



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

GEF/LDCF.SCCF.12/05/Rev.01

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LDCF/SCCF Council Meeting
June 7, 2012

Agenda Item 6

**Administrative Budget for the Least Developed Countries
Fund and the Special Climate Change Fund
for Fiscal Year 2013
(July 1, 2012 – June 30, 2013)**

Recommended Council Decision

The LDCF/SCCF Council, having reviewed the proposed document GEF/LDCF.SCCF.11/05 *Administrative Budget for the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF)*, approves the proposed budgets for the GEF Secretariat, the Trustee and the GEF Evaluation Office, as follows:

(1) USD 660,531 (GEF Secretariat), USD 78,000 (STAP), USD 254,800 (Trustee), USD 50,000 (Trustee Special Initiative) and USD 33,000 (GEF Evaluation Office) from the LDCF; and

(2) USD 421,119 (GEF Secretariat), USD 78,000 (STAP), USD 158,000 (Trustee), USD 50,000 (Trustee Special Initiative) and USD 30,000 (GEF Evaluation Office) from the SCCF.

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I. Introduction

1. The Least Developed Countries Fund for Climate Change (LDCF) and the Special Climate Change Fund (SCCF) were established by the GEF in accordance with the decisions of the United Nations Framework Convention on Climate Change (UNFCCC). In establishing the funds, the Council agreed that the operations and administrative costs incurred in connection with managing both the LDCF and the SCCF be kept separate from the GEF Trust Fund.

2. This paper reviews the outcome of the Fiscal Year 2012 (FY12) LDCF/SCCF Council-approved budget, and proposes an administrative budget to cover the costs of the Secretariat and the Trustee in managing the LDCF and the SCCF for FY13 (July 1, 2012 - June 30, 2013). The GEF Evaluation Office has prepared a separate document (LDCF.SCCF.12/ME/01) presenting a request for a budget for FY13 to cover the Office's cost to implement the proposed evaluation work plan.

II. LDCF and SCCF Administrative Costs for the GEF Secretariat

3. The GEF Secretariat is responsible for oversight of formulation of operational policies and programming strategies of the LDCF and SCCF funds; review and processing of project proposals for CEO or Council approval; management of the portfolio of LDCF and SCCF projects; coordination with the GEF Agencies, the Trustee and the Convention Secretariat; and reporting to the LDCF/SCCF Council and the Climate Convention.

4. The approved FY12 administrative budget for the GEF Secretariat was in the amount of USD 660,531 and USD 421,119 for the LDCF and SCCF, respectively. The FY12 budget included financing for staff, consultants, travel, publications and outreach, meetings, and general costs necessary for the operations of these funds.

FY12 Current Status

5. **Budget Under-run.** The FY12 actual expenditure (projected) currently¹ stands at USD 521,819 for LDCF (with a difference of -21% with respect to FY12 approved) and 314,473 for SCCF (-25% with respect to FY11 approved). The overall under-run is due to salary cost savings in staff given increased level of LDCF/SCCF staff charging a portion of staff costs to external adaptation cross-support, and cost savings from staff providing cross support to the LDCF/SCCF program, the lower actual general operations costs than projected in the previous fiscal year, partial use of the publications and outreach budget, lower rate of consultant hire, and

¹ As of March 11, 2011

lower travel expenditures in the case of LDCF due the delay in the implementation of RBM learning missions.

Budget Proposal for FY13

6. The overall budget request for FY13 amounts to USD 660,531 for LDCF and USD 421,119 for SCCF. This budget presents an increase of 0% for the LDCF, and 0% for SCCF. The figures in this budget request reflect adjustments, where necessary, to account for an inflation of 3%. The budget can be found in Table 1.

7. Staff Costs. An amount of USD 406,815 is included in the FY12 request to cover staff costs under the LDCF and USD 271,556 under the SCCF. This reflects an adjustment of 3%.

8. Consultant Costs. An amount of USD 20,250 is requested from each trust fund to cover short term consultant costs.

9. Travel. The under-run in FY12 for the LDCF was mainly due to not conducting the RBM learning missions (which are currently planned to take place in the first quarter of FY13). The under-run for the SCCF is insignificant (at USD 596), however, no learning missions for SCCF have taken place. Accordingly, in the budget request for FY13, a total of USD 80,000 and USD 50,000 are requested for travel in FY13 under the LDCF and SCCF, respectively, including the RBM learning missions.

10. Publications and Outreach. The request for USD 50,000 for LDCF and USD 25,000 for SCCF reflects the need to finance publications and continued outreach for LDCF and SCCF.

11. General Operations Costs and Costs of Meetings. The general operations costs request is lower vis-à-vis levels approved for FY12 due to a lower actual cost of premises, compared to the previous year. The request for the Cost of Meetings for LDCF is higher with respect to FY12-approved levels, consistent with an ongoing and anticipated intensified outreach effort and associated meeting costs. The requested amounts for the Costs of Meetings also reflect 3% expected increase in cost due to inflation.

Table 1: GEF Secretariat – LDCF and SCCF FY12 Administrative Costs and FY13 Budget Request

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Expense Category	L D C F			S C C F		
	FY12 Approved Budget	FY12 Actual (Projected)	FY13 Budget Request	FY12 Approved Budget	FY12 Actual (Projected)	FY13 Budget Request
	US\$	US\$	US\$	US\$	US\$	US\$
Standard Services						
<u>Staff Costs (Salaries and Benefits)</u>	394,966	363,118	406,815	263,647	219,260	271,556
<u>Consultants</u>	20,250	5,225	20,250	20,250	5,225	20,250
<u>Travel</u>	80,000 a/	59,769	80,000 a/	35,000 a/	34,404	50,000 a/
<u>Publications and Outreach</u>	50,000	4,479	50,000	25,000	4,563	25,000
<u>General Operations Costs</u>	108,562	82,475	93,511	70,470	44,268	47,357
<u>Costs of meetings</u>	6,753	6,753	9,955	6,753	6,753	6,956
GRAND TOTAL	660,531	521,819	660,531	421,119	314,473	421,119

a/ Includes RBM learning missions.

Secretariat Special Initiatives

12. The status of expenditures for six LDC National Adaptation Plan of Action (NAPA) Workshops, requested by the UNFCCC COP decision and already approved by the LDCF/SCCF Council by mail in January 2010 is shown in Table 2 for information purposes.

Table 2: National Adaptation Plans of Action Workshops --Adaptation Activities Special Initiative (LDCF)

NAPA Workshops Current Status of Expenitures	Amount USD
<u>Approved Budget</u>	600,000
<u>Actual Expenditure to-date</u>	540,357
BALANCE	59,643

III. LDCF and SCCF STAP Budget

13. In May 2011, the LDCF/SCCF Council, after having reviewed “The Science of Adaptation: The Role of STAP in the LDCF and SCCF” (GEF/LDCF.SCCF.10/5), approved the proposed formalization of an active STAP role in providing advice to the GEF in terms of its adaptation portfolio, funded through the LDCF and SCCF, and the addition of a new STAP panel member dedicated to providing advice to adaptation to climate change under the LDCF and SCCF.

Responsibilities of STAP

14. Reflecting on its role in the GEF, the Scientific and Technical Advisory Panel advocated for a similar mandate of review and analysis of LDCF/SCCF investments in adaptation, particularly given the experimental nature of many of these undertakings. As aforementioned, a new STAP panel member was approved for funding by the LDCF/SCCF Council in order to more fully address the scientific and technical challenges undertaken through LDCF/SCCF initiatives.

15. As of the second quarter of 2012, the STAP has recruited Professor Anand Prabhakar Patwardhan of the Indian Institute of Technology, as the Adaptation Panel Member, with an

initial appointment of 2 years. Professor Patwardhan will be taking up his responsibilities in the coming weeks.

16. In so doing, STAP takes on the following overall responsibilities with the LDCF/SCCF Trust Funds:

- Review the scientific rationale and technical validity of all LDCF/SCCF full size projects;
- Provide strategic advice on LDCF/SCCF strategies and policies as required;
- Advise on project or program development on a selective basis at the invitation of Agencies;
- Help design and implement approaches to test the Adaptation Learning Objectives;
- In conjunction with the Secretariat and Agencies, undertake analysis of at least one of these per year;
- Assist in developing impact and vulnerability profiles for global environmental benefits that can be applied across all three trust funds, and work in collaboration with other Panel members to enhance synergy between LDCF/SCCF and GEF;
- Assist in further refining and increasing the precision of the Adaptation Monitoring and Assessment Tool.

STAP Budget – FY 13

17. The proposed STAP Budget for FY13 is outlined in Table 3. At this time STAP is proposing a flat budget as compared with FY12 with no increase over the previous fiscal year. The Chair wishes to emphasize, however, that the work of STAP overall has increased substantially over the past number of years – without a concomitant increase in the resources available to STAP. While every effort is made to achieve greater efficiencies and reduce costs wherever possible, it may be necessary to increase STAP’s operating budget in future to keep pace with increase operational and thematic responsibilities.

Table 3: Proposed FY13 STAP Budget (LDCF Trust Fund)

STAP -- Secretariat		<i>FY12</i>	<i>FY13</i>
Expense Category		<i>Budget</i>	<i>Proposed</i>
		<i>\$m</i>	<i>\$m</i>
<u>Staff Costs</u>		<u>0.002</u>	<u>0.005</u>
Travel		0.002	0.005
<u>Consultant Costs</u>		<u>0.038</u>	<u>0.030</u>
Fees (short-term)		0.033	0.025
Travel		0.005	0.005
SUB-TOTAL		<u>0.040</u>	<u>0.035</u>
STAP -- Members			
Expense Category			
Honoraria & Logistical/Secretarial Support		0.033	0.025
MOUs with Expert Institutions		0.000	0.010
STAP Meetings		0.000	0.003
STAP Publications		0.005	0.005
SUB-TOTAL		<u>0.038</u>	<u>0.043</u>
TOTAL		<u>0.078</u>	<u>0.078</u>

IV. LDCF and SCCF Trustee Administrative Fees

Least Developed Countries Fund

18. As agreed with the donors under the Trust Administration Agreements, the Trustee receives an annual administrative fee to cover the reasonable actual expenses incurred by the Trustee in carrying out the Trustee function for the LDCF.

19. The core elements of the Trustee's work program during FY13 include: (i) management of donor contributions; (ii) financial and investment management of resources; (iii) commitments and disbursements to the Agencies; (iv) infrastructure and systems support; (v) accounting and reporting for the financial and operational activities of the LDCF; and (vi) finalization of Financial Procedures Agreements (FPAs) between the Trustee and the Agencies. Table 4 below shows the breakdown of the Trustee fee by services provided to the LDCF.

20. Based on actual expenditures for the first nine month of FY12 and revised projections for the remaining three months, it is expected that the Trustee's budget projection for FY12 will be USD 45,900 higher than the approved budget of USD 174,100. The increase is due to higher investment management cost. The investment management fees are a variable costs calculated based on a cost of 3.5 basis points against the average annual balance of the Trust Fund. Subsequent to the last replenishment meeting, additional contributions were received during FY12 and thereby increasing the liquidity balance of the LDC Fund from projected USD 235 million to an average USD 311 million. This additional liquidity balance has resulted in an increase in the investment management cost.

21. To cover its expenses for FY13 related to the above work program, the Trustee requests a budget of USD 254,800. This represents an overall increase of USD 34,800 (about 16%) as compared to the FY12 estimated actual budget of USD 220,000. The increase is mainly due to increase in investment management fees as explained above. Additional contributions are expected to be received in FY13, increasing the projected average LDC Fund liquidity balance to USD 400 million. Depending on the disbursement ratio, the projected investment costs may vary. The actual investment management costs will be presented in the budget report at the end of the fiscal year.

Table 4: LDCF: Budgetary Requirements for Services Provided by the Trustee

LDCF: Budgetary Requirements for Services Provided by the Trustee			
FY 13			
(in USD)			
Trustee Services	FY 12 Approved	FY 12 Expected Actual	FY 13 Proposed Budget Total
Financial Management and Relationship Management a/	51,000	53,900	52,900
Investment Management a/ b/	72,500	115,500	150,800
Accounting and Reporting a/	25,300	25,300	25,200
Legal Services a/	25,300	25,300	25,900
Total Costs	174,100	220,000	254,800
a/ Non-core Central Unit Costs is included in the respective units b/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio.			

Special Climate Change Fund

22. As agreed with the donors under the Trust Administration Agreements, the Trustee will receive an annual administrative fee to cover the reasonable actual expenses incurred by the Trustee in carrying out the Trustee function for the SCCF in FY13.

23. The core elements of the Trustee’s work program for FY13 for the SCCF include the following: (i) management of donor contributions; (ii) financial and investment management of resources; (iii) commitments and disbursements to the Implementing Agencies; (iv) infrastructure and systems support; (v) accounting and reporting for the financial and operational activities of the SCCF; and (vi) preparation and finalization of Financial Procedures Agreements (FPAs) between the Trustee and the Implementing Agencies and Executing Agencies. Table 5 below shows the breakdown of the Trustee fee by services provided to the SCCF.

24. Based on actual expenditure for the first nine month of FY12 and revised projections for the remaining three months, the FY12 actual costs are expected to be USD 11,600 higher than the approved budget USD 138,600. The increase is mainly due to increase in the Financial Management costs associated with the transition to the Single audit arrangements as well as the increase in the investment management costs. Additional contributions were received during FY12 hereby increasing the liquidity balance of the SCCF Fund from projected USD 96 million to USD 130 million in FY13. This additional liquidity balance has resulted in an increase in the investment management cost.

25. To cover its expenses for FY13 related to the SCCF work program, the Trustee requests a budget of USD 158,000. This represents a 5% overall increase from the FY12 estimated actual budget of USD 150,200. The increase is mainly due to increase in the investment management fees as explained above. Additional contributions are expected to be received in FY13, increasing the projected average SCCF liquidity balance to USD 130 million. Depending on the disbursement ratio, the projected investment costs may vary. The actual investment management costs will be presented in the budget report at the end of the fiscal year.

Table 5: SCCF Budgetary Requirements for Services Provided by the Trustee

SCCF: Budgetary Requirements for Services Provided by the Trustee			
FY 13			
(in USD)			
Trustee Services	FY 12 Approved	FY 12 Expected Actual	FY13 Proposed Budget Total
Financial Management and Relationship Management a/	50,930	56,130	56,000
Investment Management a/ b/	37,070	43,470	49,700
Accounting and Reporting a/	25,300	25,300	26,300
Legal Services a/	25,300	25,300	26,000
Total Costs	138,600	150,200	158,000
a/ Non-core Central Unit Costs is included in the respective units b/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio.			

Trustee Special Initiative

26. In November 2011, the GEF Council requested that the GEF Trustee and the GEF Secretariat work together to identify cost effective options to improve GEF Information Technology (IT) Systems and to present them at the June 2012 Council meeting. These options are presented in Council document *GEF/C.42/Inf.12, Options for Strengthening GEF Systems: Addressing the Findings and Recommendations of the Independent Review of GEF Systems* and were the result of an independent assessment of the GEF systems completed in FY11 at the request of the Council. In this context, a total of USD 600,000 is requested to fund a special initiative to further strengthen GEF IT systems. Of this, USD 500,000 will be funded through the GEF Trust Fund, and a total of USD 100,000 is requested from LDCF and SCCF, to be split equally between the two funds. It is anticipated that this special initiative will also address some of the audit/control deficiencies that were identified during the audit of the GEF Trust Fund. Excerpt from GEF Business Plan document is available in Annex I.

V. LDCF and SCCF Evaluation Office budget

27. The FY13 work plan and budget to be provided by the GEF Evaluation Office request is detailed in the FY13 Work Plan and Budget for the Evaluation Office under LDCF and SCCF (LDCF.SCCF.8/ME/1). The Evaluation Office requests USD 63,000 for FY13 to cover the cost of implementing the proposed evaluation work plan.

VI. Consolidated FY13 Budget

28. The total consolidated budget for the Secretariat, STAP, Trustee and Evaluation Office is USD 1,076,331 from the LDCF and USD 737,119 from the SCCF as summarized in Table 6.

Table 6: Consolidated FY13 Budget Request

	LDCF (USD)	SCCF (USD)	Total (USD)
<u>GEF Secretariat</u>	660,531	421,119	1,081,650
<u>STAP</u>	78,000	78,000	156,000
<u>Trustee</u>	254,800	158,000	412,800
<u>Trustee Special Initiative</u>	50,000	50,000	100,000
<u>GEF Evaluation Office</u>	33,000	30,000	63,000
Total	1,076,331	737,119	1,813,450

Annex I- Excerpts from GEF Business Plan FY13-14 and Budget, FY13 (paragraphs 40 to 42)

“Strengthening GEF Information Technology Systems”

40. At its June 2009 meeting, the Council approved the engagement of a consultant to review and assess, independently, the Information Technology (“IT”) and database systems of the Trustee, the Secretariat, and the Agencies. A consultant, Deloitte & Touche LLP (“Deloitte”), was engaged to perform this independent assessment. Under the Council-approved Terms of Reference, Deloitte assessed the robustness and the overall performance of the GEF's financial and program management systems, identifying 23 critical issues that need to be addressed. At the November 2011 Council meeting, an information document presented Deloitte's recommendations, which were concentrated in two primary areas: (i) the IT systems and databases used to record and manage the GEF project pipeline; and (ii) reporting and data sharing across the GEF partners. The GEF Council requested that the GEF Trustee and the GEF Secretariat work together to identify cost-effective options for GEF Systems development for consideration at the June 2012 Council meeting. These options, details of which are provided in GEF/C.42/Inf.12, Options for Strengthening GEF Systems: Addressing the Findings and Recommendations of the Independent Review of GEF Systems, include:

- (a) Status quo with no additional costs;
- (b) Continued enhancement of the PMIS (Project Management Information System), costing \$450,000;
- (c) Move part of the PMIS functionality into an SAP platform, costing \$600,000; and
- (d) Move the full PMIS functionality into World Bank's Corporate systems, including SAP, costing \$1,000,000.

41. The Secretariat and the Trustee agree to move the PMIS back-end functionality to a SAP platform, while enhancing PMIS front-end functionality. Specifically, the underlying data of PMIS would be moved to a SAP-based platform, and data structure and flows would be harmonized between the Trustee and the Secretariat. This would integrate and reconcile critical GEF project information with the information and transactional capabilities of the Trustee's system. It would enable some real-time workflow and sharing of data between the Secretariat and the Trustee and eliminate most manual reporting.

42. The total cost of moving the PMIS back-end functionality to an SAP platform is estimated to be \$600,000. Of the requested amount, \$500,000 will be funded from the general GEF Trust Fund, while the remaining \$100,000 will be split equally between LDCF and SCCF. NPIF has been excluded from cost attribution based on its low transaction count.