



GEF/LDCF.SCCF.10/6/Rev.1  
May 24, 2011

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LDCF/SCCF Council Meeting  
May 26, 2011

Agenda Item 8

**ADMINISTRATIVE BUDGET FOR THE LEAST DEVELOPED COUNTRIES FUND AND  
THE SPECIAL CLIMATE CHANGE FUND  
FOR  
FISCAL YEAR 2012  
(JULY 1, 2011 – JUNE 30, 2012)**

### **Recommended Council Decision**

The LDCF/SCCF Council, having reviewed the proposed document GEF/LDCF.SCCF.10/6, *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 78,600 (STAP), USD 174,100 (Trustee), and USD 18,500 (GEF Evaluation Office) from the LDCF; and

(2) USD 421,119 (GEF Secretariat), USD 78,600 (STAP), USD 138,600 (Trustee), and USD 136,500 (GEF Evaluation Office) from the SCCF.

## INTRODUCTION

1. The Least Developed Countries Fund (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). As the Funds were established, it was 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 2011 (FY11) budget approved by the LDCF/SCCF Council and proposes an administrative budget to cover the costs of the Secretariat, the Trustee, STAP and the GEF Evaluation Office in managing the LDCF and the SCCF for FY12 (July 1, 2011 - June 30, 2012). The GEF Evaluation Office has prepared a separate document (LDCF.SCCF.10/ME/1) presenting a more detailed budget request for FY12.

## LDCF AND SCCF ADMINISTRATIVE COSTS FOR THE GEF SECRETARIAT

3. The GEF Secretariat is responsible for overseeing the formulation of operational policies and programming strategies for the LDCF and the SCCF; review and processing of project proposals for CEO or Council approval; management of the portfolio of LDCF and SCCF projects and programs; 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 FY11 administrative budget for the GEF Secretariat was in the amount of USD 656,075 and USD 415,742 for the LDCF and the SCCF, respectively. The FY11 budget included financing for staff, consultants, travel, publications and outreach, meetings, and general costs necessary for the operations of these funds.

## FY11 CURRENT STATUS

5. **Budget Under-run.** The FY11 actual budget (projected) currently<sup>1</sup> stands at USD 544,712 for LDCF (with a difference of -17% with respect to FY11 approved) and 353,553 for SCCF (-15% with respect to FY11 approved). The overall under-run is due to a change in staff resulting in salary cost savings in staff hires partially offset by salary increases, and lower travel expenditures due to a lower-than-expected number of UNFCCC meetings requiring GEF Secretariat staff participation as well as due to the decision to delay the implementation of RBM learning missions to FY12, and partial use of the publications and outreach budget. The under-run was partially offset by an increase in consultant costs, as well as the general operations costs.

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<sup>1</sup> As of March 11, 2011

## **BUDGET PROPOSAL FOR FY12**

6. The overall budget request for FY12 amounts to USD 660,531 for the LDCF and USD 421,119 for the SCCF. This budget presents an increase of 0.68% for the LDCF, and 1.29% for SCCF. The figures in this budget request reflects 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 394,966 is included in the FY12 request to cover staff costs under the LDCF and USD 263,647 under the SCCF. The increase in staff costs is due to a creation of a junior-level professional term staff position that will replace an existing extended term consultant position. As a result, no budget is requested for the extended term consultant post in FY12.

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 FY11 was mainly due to a lower-than-expected number of UNFCCC meetings requiring GEF Secretariat staff participation, not conducting the learning missions due to a decision to await the results of the GEF learning missions process (in which focal areas with longer-running portfolios engaged in and which was being finalized at the end of FY11), and lower-than-expected cost of travel to meetings in which the GEF Staff did participate (for instance, lower-than-anticipated costs of participation at COP16.) Accordingly, the budget request for FY12 reflects adjusted amounts, taking into account, for example, higher anticipated costs of travel (for participation at COP17, for example), and including the learning missions. Therefore, a total of USD 80,000 and USD 35,000 are requested for travel in FY12 under the LDCF and the SCCF, respectively, including the learning missions.

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

11. General Operations Costs and Costs of Meetings. The increase in general operations costs vis-à-vis levels approved for FY11 is due to having had to relocate the GEF Secretariat, as the previous agreement on the cost of The World Bank's office space leased to the GEF ended. The cost of meetings is not expected to change from FY11 levels. The requested amounts for the General Operations Costs and Costs of Meetings reflect a 3% expected increase in cost due to inflation.

**Table 1: GEF Secretariat - LDCF and SCCF FY10 Administrative Costs and FY11 Budget Request**

Expense Category	L D C F			S C C F		
	FY11 Approved US\$	FY11 Actual US\$	FY12 Budget US\$	FY11 Approved US\$	FY11 Actual US\$	FY12 Budget US\$
<b>Standard Services</b>						
<u>Staff Costs (Salaries and Benefits)</u>	<b>359,141</b>	<b>334,317</b>	<b>394,966</b>	<b>227,822</b>	<b>204,910</b>	<b>263,647</b>
100% 1 Senior Professional	110,934	113,705	113,705	110,934	113,705	113,705
20% 1 Professional	40,522	13,401	13,401	40,522	13,401	13,401
100% 1 Professional	131,319	129,407	131,319	0	0	0
100% 1 Analyst (GE)	0	0	58,200	0	0	58,200
50% 1 Senior Professional	39,444	41,419	41,419	39,444	41,419	41,419
100% 1 ACS	36,922	36,385	36,922	36,922	36,385	36,922
<u>Consultants</u>	<b>31,541</b>	<b>47,464</b>	<b>20,250</b>	<b>31,541</b>	<b>47,464</b>	<b>20,250</b>
<u>Travel</u>	<b>120,000</b> a/	<b>41,212</b>	<b>80,000</b> a/	<b>50,000</b> a/	<b>11,528</b>	<b>35,000</b> a/
<u>Publications and Outreach</u>	<b>50,000</b>	<b>20,688</b>	<b>50,000</b>	<b>50,000</b>	<b>21,722</b>	<b>25,000</b>
<u>General Operations Costs</u>	<b>88,837</b>	<b>94,476</b>	<b>108,562</b>	<b>49,823</b>	<b>61,374</b>	<b>70,470</b>
<u>Costs of meetings</u>	<b>6,556</b>	<b>6,556</b>	<b>6,753</b>	<b>6,556</b>	<b>6,556</b>	<b>6,753</b>
<b>GRAND TOTAL</b>	<b>656,075</b>	<b>544,712</b>	<b>660,531</b>	<b>415,742</b>	<b>353,553</b>	<b>421,119</b>

a/ Includes RBM learning missions.

## Special Initiatives

12. The status of expenditures for six LDC National Adaptation Programme 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
<b>BALANCE</b>	<b>59,643</b>

## **LDCF AND SCCF STAP BUDGET**

13. As proposed in the document GEF/LDCF.SCCF.10/5, *The Science of Adaptation: the Role of STAP in the LDCF and SCCF*, this budget includes an allocation to the STAP to support an additional panel member dedicated to providing advice on LDCF and SCCF funded operations on adaptation to climate change. The STAP would take on the following advisory responsibilities under the LDCF and the SCCF Trust Funds:

- a. Review the scientific rationale and technical validity of all LDCF/SCCF full size projects in the context of climate change impacts, vulnerability and adaptation;
- b. Provide strategic advice on LDCF/SCCF strategies and policies as required;
- c. Advise on project or program development on a selective basis at the invitation of Agencies;
- d. 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;
- e. Assist in developing impact and vulnerability profiles for global environmental benefits that can be applied across all three trust funds;
- f. Assist in further refining and increasing the precision of the Adaptation Monitoring and Assessment Tool.

14. To meet these responsibilities, the STAP has requested \$78,600 from both the LDCF and the SCCF, amounting to a total request of \$157,200 to cover the addition of a new STAP Panel Member, consultant costs and publications. The budget is described in Table 3.

**Table 3: STAP - Proposed LDCF and SCCF FY12 Budget Request**

Expense Category	<b>L D C F</b>	<b>S C C F</b>
	<b>FY12 Budget Request US\$</b>	<b>FY12 Budget Request US\$</b>
<u>Panel Members &amp; Consultants</u>	<b>63,600</b>	<b>63,600</b>
Honoraria (Panel Members)	33,600	33,600
Consultants	30,000	30,000
<u>Travel</u>	<b>10,000</b>	<b>10,000</b>
<u>Publications</u>	<b>5,000</b>	<b>5,000</b>
<b>TOTAL per Fund</b>	<b>78,600</b>	<b>78,600</b>

**LDCF AND SCCF TRUSTEE ADMINISTRATIVE FEES**

**The Least Developed Countries Fund**

15. 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.

16. The core elements of the Trustee’s work program during FY12 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; (vi) finalization of Financial Procedures Agreements (FPAs) between the Trustee and the Agencies; and (vii) development of an electronic messaging system to share financial and transaction information between the Agencies and the Trustee. Table 4 below shows the breakdown of the Trustee fee by services provided to the LDCF.

17. To cover its expenses for FY12 related to the above work program, the Trustee requests a budget of USD 174,100. This represents an overall increase of USD 10,700 (about 7%) as compared to the FY11 approved budget of USD 163,400. The increase is mainly due to two reasons:

- (a) Subsequent to the last replenishment meeting, additional contributions were received during FY11 thereby increasing the liquidity balance of the LDC Fund from an

average USD 135 million to USD 235 million. This additional liquidity balance has resulted in an increase in the investment management cost.

(b) Fees charged for the Bank’s provision of trustee services to FIFs are based on the cost of staff time and related expenses underpinning the services provided. The Bank recently reviewed the methodology for calculating the costs of units that are indirectly involved in providing trustee services to FIFs. Preliminary results of the study suggest that these additional costs amount to about 10% of the costs incurred by units that provide trustee services directly to FIFs. The results of the study are being incorporated into the fee arrangements for all FIFs in FY12, consistent with the full cost-recovery principle. A new line is added in Table 4 to include non-core unit costs of \$15,800.

18. Based on actual expenditure for the first eight months of FY11 and revised projections for the remaining four months, it is expected that the Trustee’s original budget projection for FY11 will be USD 14,500 higher than the approved budget of USD 163,400. The increase is due to higher investment management cost as explained above.

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

<b>LDCF: Budgetary Requirements for Services Provided by the Trustee</b>			
<b>FY 12</b>			
<b>(in USD)</b>			
<b>Trustee Services</b>	<b>FY 11 Approved</b>	<b>FY 11 Expected Actual</b>	<b>FY 12 Proposed Budget Total</b>
Financial Management and Relationship Management	45,000	45,000	46,400
Investment Management a/	47,300	61,800	65,900
Accounting and Reporting	22,600	22,600	23,000
Legal Services	23,500	23,500	23,000
Non-Core Central Unit Costs			15,800
System upgrade & Annual Operation and Maintenance	25,000	25,000	
<b>Total Costs</b>	<b>163,400</b>	<b>177,900</b>	<b>174,100</b>
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio.			



## **The Special Climate Change Fund**

19. 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 FY12.

20. The core elements of the Trustee's work program for FY12 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; (vi) preparation and finalization of Financial Procedures Agreements (FPAs) between the Trustee and the Implementing Agencies and Executing Agencies; and (vii) development of an electronic messaging system to share financial and transaction information between the Implementing Agencies and the Trustee. Table 5 below shows the breakdown of the Trustee fee by services provided to the SCCF.

21. To cover its expenses for FY12 related to the SCCF work program, the Trustee requests a budget of USD 138,600. This represents a 30% overall decrease from the FY11 approved budget of USD 198,200. The following points should be noted in this regard:

(c) The Trustee is working with the contributing participants to include SCCF Trust Fund under the Bank's Single audit arrangements which will replace separate audit requirement contained in the administration agreements. The Single Audit provides for an overall control framework surrounding trust funds providing reliable financial reports, and it replaces the need for individual audit of the trust fund financial statements thereby resulting in significant cost savings. The Trustee expects that unless any reservation from a contributing participant (an unlikely event), the amendment of administration agreements moving to Single Audit should be completed by June 2011. Therefore the Trustee is not proposing any amount for audit in FY12 budget, and the related accounting and reporting cost is also reduced.

(d) Fees charged for the Bank's provision of trustee services to FIFs are based on the cost of staff time and related expenses underpinning the services provided. The Bank recently reviewed the methodology for calculating the costs of units that are indirectly involved in providing trustee services to FIFs. Preliminary results of the study suggest that these additional costs amount to about 10% of the costs incurred by units that provide trustee services directly to FIFs. The results of the study are being incorporated into the fee arrangements for all FIFs in FY12, consistent with the full cost-recovery principle. In accordance with this change, a new line is added in Table 5 to include \$12,600 in expected costs of non-core units.

22. The FY11 actual costs are expected to be USD 69,163 higher than the approved budget USD 198,200. The increase is mainly due to audit costs relating to FY09 and FY10, payment for which was made in FY11. USD 30,000 was approved by the Council for audit in FY09 and in FY10 budget. However, the actual audit costs for these two fiscal years together came to USD 96,863 surpassing the budget USD 60,000 by USD 36,863. Excluding audit cost, no other significant change in cost is expected.

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

<b>SCCF: Budgetary Requirements for Services Provided by the Trustee</b>			
<b>FY 12</b>			
<b>(in USD)</b>			
<b>Trustee Services</b>	<b>FY 11 Approved</b>	<b>FY 11 Expected Actual</b>	<b>FY 12 Proposed Budget Total</b>
Financial Management and Relationship Management	45,000	45,000	46,300
Investment Management a/	32,000	34,300	33,700
Accounting and Reporting	46,200	46,200	23,000
Legal Services	20,000	20,000	23,000
External Audit b/	30,000	96,863	-
Non-Core Central Unit Costs			12,600
System upgrade & Annual Operation and Maintenance	25,000	25,000	-
<b>Total Costs</b>	<b>198,200</b>	<b>267,363</b>	<b>138,600</b>
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio. b/ FY11 actual cost represents audit cost for two fiscal years FY09 and FY10, payment transferred in FY11. For FY12 the Trustee is consulting contributing participants to include SCCF trust fund under the Bank's single audit arrangement. Explained in para 7 above.			

## **LDCF AND SCCF EVALUATION OFFICE BUDGET**

23. The FY12 work plan and budget for the GEF Evaluation Office request is detailed in document LDCF.SCCF.10/ME/1, *FY12 Work Plan and Budget for the Evaluation Office under the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF)*. The Evaluation Office requests for \$18,500 and \$136,500 from the LDCF and the SCCF respectively, amounting to a total request of \$155,000 for FY12 to cover the cost of

implementing the proposed evaluation work plan. The bulk of these funds are request to cover the cost of undertaking a thematic evaluation of SCCF supported activities.

## CONSOLIDATED FY12 BUDGET

24. The total consolidated budget for the Secretariat, STAP, Trustee and Evaluation Office is \$931,731 from the LDCF and \$774,819 from the SCCF as summarized in Table 6.

**Table 6: Consolidated FY12 Budget Request**

	LDCF (USD)	SCCF (USD)	Total (USD)
<u>GEF Secretariat</u>	660,531	421,119	1,081,650
<u>STAP</u>	78,600	78,600	157,200
<u>Trustee</u>	174,100	138,600	312,700
<u>GEF Evaluation Office</u>	18,500	136,500	155,000
<b>Total</b>	<b>931,731</b>	<b>774,819</b>	<b>1,706,550</b>