of the projected expenditures on projects for FY95.
4. However, based on Council's instruction to reduce projected administrative expenditures, UNDP reduced the \$7.8 million for FY95 projection to \$5.9 million. This \$5.9 million constitutes 8% of UNDP-GEF's projected project expenditures for FY95, and is considered a bare minimum requirement for UNDP to fulfill its responsibilities in the GEF. To further clarify the issue of administrative expenditures, it should be recalled that UNDP already absorbs a not insignificant part of GEF-related expenditures (see document GEF/C.2/7, paragraph 12).
5. The attached summary table provides a tool for assessing the administrative performance of UNDP-GEF. Council will be interested to know that UNDP-GEF project expenditures have been accelerating over the past year, and FY95 programme delivery is expected to increase by 52% over FY94. Administrative expenditures, on the other hand, will decrease in proportion to project expenditures from 9% in FY94 to 8% to FY95.

UNDP'S DETAILED EXPLANATION OF 1995 ADMINISTRATIVE BUDGET

Description of Staff Resources (Coordinating Units)

6. UNDP/GEF consists of a core unit under the Sustainable Energy and Environment Division (SEED) in the Bureau for Policy and Programme Support (BPPS) as well as staff posted in the Regional Bureaux. During FY94, 9 professional staff in the core unit consisted of: Executive Coordinator, Deputy Executive Coordinator, Principal Technical Advisors on Biodiversity and on Climate Change, Chief of Programme Support (covering finance, personnel and administration), Information Officer, Operations Officer and for the Small Grants Programme one Senior Adviser and one Manager of the Programme.
7. There were 7 professional staff in the 5 Regional Bureaux. The 10 support staff included one Principal Programme Support Assistant, one Executive Assistant to the Executive Coordinator, and 4 secretaries in the core unit as well as 4 Programme Assistants in the Regional Bureaux. The overall ratio of professional/support staff was 1.6:1.
8. One Principal Technical Adviser on Capacity Building is outposted to the GEF Secretariat at its request and included in the attached UNDP budget for the time being (At the end of the year, salary costs of that advisor will be charged back to the GEF Secretariat).
9. Further comments on additional staff utilized during the first half of FY95 and the second half of FY95 are incorporated in the following paragraphs.

Detailed Description of Budget Categories – Agency Coordination Expenses

Administrative Expenditures For First Half of FY95

10. Estimated expenditures for the first half of FY95 (July - December 1994) exceeded by \$140,000 the "10% ceiling" as decided by the GEF Council in November 1994. The 10% ceiling is \$2.46 million and our estimated expenditure is \$2.6 million, including staff working for the GEF Secretariat. The costs of the outposted staff will be shifted to the Secretariat's budget at the end of FY95. The excess only comes from one category: "consultants". This is understandable when compared with the cost of consultants for FY94, which was much lower than planned. During this period, UNDP has been relying on a range of consultants to collaborate with countries at their request to develop pipeline projects for GEF I funding. The estimated expenditure of \$0.8 million represents some 120 consultancies, including fees, DSAs and travel for project identification, formulation and technical review work.
11. Professional staff is increased by one in the core unit (Special Projects Officer) and one in the Regional Bureau (Deputy Regional Coordinator in Asia Bureau). The two support staff are one secretary in the Arab States Bureau and a Programme Assistant in the Regional Directorate for Europe and CIS. The overall ratio of professional/support staff was 1.5:1.

Administrative Expenditures For Second Half of FY95

12. **Staff Salaries & Benefits:** UNDP requires, as a minimum, one new post - a specialist in international waters. This represents the \$80,000 increase over the previous 6-month period. We may also request limited additional staff support for the Small Grants Programme when the Council decides on its funding.
13. **Consultants:** UNDP needs to maintain the same level of funding for consultants in the monitoring and evaluation of pilot phase projects as well as in the backstopping for project preparation.
14. **Travel:** This figure is low in comparison to expenditures in FY92 or FY93 when pilot phase project development was in full operation.
15. **Meetings/Seminars:** This encompasses developing a project preparation training programme for in-country capacity building activities for the purpose of empowering country-driven project formulation and development.
16. **Management Information System:** This represents development costs for enhancement of a new UNDP corporate project budget management system, PFMS. Data in the PFMS are to be sorted for various GEF specifications and to produce standard financial reporting to the GEF. Data in the PFMS are also expected to be downloaded to a database. Coupled with text information, a project tracking system with information similar to that in the Operational Report is expected to be developed. It should be noted that the development of a management information system was considered an urgent requirement in the Independent Evaluation Report.
17. **Contractual Services:** This represents design and printing costs of vendors for publications, e.g. project documents, information brochures, annual reports and video production. The latter address agency-specific communication and outreach needs which derive from UNDP's responsibility in the GEF.
18. **Other:** This is primarily the fee paid to UNDP's central services, e.g. accounting, budgeting, treasury, personnel, general administration as well as auditing functions. A flat fee of 0.5% of project delivery is calculated. This support service is charged in accordance with the Agreement signed on 24 April 1991 between UNDP and the World Bank as Trustee of the GEF.

Detailed Description of Budget Categories – Project Expenditures

Project Disbursements

19. Project disbursement figures as spelled out in footnote c/ in the attached table provide a framework with which to evaluate the administrative costs. Project disbursement figures include PRIFs. FY95 project expenditures are expected to be 52% higher than FY94.
20. We have also included a first order estimate of Project Preparation and Development Facility (PDF) expenditures in this category.

21. Under the project disbursement figures, we provide the estimated cost for project supervision/implementation as well as field office support costs. They are part of the total project expenditures.
22. For the categories listed below, GEF expenditures are comparable to, or even less than, that of typical UNDP projects. All categories below are funded from project allocation as an integral part of the UNDP project budget and are not funded from the administrative budget.
23. **Project Development** - For the 55 pilot phase technical assistance projects, project development costs have not been charged to the project. They have been absorbed in UNDP/GEF's administrative budget.
24. **Project Preparation** - Once the Council has endorsed allocation of funds for a project, subsequent preparation costs are charged to "preparatory assistance" (PA), which is funded from the project concerned. PAs are part of the technical assistance project budget.
25. **Project Supervision/Implementation** - UNDP projects are executed and project funds are disbursed by an executing agency, which consists of either a government, or one of 36 UN executing agencies. Each executing agency has signed a Standard Basic Agreement, covering all aspects of the execution of technical cooperation activities, including a provision on executing agency support costs.
26. Unless an ad hoc rate is agreed to for specific projects, the "big five" executing agencies (FAO, DDSMS, UNIDO, UNESCO and ILO) and Office for Project Services (UNOPS) charge in accordance with a reimbursement rate per cluster of services (i.e. national personnel 11%, international personnel 9%, subcontracts 11%, fellowships 12%, training 21%, and equipment 4-10%). Other UN agencies charge 13 percent. The World Bank waives its support costs in executing UNDP/GEF projects. UNOPS currently receives 6%, but this rate will likely be revised upward, based on actual costs.
27. The rates established with the UN executing agencies are the result of many long consultation and negotiation processes. It was generally agreed that the UN agencies are not recovering their full costs in executing UNDP projects. When developing guidelines "which will encourage cost sharing between implementing and executing agencies..." (GEF/C.2/7 paragraph 16), the GEF Secretariat should take into account UN Systems' experience and work already done in this area.
28. In the case of national execution, no support costs are charged to the project. At times, however, co-operating executing agencies implement certain components of nationally executed projects and receive a support cost reimbursement for the components, calculated in the same manner as described above.
29. Even when a combination of national and agency execution (some with reduced rates) is used, the cost is substantial. If UNDP is to cooperate with UN agencies, this category of cost will likely be significant.

30. As an exception to the rule, the UNDP/GEF Executive Coordinator has been granted by UNDP management in January 1995 the authority to negotiate the support costs rate, on a case-by-case basis, with the executing agency concerned taking into account the particular circumstances of the project.

31. **Project Monitoring/Evaluation** - External consultants are recruited to evaluate projects in accordance with normal UNDP procedures. Occasionally, Headquarters staff, either from the Executing Agency or from UNDP, may participate in project monitoring and review missions. These costs may be charged to the project in accordance with UNDP procedures.

32. **Field Office Support** - Field office workload in relation to identification, formulation, processing, support and monitoring of GEF projects (up to 3% of total project cost) is also funded from projects. Actual costs may be higher than the support costs charged because the salaries of senior UNDP staff in the field are completely absorbed by UNDP. This support cost is essential, especially in nationally executed projects. In UN agency-executed projects, a lower rate, or even a waiver, may be applied.

GEF FY95 ADMINISTRATIVE BUDGET
AGENCY NAME: UNDP

	<u>FY94</u> Full-Yr Estim.Exp. 1/	<u>FY95</u> Estim.Exp. Jul-Dec. '94	<u>% Change</u> half-year FY95/FY94	<u>FY95</u> Projected Jan-Jun'95	<u>FY95</u> Estimated July'94-Jun'95	<u>% Change</u> FY95/ FY94
	(a)	(b)		(c)	(d)	(d)/(a)
Coordinating Units (no. of positions)						
Staff Resources						
Core Unit						
No. of Professional level	9	10		11	11	
No. Long-term Consultants a/	5	3		1.5	1.5	
No. of Seconded b/	1	(1)		(1.5)	(1.5)	
Total Higher Level *	15	13		12.5	12.5	
Total Support Level	6	6		6	6	
Regional Bureaux						
No. of Professional level	7	8		8	8	
No. of Long Term Consultants a/	2	2		2	2	
No. of Seconded	0	0		0	0	
Total Higher Level *	9	10		10	10	
Total Support Level	4	6		6	6	
Total No. of Higher Level Positions *	24	23		22.5	22.5	
Total No. of Support Level Positions	10	12		12	12	
Agency Coordination Expenses (US\$ thousands)						
Staff Salaries and Benefits	2800.0	1400.0	0%	1480.0	2880.0	3%
Consultants	830.0	800.0	93%	840.0	1640.0	98%
Travelling/Seminars	110.0	60.0	9%	100.0	160.0	45%
Equipment	150.0	50.0	-33%	250.0	300.0	100%
Translation	40.0	10.0	-50%	20.0	30.0	-25%
Communications	10.0	0.0	-100%			-100%
Management Information System	30.0	20.0	33%	30.0	50.0	67%
Representation	0.0	0.0		140.0	140.0	
General Operating Costs	0.0	0.0				
Contractual Services	270.0	150.0	11%	150.0	300.0	11%
Other	60.0	30.0	0%	60.0	90.0	50%
	170.0	80.0	-6%	250.0	330.0	94%
TOTAL ADMINISTRATIVE COSTS						
Project Expenditures c/						
Project Disbursements, of which related to:						
Project development						
Project preparation						
Project supervision/implementation d/	3040.0	1100.0	-28%	2300.0	3400.0	12%
Project monitoring/evaluation						
Field-Office support d/	630.0	450.0	43%	730.0	1180.0	87%

1/ Per Table 9 of the July 1994 Chairman's Report.

a/ Those employed six months or more; includes one editor.

b/ Represents 50% time of one editorial assistant and 1 full-time staff in Secretariat.

c/ Based on project disbursements (excluding proposed PDF for FY95) of: FY94 - \$49060.0; FY95 (July-Dec) - \$26880.0; FY95 (Jan-Jun) - \$46300.0; Total FY95 - \$73,180.0

d/ Included in Grand Total Administrative Expenditures in view of UNDP method of projectizing these costs.
Higher Level = Professional Level, Long Term Consultant, Secondees

UNEP PROPOSAL FOR FY95 ADMINISTRATIVE BUDGET

1. The purpose of this review is to provide detailed information to the GEF Council on UNEP's GEF administrative expenditures, and in particular to explain significant shifts and increases in budgets.
2. In the GEF Chairman's Report to the July 1994 Council meeting, UNEP submitted an administrative budget of \$2,605,000. This represented a 137% increase over FY94 UNEP GEF estimated expenditures (\$1,099,200).¹
3. Based on a detailed review of the administrative budget UNEP is now submitting a request for \$2,347,400 for FY95². This is \$257,600 less than the original request in July 1994 and reflects a conscious effort by UNEP to reduce expenditures as instructed by the Council.³ The revised budget is a 113% increase over FY94.
4. As shown in the UNEP worksheet, UNEP's estimated expenditures for July-December 1994 are \$879,300, which is a 60% increase over the level of expenditures for FY94. The Council's decision in November 1994 on the GEF administrative budgets was taken during the second quarter of FY95, when UNEP had already begun preparing for the new GEF and spending at a level consistent with the FY95 budget submitted in July to the Council. Therefore, it was difficult to cease all activities immediately. All efforts were made, however, to abide by the Council's decision, and the year to date expenditures are nearly 25% lower than the expenditure projected for the period in the original budget submitted to the Council in July 1994.
5. The amount requested for the full FY95 is based on the following factors:
 - (a) FY94 expenditures reflected the fact that UNEP's GEF organizational structure and staff complement was minimal (three professional level staff) and not sufficient for UNEP to play an effective role in the GEF (as concluded by the Independent Evaluation of the

¹ In order to ensure consistency of analysis across the implementing agencies, the FY94 expenditures used in this review are those published in the July 1994 GEF Chairman's Report. Subsequent to the publication of the Report, UNEP reported its actual expenditures for FY94 at \$1,008,000.

² This excludes expenditures in the UNEP General Support budget that relate to the reconstituting of STAP (\$99,300), such as the cost of consultations in the preparation of papers for the Council, establishment of the STAP Search Committee, further development of the STAP Roster of Experts for GEF1, and some costs of staff and consultants assigned to STAP work.

³ The November 1994 meeting of the GEF Council decided that pending Council review and approval of FY95 administrative budgets, the Implementing Agencies should not exceed the levels of administrative expenditures for FY94 by more than 10%, excluding those administrative expenditures relating to the establishment of the new STAP, but not the STAP Secretariat.

Pilot Phase). The FY95 budget seeks to address many of the conclusions and recommendations of the Evaluation;

- (b) During the Pilot Phase, UNEP's regular budget absorbed a significant portion of the costs of UNEP's GEF activities (eg., half of the salary of the Chief of the GEF Unit and STAP Secretary, rent, translations, much of the communications costs, and some other staff costs);
- (c) FY94 expenditures reflected the limited level of activity towards the end of the Pilot Phase. During FY95 there has been a need to gear up for the new GEF, including preparation of a small number of projects, participation in the development of GEF operational strategies, and undertaking consultations with governments and other partners;
- (d) During FY95 intensive in-house planning work has been undertaken in UNEP. This is consistent with the fact that, following the restructuring and replenishment of the GEF, UNEP's Governing Council, in adopting the GEF Instrument at its Special Session in June 1994, called on the Executive Director of UNEP to ensure that UNEP participates as a full and effective partner in the GEF, and, to this end, develop a full-scale UNEP GEF programme consistent with the role assigned to UNEP. The Executive Director approved the development of a UNEP GEF strategy and work plan as a major priority for FY95 and as a prerequisite for the submission of activities for GEF funding. The planning process also responded to a specific request from the July Council meeting for strategic plans from the GEF Implementing Agencies;
- (e) The FY95 budget provides for the transition period required in order to build the necessary foundation for commencing implementation of *UNEP's GEF Strategy and Programme Focus*, which was approved by the UNEP Management Board in October 1994; and
- (f) An indirect factor has been the large appreciation in the value of Kenyan Shilling against the US Dollar. This has particularly affected levels of expenditure on salaries and consultants in Nairobi due to the increase in post adjustment from 18% to 57%.

6. Overall, UNEP's GEF administrative costs should not be measured merely in terms of percentages of allocations for the GEF work programme or as percentage increases, but seen as a minimum level required to ensure the required core professional capacity for a meaningful and effective contribution by UNEP to the GEF.

7. Based on the *UNEP GEF Strategy and Programme Focus*, the activities envisaged in FY95, and to be continued into FY96, fall in three categories:

- (a) Mobilizing scientific and technical expertise for the GEF, including through the establishment of STAP and by providing its Secretariat;

- (b) Participating in the development of GEF policies and strategies in collaboration with the GEF Secretariat, UNDP and the World Bank; and,
- (c) Undertaking specific types of catalytic project-related activities with significant value-added to furthering the strategic objectives of the GEF and cooperating with the other Implementing Agencies in assisting developing countries and economies in transition (particularly in contributing to efforts to cast as wide a net as possible for potential GEF projects).

8. The budget requested is necessary to ensure that UNEP can efficiently prepare high quality activities that support the objectives of the GEF and biodiversity and climate change conventions and that respond to requests from countries for assistance (eg., in preparing for reporting requirements; better understanding strategic issues related to the conventions; capacity building, research and training; information dissemination; and, inventories). This will include the need for resources for a coherent approach to information dissemination in order to respond to governments' requests for better quality information on UNEP's GEF activities and promoting the participation of the United Nations system, scientific community, and private sector in UNEP's GEF activities through extensive consultations.

REVIEW BY BUDGET CATEGORY

9. There are significant increases in proposed expenditures in the categories of staff salaries and benefits, consultants, travel, meetings, and equipment. These are reviewed in further detail below.

10. **Staff salaries and benefits.** There is a \$303,600 (108%) increase in this category over FY94. The expenditure increase is primarily due to the priority to be given in the latter half of FY95 to improving in-house management and technical capacity for GEF operations. The effective implementation of the responsibilities assigned to UNEP will require, at the minimum:

- (a) A small core GEF coordinating office which will have primarily administrative, communication, and technical support functions, consisting of a total of 5 professional level staff⁴; and,
- (b) The necessary complement of thematic staff (4) in each focal area, placed in the Office of the Environment Programme, with the capacity to function at the required strategic and project levels⁵.

⁴ GEF Coordination Office staff: Executive Coordinator, Programme Coordinator, Administrative/Fund Management Officer, Communications Officer, and Washington Liaison Officer. The number of support level staff reflects UN practices; 10-12% of the projected expenditures on salaries and benefits is for support level staff.

⁵ Senior Programme Officers for Biodiversity, Climate Change, Ozone and International Waters. It is expected that some necessary regional GEF staff will be deployed in FY96.

11. **Consultants:** The most significant increase in FY95 over FY94 relates to the category of expenditures for consultants (\$654,000 or 311%). This has been necessary as an interim measure in order to support the planning process in UNEP, the preparation of project submissions – an activity which had been limited in FY94 – and the operational transition while core GEF staff are being recruited. Furthermore, the transitional phase of UNEP's GEF organizational structure requires some redundancy in allocating resources to staff salaries and consultant's budget lines due to the following reasons:

- (a) The unpredictability in the timing of staff recruitment makes it necessary to allow for budgetary provisions for consultants. Some variability is likely in actual expenditures on staff and consultants, depending on the actual timing of recruitment of staff; and
- (b) UN rules require that budgetary provisions be made for any post prior to classification, advertising, and recruitment. Since it is difficult to determine precisely when staff will take over from consultants, there is considerable overlap built into the budget.

12. **Travel:** There is an increase of \$214,000 (71%) over FY94 in travel costs, which reflects the relatively high cost of travelling from and to Nairobi for UNEP staff and consultants. In addition, travel costs include attendance at meetings not only organized by UNEP, but also those organized by the GEF Secretariat, UNDP and the World Bank on GEF issues of relevance to UNEP. Although increasing use is being made of telephone conference calls (and the inauguration of video conferencing is planned during FY95), there remains a need for greater interaction between UNEP's staff and those of the GEF Secretariat, UNDP, the World Bank, and other relevant organizations to ensure effective cooperation and coordination in GEF activities. Moreover, telecommunications links with Nairobi are sometimes uncertain and teleconferencing is not a cost-effective alternative to meetings of more than one day's duration.

13. **Meetings:** With regard to meeting costs, which have increased by \$130,800 (73%) over FY94, UNEP plans to convene a limited number of small meetings of groups of experts, designed to strengthen elements of UNEP's GEF programme and provide specific guidance for project development. These meetings are an important part of UNEP's role, as defined in the Instrument, in "*catalyzing the development of scientific and technical analysis*" and providing "*guidance on relating GEF-financed activities to global, regional and national environmental assessments, policy frameworks and plans, and to international environmental agreements*".

14. **Equipment:** In considering the \$87,000 increase in equipment costs, it should be noted that most expenditures for equipment in FY95 are one-time expenditures, such as establishing video conferencing facilities in Nairobi and purchasing computer equipment for new staff.

15. In general, after the recruitment of GEF staff (an activity which the other Implementing Agencies had practically completed by FY94), UNEP's expenditures are expected to stabilize around \$2.75-3 million (from FY96).

GEF Project and Administrative Expenditures (\$US thousands)

	FY94 Estimated Expenditures a/ (a)	FY95 YTD/Estimated (Jul.-Dec. '94) (b)	% change half-year FY95/FY94	FY95 Projected Jan.-Jun. '95 (c)	FY95 Estimated July '94-June '95 (d)	% change FY94 vs. FY95 (d)/(a)
Coordinating Units (no. of positions)						
Staff Resources						
Core Unit:						
No. of Professional level	3	2.5		5	5	
No. of Long Term Consultants b/	1	0		0	0	
No. of Seconded Staff c/	1	(1)		(1)	(1)	
Total Higher Level*	5	2.5		5	5	
Total Support level	4	4		6	6	
Regional Bureaux:						
No. of Professional level				4	4	
No. of Long Term Consultants						
No. of Seconded Staff						
Total Higher Level*	0	0		4	4	
Total Support level	0	0		4	4	
Total No. of Higher-Level Positions*	5	2.5		9	9	80%
Total No. of Support Level Positions	4	4		10	10	150%
Agency Coordination Expenses (\$US thousands)						
Staff Salaries & Benefits 1/	282.0	152.0	8%	433.6	585.6	108%
Consultants	210.0	357.0	240%	507.0	864.0	311%
rel	300.0	219.0	46%	295.0	514.0	71%
etings/Seminars	180.0	185.8	106%	125.0	310.8	73%
quipment	7.0	29.0	729%	65.0	94.0	1243%
ranslation	0.0	1.5		0.0	1.5	
Communications	80.0	18.0	-55%	22.0	40.0	-50%
Management information System	0.0	0.0		0.0	0.0	
Representation	2.0	3.3	230%	3.0	6.3	215%
General Operating Costs 2/	32.6	5.0	-69%	12.5	17.5	-46%
Contractual Services	5.6	8.0	186%	5.0	13.0	132%
Other 3/	0.0	-99.3		0.0	-99.3	
TOTAL ADMINISTRATIVE COSTS	1099.2	879.3	60%	1468.1	2347.4	114%
Project Expenditures						
Project disbursements 4/						
Project development						
Project preparation						
Project supervision/implementation						
Project monitoring/evaluation						
Field Office support						

*Higher Level = Professional Level, Long Term Consultants, Secondees.

a/ Figures reported in July 1994 Chairman's Report.

b/ Those employed six months or more.

c/ Figure in parenthesis represents seconded staff to Secretariat.

1/ Effective FY95, costs of UNEP's seconded staff at the GEF Secretariat will be transferred to the GEF Secretariat's budget.

2/ Includes office supplies, office furniture, rent, office maintenance, maintenance of equipment, and publications.

3/ Represents expenditures for new STAP (included in STAP totals).

4/ Project disbursements in UNEP's GEF projects are part of the projects' budgets. Total disbursements in FY94 was \$2.38 million.

Projected disbursements for FY95 is \$10.84 million.

WORLD BANK PROPOSAL FOR FY95 ADMINISTRATIVE BUDGET

1. In the July 1994 Chairman's Report, the Bank estimated that out of the \$13.9 million originally budgetted for the World Bank Group in FY94, about \$1.0 m would be underutilized, or a year end estimated actual of \$12.9 million (\$12.1million excl. Trustee costs)[see attached table footnote a]. This was due to slippages in the approval process of projects in the pilot phase work program and a slow down in GEF1 related activities. The final actual expenses for the year were even lower at \$12.2 million, or \$11.4 million excluding Trustee costs.

FY95 WORK PROGRAMS AND BUDGET

2. **World Bank FY95 Global Environment Operations Business Plan.** As stated in the Business Plan¹, The World Bank's operational strategy for FY95 is to effect a smooth transition from the Pilot Phase to GEF1 by putting the highest priority on: (a) completing processing of pilot phase operations through Bank management approval, supervision and monitoring and evaluation of projects under implementation; (b) being responsive to deficiencies in GEF operations implementation identified by the Independent Evaluation; and (c) starting work in a modest way to respond to country requests for GEF1 assistance while ensuring that this response is consistent with respective global environment conventions and guidance from the GEF Council on operational modalities and resource allocation. Of the total original budget of \$17.1 m (after separating trustee costs), 75% is for operational/project related work and 25% is for coordination, financial and legal administration. Out of the 75% for operational work, approximately 25% is for pilot phase activities and 50% for GEF1.

3. **GEF Council Revised Budget Guideline.** At the November GEF Council meeting, implementing agencies were directed to plan not to exceed the levels of administrative expenditures for FY94 by more than 10%, pending further review and approval of FY95 administrative budgets by the Council. For the World Bank, this meant a decrease in budget from \$17.1 million as planned [see attached table] to \$13.4 million. While the Bank may be able to keep its expenditures through December at half of the budget level guideline, it would be difficult to operate for the remainder of the year within the constrained budget of \$13.4 million as explained in paragraph 4(c) below.

4. **Work Program and Administrative Budget Mid-Year Review.** The following points are important to note as background for the midyear review:

Pilot Phase Work Program: The Bank's total investment portfolio for the Pilot Phase consists of 52 projects for \$460 m (including PPAs). Through the end of FY94, 31 investment projects have been approved, with the remaining 21 projects expected to be approved in FY95, accrued to

¹ Copies of the World Bank FY95 Global Environment Operation Business Plan will be available at the Council meeting.

GEF1, or dropped due to on-going difficulties encountered with country conditions. As of December 1994, six more projects were approved and committed by Bank Management; two projects (Nigeria Escravos Gas Flaring Reduction and the Cote d'Ivoire Crop Waste Power) were dropped for the Bank's work program; and three new projects (Poland Efficient Lighting, Russian Federation Biodiversity Conservation - Priority Response Program and IFC's Global Small and Medium Scale/private sector project) were added. Up to five projects will be accrued to GEF1 because approvals are expected past FY95. Preparation activities for GEF1 1995 projects began on a limited scale in 1994. In addition, the Bank has undertaken selected global environmental sector/country strategy work and supported national planning studies with GEF eligible countries on the various GEF focal areas.

GEF1 Work Program Assumptions. The assumptions underlying the projection for the World Bank's GEF1 Work Program for the second half of FY95 through FY99 follows. In the absence of any indicative guidelines for GEF1 on resource allocations between implementing agencies, the Bank has assumed the same relative share of investment operations in the total pilot phase resources. After taking out 10% for administrative costs from the total GEF1 resources of \$2.0 billion, the Bank's assumed GEF1 funding level for investment projects is \$1.1 billion. The planned phasing of this total is as follows:

Projected GEF1 Work Program Allocation

<u>Fiscal Year</u>	<u>Amount (\$m)</u>
FY95 - Feb	\$ 60.0 (ODS-Hungary and Russia; China Biodiversity, India Ecodevelopment)
- May	70.0
FY96	200.0
FY97	250.0
FY98	400.0
FY99	120.0
Total	1,100.0

Administrative Budget. The estimated resource use for the first half of FY95 is approximately \$5.6 million or about 42% of the GEF Council budget guideline. This low utilization rate reflected a cautious approach to the identification of GEF1 projects until the Council provided interim operational guidance. However, now that this guidance is becoming available, the consequence of the 10% cap for the second half of the fiscal year would be to slow down work on the pipeline of priority GEF1 projects and the implementation of GEF evaluation recommendations for operational policy and best practice improvements.

5. First, because it takes approximately 18 months to prepare projects, without an expanded preparation effort, there will be an inadequate pipeline for FY97-98; projects that are planned to be developed and presented for the second half of FY95 and FY96 are mostly those on which preparation

began during the pilot phase and which respond fully to Council guidance for GEF1 operations. This preparation needs to be sustained and new concepts identified.

6. Secondly, on-going tasks to address the deficiencies identified by the GEF independent evaluation would be delayed and certain GEF1 projects would have to be prepared without the benefit of these tools and methodologies. Such activities include: further streamlining and harmonizing GEF procedures with the Bank's; developing best practice notes on monitoring and evaluation of operations in each thematic area, social assessment and local participation guidance; and tools and analytical methods in each thematic area for identifying global environment priorities for action by countries and at the regional level.

7. The Bank has reviewed its original FY95 work programs and budget and has identified activities that are no longer necessary and/or may be deferred with the goal of funding only high priority activities and downsizing its budget to a level consistent with producing quality GEF outputs. This streamlining exercise has resulted in a reduction of 6% from the original FY95 budget level of \$17.1 m to \$16.0 m (see attached table).

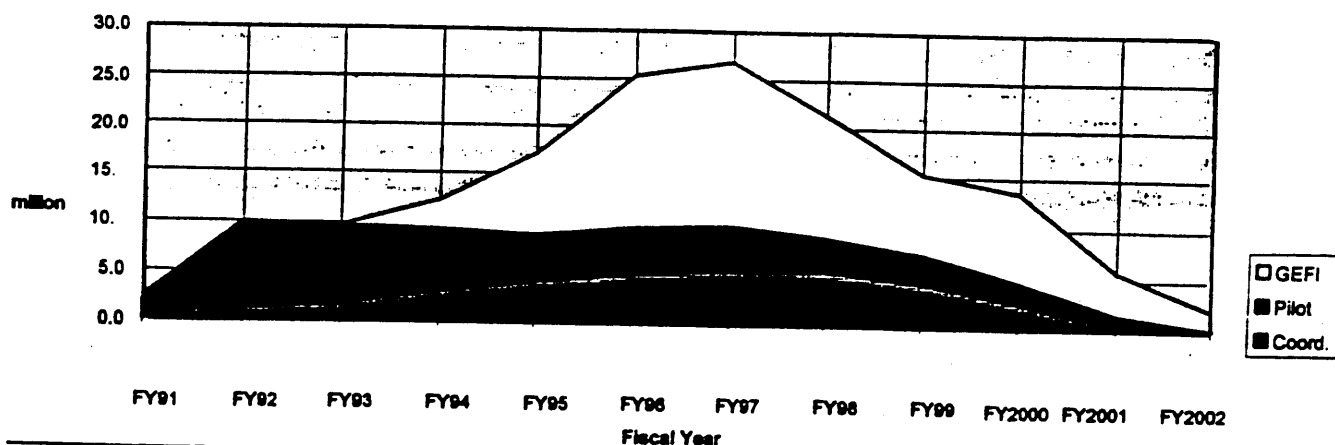
WORLD BANK GEF ADMINISTRATIVE COSTS PROJECTIONS (FY95-99)

8. Administrative costs for pilot phase project preparation activities are expected to decline in FY95 and beyond while costs for supervision of projects under implementation would increase as GEF Pilot Phase projects are approved by Bank Management. On the other hand, GEF1 activities are expected to pick up and if the phasing of GEF1 Work Program resource allocation to the Bank, as set out in para 4(b), is realized, the projected Bank administrative costs for both the pilot phase and GEF1 would be as follows:

The World Bank Group (Incl. IFC)
GEF: Estimated Administrative Budget for Pilot Phase &
(\$m)

	Agency Coord.	Operations/Project Related		Total
		Pilot Phase	GEF1	
FY91	0.7	1.7		2.4
FY92	1.2	8.7		9.9
FY93	1.7	7.0	1.0	9.7
FY94	3.1	6.2	2.9	12.2
FY95	4.3	5.6	6.4	16.3
FY96	5.0	4.7	15.6	25.3
FY97	5.4	4.5	17.0	26.9
FY98	5.4	3.6	13.3	22.3
FY99	4.4	2.9	8.2	15.5
FY20	2.6	2.0	9.1	13.7
FY20	0.4	1.2	4.0	5.6
FY20	0.2		2.0	2.2
Total	34.4	48.1	79.5	162.0
		460.0	1,100.0	1560.0
	2%	10%	7%	10%
Pilot Phase		12%	(with coord. FY91-95)	
GEF1		9%	(with coord. FY96-2002)	

GEF: FY91-2002 Administrative Budget¹



This Administrative Budget projection is based solely on the pilot phase and GEF1.

9. Pursuant with the GEF objective of lowering its overall administrative costs to 10% of project commitments, the Bank will endeavour to keep its costs within this limit through streamlining of its project processing procedures and through anticipated larger size projects. Bank Management has been reviewing its project processing procedures for GEF with the goal of aligning these closely with the Bank's. On the project size, the average Bank project size under the Pilot Phase was \$9 million. During GEF1, the assumption in this work program projection is that the average project size would increase to \$15 million. This average project size may be feasible under GEF1 because of projected large infrastructure global warming projects (\$25-50 million) such as the Brazil Biomass project and the prospective Mexico Solar Thermal project. Also, a new feature in processing Bank investment projects is being studied whereby funding for large projects is phased in two to three small tranches over a period of 3-5 years. After the first tranche, subsequent tranches would be presented to the GEF Council for work program approval on the basis of implementation performance of already approved tranche/tranches. These tranches will be prepared and approved within the framework of an umbrella project agreement to be prepared by the Bank. This approach in project processing has already been successfully adopted in the Bank for Ozone projects funded by the Multilateral Fund of the Montreal Protocol.

10. GEF1 Project-related Administrative Costs: Using the Work Program assumptions in the foregoing paragraphs, the Bank would be expected to prepare and supervise the implementation of approximately 70-80 projects under GEF1 and 52 projects for the Pilot Phase. In addition, in order to lay the foundation for global environment investment projects in GEF eligible countries, the Bank will provide assistance to countries in preparing a framework for GEF assistance through formulation of global environment strategies consistent with their national environment resource management strategy, and any other related sector work activities. Resource allocations for these activities would only be in small increments to existing Bank assistance for sector work across GEF eligible countries. Further, the Bank will continue to collaborate with the other GEF Implementing Agencies (IAs) in technical assistance projects and research/studies, and wherever necessary, jointly with the Secretariat, other implementing agencies, or solely, will sponsor GEF in-country workshops focussing on the investment operations of the GEF.

11. Agency Coordination Expenses - Coordination, financial and legal administration: The core coordination group is experiencing modest growth, to continue through FY96, in order to provide the necessary capacity to undertake the coordination, financial and legal administration functions for the Bank as an implementing agency and to implement measures to correct the operational policy and best practice deficiencies identified by the Evaluation Panel. Growth in the core coordination unit in FY94 was as a result of the centralization of the regional bureaux/coordinators from the Operational units of the Bank to the core GEF unit, although there was a net overall reduction in Bank GEF coordination that year. In FY95, the increase of 3 professional staff included a deputy manager for the Unit, a thematic specialist (social assessment), and publications/communications officer. In FY96, increases are planned for further strengthening of the Bank's core staff with one more thematic specialist (International Waters), limited expansion of short-term contractual capacity, and for possible establishment of a GEF unit within IFC, e.g. conversion of long-term consultants to fixed term co-terminous positions. It is expected that the resource needs for these functions would level off over the remaining GEF1 period. However, with the addition of IFAD and possibly regional development banks, core coordination functions in each of these agencies would necessitate funding by GEF.

GEF FY95 ADMINISTRATIVE BUDGET
AGENCY NAME: THE WORLD BANK
 (The World Bank as Implementing Agency and the IFC)

	FY94 Full-Yr Estim. Exp. a/	FY95 Estim. Exp. Jul-Dec '94 b/	% Change half-year FY95/FY94	FY95 Projected Jan-Jun'95	FY95 Estimated July'94-Jun'95 c/	% Change FY95/ FY94
	(a)	(b)		(c)	(d)	(d)/(a)
Coordinating Units (no. of positions)						
Staff Resources						
Core Unit						
No. of Professional level	8	11			11	
No. Long-term Consultants	5	6			6	
No. of Seconded	0	0			0	
Total Higher Level *	13	17			17	
Total Support Level	5	6			7	
Regional Bureaux						
No. of Professional level d/	1	1			1	
No. of Long Term Consultants	0	0			0	
No. of Seconded	0	0			0	
Total Higher Level *	1	1			1	
Total Support Level	0	0			0	
Total No. of Higher Level Positions *	14	18			18	
Total No. of Support Level Positions	5	6			7	
Agency Coordination Expenses (US\$ thousands)						
Staff Salaries and Benefits	1183.0	680.0	14%	1138.00	1818.0	52%
Consultants	392.0	225.0	19%	355.00	580.0	48%
Travel	435.0	189.0	-22%	304.00	473.0	9%
Meetings/Seminars	-	10.0		40.00	50.0	
Equipment	70.0	22.0	-38%	58.00	80.0	14%
Translation	-	-		5.00	5.0	
Communications	26.0	18.0	24%	18.00	35.0	35%
Management Information System	38.0	30.0	54%	30.00	60.0	54%
Representation	7.0	2.0	-32%	7.00	9.0	32%
General Operating Costs	241.0	174.0	44%	174.00	348.0	44%
Contractual Services	151.0	86.0	14%	129.00	215.0	43%
Financial and Legal Adm.	405.0	222.0	10%	222.00	445.0	10%
Other	150.00	78.0	1%	98.00	175.0	17%
TOTAL ADMINISTRATIVE COSTS	3000.0	1750.0	-10%	1750.0	2280.0	33%
Project Related Expenditures						
Project Disbursements						
Project development	4289.0	1489.0	-31%	3503.0	4872.00	18%
Project preparation	2998.0	989.0	-34%	1337.0	2328.00	-22%
Project supervision/implementation	963.0	999.0	107%	1309.0	2308.0	140%
Project monitoring/evaluation	-	-		-	-	
Field-Office support	-	-		-	-	
Sector Strategy/studies/etc. e/	343.0	329.0	92%	1186.0	1494.0	336%
Technical Asst. (incl. IA collaboration)	483.0	134.0	-45%	482.0	828.0	30%
Total Project Related Expenditure f/	9056.0	3820.0	-13%	7807.0	12027.0	33%
GRAND TOTAL	12165.0	5632.0	-0.1	10387.0	18018.0	32%

a/ As shown in the July 1994 GEF Chairman's Report

	FY94 Estim. Actual	FY95 Orig. Budget
Chairman's Report	12.953	17.912
Less: Trustee costs	(0.788)	(0.783)
Total Bank/IFC	12.165	17.119

b/ Estimates for actual expenditures and commitment balances thru December 1994.

c/ Preliminary estimates. Estimates by regions will only be available end-January.

d/ This position is not part of the Bank's core coordination unit; it is with the World Bank's Legal Department.

e/ These are new activities to help countries define priorities for global environment initiatives in the context of country assistance strategies (planned growth in FY95 of 336% is simply due to minimal levels of activities of this kind in FY94).

f/ Excludes proposed PDF expenditures.

* Higher level = Professional level, Long term consultants, Seconded.

STAP PROPOSAL FOR FY95 ADMINISTRATIVE BUDGET

1. The purpose of this review is to provide detailed information to the GEF Council on UNEP's administrative expenditures as Secretariat to STAP and the direct costs of STAP, and in particular to explain significant shifts and increases in budget.

2. In the GEF Chairman's Report to the July 1994 Council meeting, UNEP submitted a STAP budget of \$1.57 million, which was a 145% increase over the FY94 STAP estimated expenditures (\$641,000).⁶

3. In view of developments in the past three months with regard to the role, mandate and establishment of STAP, UNEP is now submitting a request for \$1,278,300 for FY95.⁷ This is \$291,700 less than the original request in July 1994, and reflects the delay in the establishment of STAP pending the decisions of the Council as well as conscious efforts by UNEP to reduce administrative expenditures as instructed by the Council. The revised budget is a 99% increase over FY94.

4. As shown in the STAP worksheet, the estimated expenditures for July-December 1994 are \$433,800, which is a 35% increase over the level of expenditure for FY94. In view of the Council's decision to exempt expenditures related to the new STAP from the ceiling, it is necessary to take into account such expenditures in the STAP budget. Nearly half of the STAP expenditures (\$201,900) in the first half of FY95 are directly attributable to the reconstitution of STAP. This includes the cost of consultations in the preparation of papers for the Council, establishment of the STAP Search Committee, some costs of staff and consultants assigned to STAP work, and further development of the STAP Roster for GEF1. Therefore, after excluding the costs associated with the new STAP, the expenditures on STAP for the first half of FY94 decreased by 28%.

5. For the second half of FY95, UNEP is proposing a STAP budget of \$844,500. The increased amount is based on the following factors:

- (a) During FY94, STAP's activities were limited to reviewing one small tranche submitted for GEF funding and finalizing Pilot Phase documents. In FY95, budget provisions have been made for reconstituting STAP and the increased activities of the new panel.

⁶ In order to ensure consistency of analysis across the implementing agencies, the FY94 expenditures used in this review are those published in the July 1994 GEF Chairman's Report. Subsequent to the publication of the Report, UNEP reported the actual STAP expenditures for FY94 at \$511,900).

⁷ This includes expenditures from the UNEP General Support budget that relate to the reconstituting of STAP (\$99,300), referred to in footnote 2 of the UNEP submission.

Moreover, the STAP Chairman in the Pilot Phase received no compensation for time spent on GEF activities;

- (b) Travel and communications costs for the STAP Search Committee are significant due to the international membership of the Committee;
- (c) In order to ensure the full commitment of STAP members in the new STAP, the Chairman of STAP would need to be contracted to work approximately half time on GEF matters, and other members would be contracted for approximately two months per year. The Council agreed that levels of compensation should be commensurate with the level of excellence required in STAP. Therefore, there is a substantial increase in the proposed expenditure on consultants in the STAP budget;
- (d) It is expected that STAP and its ad hoc working groups will need to arrange early meetings in order to ensure an effective input to the development of GEF operational strategies by July 1995 and the submission of work programmes in 1995. Therefore, meeting costs are significantly higher;
- (e) The STAP Chairperson would be provided with budgetary resources to contract necessary temporary assistance at his or her permanent base, resulting in a large increase in contractual services costs; and
- (f) The establishment of a full-time STAP Secretariat consisting of 3 professional level staff⁸ to perform the functions outlined in the paper on STAP's role, as approved by the Council ("*manage STAP's budget, arrange STAP meetings, organize the flow of documents ... assist members in the preparation of documents, help ensure follow-up on STAP's requirements and requests, and assist in the initial screening of candidates for the Roster ... carry out the management, coordination, research, and analysis functions necessary to support STAP*"). The number of staff requested is based on the need foreseen for effective management of the STAP Roster, providing analytical support to STAP, and arranging logistics. The STAP Secretariat will consist of the same number of staff as in the Pilot Phase, except that the Secretary to STAP will be assigned full-time and charged to GEF, thus increasing salary expenditures.

⁸ STAP Secretariat staff: STAP Secretary, Scientific Officer, and Programme Officer

GEF Project and Administrative Expenditures (\$US thousands)

	FY94 Estimated Expenditures a/	FY95 YTD/Estimated (Jul.-Dec. '94)	% change half-year FY95/FY94	FY95 Projected (Jan.-Jun. '95)	FY95 Estimated (July '94-June '95)	% change FY94 vs. FY95
	(a)	(b)		(c)	(d)	(d)/(a)
Coordinating Units (no. of positions)						
Staff Resources						
Core Unit:						
No. of Professional level	3	2.5		3	3	
No. of Long Term Consultants b/	0	0		0	0	
No. of Seconded Staff	0	0		0	0	
Total Higher Level*	3	2.5		3	3	
Total Support level	4	4		3	3	
Regional Bureaux:						
No. of Professional level	0	0		0	0	
No. of Long Term Consultants b/	0	0		0	0	
No. of Seconded Staff	0	0		0	0	
Total Higher Level*	0	0		0	0	
Total Support level	0	0		0	0	
Total No. of Higher-Level Positions*	3	2.5		3	3	0%
Total No. of Support Level Positions	4	4		3	3	-25%
Agency Coordination Expenses (\$US thousands)						
Staff Salaries & Benefits	150.0	159.7	113%	149.5	309.2	106%
Consultants	91.0	9.1	-80%	230.5	239.6	163%
Printings	124.0	61.6	-1%	60.0	121.6	-2%
Meetings/Seminars	150.0	46.1	-39%	300.0	346.1	131%
Equipment	17.0	4.4	-48%	10.0	14.4	-15%
Translation	0.0	0.0		0.0	0.0	
Communications	70.0	30.0	-14%	30.0	60.0	-14%
Management Information System	0.0	0.0		0.0	0.0	
Representation	2.0	1.5	50%	3.5	5.0	150%
General Operating Costs 1/	33.0	18.6	13%	11.0	29.6	-10%
Contractual Services	4.0	3.5	75%	50.0	53.5	1238%
Other 2/	0.0	99.3		0.0	99.3	
TOTAL ADMINISTRATIVE COSTS*	641.0	433.8	35%	844.5	1278.3	99%
<i>(of which total expenditures on new STAP):</i>		<i>(201.9)</i>			<i>(201.9)</i>	
Project Expenditures						
Project disbursements						
Project development						
Project preparation						
Project supervision/implementation						
Project monitoring/evaluation						
Field Office support						

* Higher level = Professional Level, Long Term Consultants, Seconded

1/ Figures reported in July 1994 Chairman's Report.

2/ Those employed six months or more.

1/ Includes office supplies, office furniture, rent, office maintenance, maintenance of equipment, and publications.

2/ Expenditures on new STAP (from General Support and STAP Budgets).

TRUSTEE PROPOSAL FOR FY95 ADMINISTRATIVE BUDGET

1. Attached is the proposed FY95 budget for the departments involved in the Bank's role as Trustee. A brief description of the departments' responsibilities is below. The budget amounts are mainly based upon an estimated level of effort in view of the planned GEF work program. More specifically, both the Resource Mobilization (FRM) and Investments' budgets are based largely upon prior year's actual experience and significant deviation is not anticipated. In the case of Accounting and Legal, the amounts are best estimates at this time as it cannot be assumed that last year's experience will be a useful base.

<u>World Bank Department</u>	<u>Budget (US\$000)</u>
Resource Mobilization (FRM)	454,000
Legal (LEG)	35,000
Accounting (ACT)	144,667
Investments (INV)	101,684
Institutional Benefits/Overhead	<u>57,850</u>
Total	793,201

Department responsibilities:

Resource Mobilization Department (FRM): Trustee coordination responsibilities, replenishment operations, and the management of note deposits and encashment of contributions;

Investment Department (INV): Investing fund balances in excess of liquidity requirements determined by Cashiers;

Accounting Department (ACT): Disbursement of funds through Cashiers to other agencies; Preparation of Financial Reports; Maintenance of Records and Accounts;

Legal Department (LEG): Formalizing the agreements with the Conferences of the Parties to the Conventions; Advice to the Trustee;

Planning and Budgeting Department (PBD): Formulation of the Administrative Budgets and Measurement of Actual Costs.

It should be noted that the above budget document provides for the cost of possible future audit requirements.

GEF Project and Administrative Expenditures (\$US thousands)

	FY94 Estimated Expenditures (a)	FY95 YTD/Estimated Jul.-Dec. '94 (b)	% change half-year FY95/FY94	FY95 Projected Jan.-Jun. '95 (c)	FY95 Estimated July '94-June '95 (d)	% change FY94 vs. FY95 (d)/(a)
Coordinating Units (no. of positions)						
Staff Resources						
Core Unit:						
No. of Professional level **	4	4		4	4	
No. of Long Term Consultants a/	0.5	0.5		0.5	0.5	
No. of Seconded Staff	0	0		0	0	
Total Higher Level*	4.5	4.5		4.5	4.5	
Total Support level	1	1		1	1	
Regional Bureaux:						
No. of Professional level						
No. of Long Term Consultants a/						
No. of Seconded Staff						
Total Higher Level*	0	0		0	0	
Total Support level	0	0		0	0	
Total No. of Higher-Level Positions*	4.5	4.5		4.5	4.5	
Total No. of Support Level Positions	1	1		1	1	
Agency Coordination Expenses (\$US thousands)						
Staff Salaries & Benefits 1/	395.6	207.0	5%	207.0	414.0	5%
Consultants						
Travel 2/	75.0	37.5	0%	37.5	75.0	0%
Meetings/Seminars						
Equipment						
Publication						
Communications						
Management Information System						
Representation						
General Operating Costs 3/	49.3	28.9	17%	28.9	57.8	17%
Contractual Services 4/	267.9	123.2	-8%	123.2	246.4	-8%
Other						
TOTAL ADMINISTRATIVE COSTS	787.8	396.6	1%	396.6	793.2	1%
Project Expenditures						
Project disbursements						
Project development						
Project preparation						
Project supervision/Implementation						
Project monitoring/evaluation						
Field Office support						

* Higher Level = Professional Level, Long Term Consultants, Seconded.

** in terms of staff-year equivalents, since the Trustee's GEF-related responsibilities are distributed among various staff members and five departments.

a/ Those employed six months or more.

1/ Staff costs for FRM and Legal departments.

2/ Travel costs for Resource Mobilization (FRM).

3/ Institutional Benefits and Overhead.

4/ Accounting (ACT) and Investments (INV).

SECRETARIAT PROPOSAL FOR FY95 ADMINISTRATIVE BUDGET

INTRODUCTION -- THE NEW SECRETARIAT

1. The GEF Secretariat's proposed FY95 administrative budget covers core costs for building and carrying out the first year of its new work program under the restructured GEF. As outlined in the Instrument for the Establishment of the Restructured Global Environment Facility, the role of the Secretariat is significantly changed in scope and design from the pilot phase. Its work is now guided by the need to serve and support the GEF Council and Assembly, two bodies created as part of the new governance structure of the GEF.
2. The Secretariat's overarching new mandate is to "implement effectively the decisions of the Assembly and the Council"⁹. The Secretariat is to play a central role in the operations of the GEF by ensuring effective execution of the Council's decisions and coordinating the work of the Implementing Agencies. This includes preparing common guidelines on the project cycle; facilitating preparation and implementation of joint work programs, including chairing inter-agency meetings; and preparing for and carrying out, in cooperation with the Implementing Agencies, a communication strategy on GEF policies and program activities. The Secretariat also is responsible for ensuring liaison between the GEF and other relevant international bodies, particularly the Secretariats of the relevant conventions, and for carrying out any other functions assigned to it by the Council.

SUPPORTING THE COUNCIL'S FY95 STATEMENT OF WORK

3. The Secretariat's FY95 budget estimates are tied to staffing and other resource needs required to support the Council's first year of work as defined in the July 1994 Council paper, "GEF Council: A Proposed Statement of Work" (GEF/C.1/2), and updated by Council decisions. That paper guides both the administrative budget and substantive work program of the Secretariat for FY95.
4. The Secretariat is charged with organizing Council meetings, and for FY95 the Council is meeting four times in order to address the considerable workload involved with making the restructured GEF operational. Substantively, the Secretariat has responsibility for preparing documentation and supporting material required to facilitate the Council's work, and a major objective of the Council's first year is to develop an Operational Strategy for the GEF by the end of 1995.
5. As provided in the Council's statement of work, this operational strategy will provide the overall rationale for the GEF, its role consistent with the Instrument in each focal area, the manner in which

⁹ See para. 21 and 29 of the Instrument for specific Secretariat responsibilities.

program priorities, policies, and eligibility criteria of the conventions are to be implemented and the way it would finance activities outside the framework of the financial mechanisms of the Conventions. As input for this strategy, a number of key substantive outputs have been or are to be produced by the Secretariat, including issues papers on GEF operations in international waters, climate change, biodiversity, the project cycle, monitoring and evaluation, incremental costs, and the project development and preparation facility. Until the Operational Strategy is approved, transitional guidance has been developed for programming of GEF resources in 1995.

6. The paragraphs below review the Secretariat's FY95 administrative budget in the context of this new mandate and discuss in more detail major categories experiencing significant change.

REVIEW OF THE SECRETARIAT'S FY95 ADMINISTRATIVE BUDGET

7. The Secretariat's current estimated FY95 administrative budget as reflected in the attached table is \$4.295 million. This figure varies less than 2% from the original FY95 budget submission (\$4.232) presented in the GEF Chairman's Report to the July 1994 Council meeting, and thus the original budget remains basically as projected. The FY95 budget reflects a 25% increase from the FY94 administrative budget under the pilot phase, due to the need to strengthen core in-house capacity for the new work program, as discussed above, and to begin to immediately deliver administrative and substantive support to the Council's full schedule of work and meetings this first year.

8. **Shifts in budget.** Some categories of the Secretariat's proposed FY95 budget show significant decreases when compared to FY94, while others show sizeable increases. Notable among the decreases are the cost categories for consultants (down 48%) and travel (down 50%). This can be explained by the fact that the Secretariat's first year has been heavily occupied in building the new base for GEF operations and most of the required support has been handled in-house. The decisions to hold all regular Council meetings in Washington and to conduct monthly GEFOP meetings through video conferencing also have contributed significantly to travel cost savings. As the portfolio of projects under implementation grows, and monitoring and evaluation activities are initiated, consultant fees and travel costs are likely to adjust and stabilize accordingly.

9. Categories of the Secretariat's budget that have experienced significant growth are staff salaries and benefits, meetings/seminars, general operating costs, and contractual services.

10. **Staff Salaries and Benefits.** This category absorbs the largest single share of administrative resources (\$1.9 million, or some 47%) and also reflects the most growth in the administrative budget, increasing by approximately 101% from FY94. The increase is attributed, in large part, to growth of the Secretariat (a projected increase of regular staff from 6 to 15 during FY95) in order to deliver the expanded technical and administrative program. The sum also reflects, for the first time, full staff and benefits cost of the senior staff person seconded from UNEP. This category generally is affected by a strategic decision to build a solid core of in-house staff capacity, rather than rely heavily on consultants which may be cheaper over the near-term but provide less continuity and institutional capacity over the

long-term. This year the Secretariat's projected consultant's budget is particularly low, as noted above, which helps to offset staff costs.

11. During FY95, the Secretariat's highest administrative priority has been to strengthen core in-house capacity to fill some major skills gaps. It's new mandate pursuant to the Instrument and Council decisions comprises a significantly expanded range of responsibilities and duties which for staffing purposes have been functionally divided into four interdependent areas:

- (a) governance and legal support (Council, Convention, and Trustee relations);
- (b) operational policy and strategy development;
- (c) financial policy management and replenishment; and
- (d) external affairs and communications.

12. The Secretariat began the year with transitional staff from the GEF pilot phase Administrator's Office which was staffed by a core group of 6 regular and two seconded professional staff. Even using existing staff flexibly within and across these areas, a staff assessment identified major gaps. It became evident that some in-house capacity building was called for immediately if key outputs supporting the Council's work were to be delivered. In particular, the Secretariat's capacity for program coordination and administration needed attention along with staff technical capacity to work operationally and in some of the focal areas. During the first half of FY95, in addition to the CEO, a senior specialist for overall program coordination and an administrative budget officer were added. In the focal areas, international waters coverage was identified as a major gap and a senior specialist was added. These recruits brought the higher level staff contingent from 6 to 11 by midyear. It is estimated that an additional 4 high-level positions will be added before the end of FY95. These positions would bring much needed skills in operations (particularly to support the GEFOP), communications, and electronic data management (to better meet the growing information management demands of the GEF).

13. **Meetings and Seminars.** This is the second category showing a sizeable increase from FY94, growing by some 74% from \$366,600 to \$638,000. This part of the Secretariat's budget covers the costs of all four FY95 meetings of the Council and the newly-instituted video conferencing costs for monthly GEFOP meetings.

14. Equally important, it covers a major new initiative -- a series of high-level regional consultations designed and undertaken by the Secretariat to solicit ideas and provoke debate about the GEF's operational strategy among a broad range of thinkers and practitioners around the world. Consultations have already been held in Europe (November 1994) and North America (January 1995), and three others are planned in Africa, Asia, and Latin America in the period February-April 1995. In each case, the planning and organization of consultations have been taken on by a regional consortium of think tanks, policy research institutes, and non-governmental organizations.

15. **General Operating Costs.** This is the third area of the Secretariat's budget showing marked cost increases for the year, growing by some 78% over the FY94 budget (from \$225,000 to \$400,000). This category covers all office occupancy costs and institutional overhead charged to the GEF by the World Bank, which is administratively supporting the GEF Secretariat. Occupancy costs are calculated across

the Bank on a standard square footage basis. The budget increase this year covered the additional space needed for new staff. In addition, there were extra costs incurred when the Secretariat moved its offices in the early months of the new GEF. Institutional overhead charges are based on work program staff years, and normally cover centrally-managed services such as security, cleaning, communications, utilities, the print shop, and property insurance.

16. **Contractual Services.** Contractual services was the fourth item with a sizeable change in the FY95 budget showing a 72% increase over FY94 (from \$170,000 to \$292,000). This item includes expanded and new activities to disseminate accurate information about the restructured GEF. A principal new activity covered by this budget category has been the work of the Secretariat to produce a standard module, or information "tool kit", about the GEF. Its anticipated use would be through a day-long national workshop providing a detailed introduction to the GEF. The tool kit is specifically aimed at government officials from ministries dealing with the GEF, representatives of civil society, locally-based staff from bilateral and multilateral development agencies, the private sector, senior academics, and environment-oriented media. The Secretariat, in close cooperation with the implementing agencies, is planning to use the module over the next 12 months for a series of national workshops in a large number of recipient countries. Some of the national workshops will dovetail with programming sessions designed and jointly organized by the three Implementing Agencies.

17. In addition, under contractual services the Secretariat has continued publication of the Quarterly Operational Report that provides a comprehensive review and status report on the full GEF work program. The report integrates information on all GEF-funded projects, and contact names and numbers for staff working on them. The aim of the report is to facilitate access to information and thus enhance the transparency of the GEF. Other publications put out by the Secretariat include the quarterly Bulletin, which summarizes latest developments and lists future events, and the Working Paper series that provides in-depth analyses and commentary on policy issues related to the GEF.

18. Finally, under this budget item, a range of other initiatives is planned to foster greater understanding of the GEF and to build support for the policies and programs it supports. They include media field visits to GEF projects, linkages with the outreach efforts of the Implementing Agencies and Secretariats of the global conventions, and the development of a variety of visual materials for use in the print and electronic media.

GEF FY95 ADMINISTRATIVE BUDGET
AGENCY NAME: GEF Secretariat

GEF Project and Administrative Expenditures (\$US thousands)

	FY94 Estimated Expenditures a/	FY95 YTD/Estimated Jul.-Dec. '94	% change half-year FY95/FY94	FY95 Projected Jan.-Jun. '95	FY95 Estimated July '94-June '95	% change FY94 vs. FY95
	(a)	(b)		(c)	(d)	(d)/(a)
Coordinating Units (no. of positions)						
Staff Resources						
Core Unit:						
No. of Professional level	6	11		15	15	
No. of Long Term Consultants 1/	2	1		1	1	
No. of Seconded Staff 2/	2	2.5		2.5	2.5	
Total Higher Level*	10	14.5		18.5	18.5	
Total Support level	4	6		8	8	
Regional Bureaux:						
No. of Professional level	0	0		0	0	
No. of Long Term Consultants	0	0		0	0	
No. of Seconded Staff	0	0		0	0	
Total Higher Level*	0	0		0	0	
Total Support level	0	0		0	0	
Total No. of Higher-Level Positions*	10	14.5		18.5	18.5	85%
Total No. of Support Level Positions	4	6		8	8	100%
Agency Coordination Expenses (\$US thousands)						
Staff Salaries & Benefits 3/	997.0	809.0	62%	1190.0	1999.0	101%
Consultants	483.3	150.0	-38%	99.0	249.0	-48%
Travel	656.4	133.0	-59%	192.0	325.0	-50%
Conferences/Seminars 4/	366.6	185.0	1%	453.0	638.0	74%
Equipment	111.7	30.0	-46%	52.0	82.0	-27%
Publication	136.7	16.0	-77%	66.0	82.0	-40%
Communications	88.4	26.0	-41%	35.0	61.0	-31%
Management Information System	38.1	19.0	0%	19.0	38.0	0%
Representation	28.3	13.0	-8%	12.0	25.0	-12%
General Operating Costs 5/	225.0	200.0	78%	200.0	400.0	78%
Contractual Services	170.0	124.0	46%	168.0	292.0	72%
Other 6/	139.2	67.0	-4%	37.0	104.0	-25%
TOTAL ADMINISTRATIVE COSTS	3440.7	1772.0	3%	2523.0	4295.0	25%
Project Expenditures						
Project disbursements						
Project development						
Project preparation						
Project supervision/implementation						
Project monitoring/evaluation						
Field Office support						

/ Figures reported in July 1994 Chairman's Report; Actual year end for FY94 = \$3397.3

/ Those employed six months or more.

/ Represents 2 seconded staff (1 each from UNDP and UNEP) and 50% time of one editorial assistant from UNDP.

/ Salary costs for UNDP secondees to the Secretariat (1.5 staff) are reflected in UNDP's budget submission. These costs will be transferred to the Secretariat in future.

/ Includes Council Meeting costs (incl. conf. travel funding, video, meals, interpretation); Includes Regional Consultations (4).

/ Includes Office Occupancy and World Bank's institutional overhead based on workprogram staffweeks.

/ Includes temporaries, overtime, supplies.

Higher Level = Professional Level, Long Term Consultants, Secondees.

Chairman's Report: estimated expenditures: FY94: \$3440.7; FY95 \$4232.0