



Global Environment Facility

GEF/C.31/13
May 29, 2007

GEF Council Meeting
June 12-15, 2007

FY08 BUDGET FOR THE TRUSTEE

(Prepared by the Trustee)

Recommended Council Decision

The Council, having reviewed the *FY08 Budget for the Trustee*, document GEF/C.31/13, takes note of the expected services to be provided in FY08 by the Trustee and approves a total of \$2.4 million:

- (a) \$1,986,000 for core Trustee services;
- (b) \$100,000 for external audit of the GEF Trust Fund; and
- (c) \$314,000 as a special initiative for the conversion of the financial statements from special purpose reporting to International Financial Reporting Standards (IFRS).

I. TRUSTEE ROLE AND RESPONSIBILITIES

1. The role and fiduciary responsibilities of the Trustee of the GEF Trust Fund (the Trust Fund) are defined in Annex B of the Instrument for the Establishment of the Restructured Global Environment Facility (the Instrument). Annex B to the Instrument stipulates that the Trustee is accountable directly to the Council, and “shall be reimbursed annually from the resources of the Fund for the reasonable expenses incurred by it for the administration of the Fund and for expenses incurred in administratively supporting the Secretariat. The reimbursement shall be made on the basis of estimated cost, subject to end of year adjustment.”¹

2. This report provides an update to the GEF Council on actual expenses incurred in the provision of Trustee services in FY07. It also sets forth the services to be provided during FY08, along with projected annual administrative costs to cover standard and other expected services as well as special initiatives for FY08.

3. Annex B of the GEF Instrument provides that the Trustee will administer the Trust Fund in accordance with the Instrument and Council decisions, and will be bound by the World Bank’s Articles of Agreement, by-laws, rules and procedures. These include direction from the World Bank’s Executive Directors that the Bank’s management of the large multilateral trust funds is undertaken on a cost-recovery basis. The Bank’s estimate of its reasonable expenses is made on that basis.

4. The Trustee’s actual costs for FY07, now expected to be \$2.52 million, will be significantly higher than the FY07 approved budget of \$1.45 million.² While the World Bank’s policy is to recover its full costs in the provision of trustee and administrative services, the World Bank has decided to absorb the loss of \$1.07 million, and does not seek to recover the shortfall from FY07.

5. FY07 costs were higher than estimated due primarily to the following: (i) an underestimate of GEF investment management costs; (ii) the extended GEF-4 replenishment negotiations; (iii) work on the recommended minimum fiduciary standards proposal; (iv) the development of fiduciary policies for non-grant instruments; and (v) the commencement of work converting the financial statements of the GEF Trust Fund to International Financial Reporting Standards (IFRS). A secondary reason for the difference has been the practice of increasing the administrative budgets of the GEF partners by 3% a year. This has resulted in an increasing divergence between budgeted and actual costs, prompting a closer examination and more careful estimate of true costs for FY08 in accordance with the greater emphasis by the World Bank’s Board on full cost recovery.

6. For FY08, the Trustee projects that costs for core services provided to the GEF will be \$1.986 million. This amount represents an overall increase of 37% from the approved FY07 budget, but a decrease of 21% from the expected actual costs for FY07. The increase from the

¹ See Annex B, paragraph 8 of the GEF Instrument for the Establishment of the Restructured Global Environment Facility.

² This excludes the \$250,000 for the FY07 Special Initiative for the Trustee System Development project.

approved FY07 budget is discussed in more detail in Section II. It should be noted that if the FY08 Trustee budget is not fully utilized, the balance will be returned to the Trust Fund. Alternatively, if costs are higher than budgeted, the World Bank would expect to absorb the additional costs incurred.

II. ILLUSTRATIVE LIST OF BASIC SERVICES PROVIDED BY THE TRUSTEE INCLUDING PROVISION FOR EXTERNAL AUDIT OF THE TRUST FUND

7. The Trustee has provided a range of standard services to the GEF Trust Fund and to the GEF Secretariat since its establishment. These services include: (a) financial management; (b) investment management; (c) management of GEF partner relationships and transactions; (d) accounting and reporting; (e) legal services; and (f) infrastructure and systems.

8. The Trustee services related to the financial and administrative management of the Trust Fund, the Secretariat and, starting in FY07, the Evaluation Office. Summary budget amounts, as well as core services, are detailed below. Budgetary details for each of these service categories are included as Annex 1.

- a) Financial Management** (this includes collecting, holding, and managing funds from donors, managing the allocation, commitment and disbursement process, cash flow management, financial risk management, commitment authority management, and provision of financial and operational controls.)

FY07 estimate: \$410,200

FY07 expected actual: \$476,900 (due to the costs of the GEF reconciliation and the increasing complexity and number of financial transactions with an increased number of agencies.)

FY08 budget request: \$444,100 (represents the complexity and number of financial transactions and the need to strengthen operational and financial controls.)

(i) Replenishment Implementation and Management of the Contribution Process

- Management of the donor contribution process;
- Address interactively donor questions on replenishment resolutions and possible constraints (e.g., budget requirements, information, legal restrictions);
- Ensure policies related to the replenishment resolution are followed and adhered to;
- Facilitate final documentation and any logistical arrangements for payments;
- Track and call receivables and collect payments (accounts receivable process);
- Promissory note management, as necessary;
- Provide donors with short and long-term projections of cash requirements to assist with preparation of parliamentary/congressional legislation; and
- Provide standard and customized reporting to donors.

(ii) Committing and Disbursing Trust Fund Resources

- Track, on an on-going basis, the balance of funds available for Council allocation or CEO approval;
- Recording of Council allocations and CEO approvals;
- Execution of commitments and disbursements in compliance with the Instrument, the replenishment resolution, and GEF policies;
- Ensure commitments of CEO endorsed or approved amounts do not exceed the available resources of the Trust Fund;
- Commit funds upon agreed terms with the Agencies and in accordance with the Instrument and the replenishment resolution—establish separate notional account for each GEF Agency (accounts payable process);
- Disburse funds to Agencies upon agreed terms with the Agencies and in accordance with the Instrument and the replenishment resolution;
- Record cancellations and return of funds (loan repayments, unused grant allocations, etc.) from Agencies; and
- Address interactively questions by Agencies in respect of implementation of Financial Procedures Agreements.

(iii) Cash Flow and Financial Risk Management

- Cash flow management to ensure that the Trust Fund is able to meet current and future disbursement needs; and
- Financial risk management, including currency and interest rate risk management.

b) Investment Management (this represents the overall management of the GEF Trust Fund investment portfolio.)

FY07 approved: \$460,000

FY07 expected actual: \$805,000 (Treasury’s cost recovery of 3.5 basis points on the average annual balance of \$2.3 billion in FY07)

FY08 budget request: \$700,000 (Treasury’s cost recovery of 3.5 basis points on an estimated average annual balance of \$2 billion for FY08)

- Investment management of cash contributions paid into the Trust Fund;
- Currency conversions;
- Invest in benchmarked commingled fund;
- Multi-currency investments;
- Periodic review of risk profile and asset composition of benchmark; and
- Allocate investment income on a monthly basis.

c) Relationship Management (this includes replenishment negotiations when applicable, day-to-day communications, enquiries, and advice to the GEF partners.)

FY07 approved: \$294,800

FY07 expected actual: \$767,100 (higher replenishment costs due to the protracted GEF-4 negotiations; preparation of recommended proposals on minimum fiduciary standards for GEF Agencies; and the development of transaction policies and procedures for non-grant instruments)

FY08 budget request: \$437,600 (reflects the increasing complexity and demands from the GEF partnership and represents the support for new initiatives like public/private partnerships for the GEF, the review of financial and operational procedures in connection with the proposed new project cycle, and the finalization of transactional policies and procedures for use of non-grant instruments)

- Donors
 - Manage day-to-day donor relations/enquiries;
 - Provide documents and ad hoc reports upon request; and
 - Convene replenishment discussions at the request of the Council.

- Implementing and Executing Agencies
 - Liaise and collaborate with Agencies to maintain the integrity of financial reporting; and
 - Convene meetings to collaborate with Agencies to develop robust and efficient reporting and transactional processes and procedures.

- Secretariat
 - Monthly Reports to the Secretariat
 - Schedule of Funds Available for Council allocation or CEO approval, including (i) paid-in amounts deferred, (ii) Council allocations not yet CEO endorsed, (iii) CEO endorsements not yet approved by the Agencies, and (iv) amounts approved by the Agencies but not yet disbursed
 - Funding forecasts to enable the Secretariat to plan Council work programs, intersessional work programs, and monthly CEO approvals
 - Provide ad hoc reports upon request; and
 - Participate in consultations hosted by the Secretariat.

- Council meetings
 - Bi-annual reporting to the Council
 - Status of donor commitments
 - Status of donor contribution payments
 - Status of arrears and deferred contributions

- Schedule of Funds available for Council allocation and CEO approval
- Provide ad hoc reports upon request; and
- Participation in Council meetings and GEF Assembly.

d) Accounting and Reporting (this includes the maintenance of accounting records and financial data of the Trust Fund and the provision of appropriate reports)

FY07 approved: \$90,000
 FY07 expected actual: \$152,900 (represents the commencement of Trustee work to convert the financial statements to International Financial Reporting Standards (IFRS))
 FY08 budget request: \$158,000 (represents the increased Trustee costs of preparing IFRS financial statements and the review of financial statements provided by all GEF agencies.)

- Annual audited financial statement for the Trust Fund;
- Annual audited financial statement for the Secretariat's accounts;
- Handle audit enquiries and provide support for the audit of the Trust Fund and the accounts of the Secretariat;
- Monitor the quality and consistency of financial data across Agencies and the Secretariat;
- Provide financial reports for the GEF's Annual Report; and
- Review of financial reports and audited financial statements provided by the Agencies.

e) Legal Services (this includes the provision of legal counseling for replenishment negotiations, overall support for the GEF Trust Fund, administrative support to the Secretariat, and the preparation/revision of legal documents)

FY07 approved: \$64,000
 FY07 expected actual: \$134,000 (higher replenishment costs due to the protracted GEF-4 negotiations, legal work related to the GEF Assembly and Special Council meetings held in Cape Town, South Africa, and preparation of donor contribution agreements to cover the costs of the Assembly)
 FY08 budget request: \$87,000 (represents legal guidance in drafting Council papers, revision of the Financial Procedures Agreements due to the proposed new project cycle, and legal support for new GEF initiatives such as the public/private partnerships proposal)

- Formulation and negotiation of replenishment resolutions;

- Review and provide legal interpretation of audited financial statements;
- Review GEF policies that affect the operations of the Trustee to ensure compliance with the Instrument, replenishment resolutions, and Financial Procedures Agreement;
- Formulation and negotiation of legal agreements with donors and Agencies on behalf of the Secretariat ;
- Legal services as required to interpret the Instrument and the replenishment resolutions;
- Review GEF policies that affect the operations of the Secretariat to ensure compliance with the Instrument and Memoranda of Understanding; and
- Draft language to amend the Instrument as needed.

f) Infrastructure and Systems (This includes the provision of infrastructure and general operations costs, including system maintenance, office overhead, equipment, supplies, and communications.)³

FY07 approved: \$111,000
 FY07 expected actual: \$161,000 (Systems and operations costs are based on total staff time spent, so they increase proportionately as more staff time is devoted to GEF activities)
 FY08 budget request: \$133,000 (This reflects the systems and operations costs needed to support the expected increase in staff time over FY07.)

- Maintain details of all financial transactions and provision of archives; and
- Utilize the same system and organizational infrastructure as the World Bank.

g) External Audit (external audit fee for audit of the GEF Trust Fund)

FY07 approved: \$90,000 (includes the estimated audit fees for the GEF accounts of the Executing Agencies).⁴
 FY07 expected actual: \$108,360 (due to higher fees than expected for the audit of the FY06 financial statements.)
 FY08 budget request: \$100,000 (reflects the fee for the external audit of the FY07 financial statements of the GEF Trust Fund).

III. SUMMARY OF ADDITIONAL SERVICES PROVIDED IN FY07

³ This does not include the costs of development and maintenance of a stand-alone module within the World Bank's enterprise-wide system to manage the financial activities of the Trust Fund. The costs for Trustee System Development work are discussed in detail in Section III.

⁴ Based on paragraph 47(c) of the Joint Summary of the Chairs, GEF Council Meeting, December 5-8, 2006, all GEF Agencies must pay for the audit of their GEF accounts out of their approved project cycle management fees.

9. During FY07, the Trustee provided the standard services detailed above, consistent with its fiduciary role managing the resources of the Trust Fund. In addition, the Trustee's FY07 work program included activities extended from FY06, as well as services requested by Council but not planned for in its FY07 estimated budget. These included::

- (a) Completion of the protracted GEF-4 replenishment discussions and finalizing the donor financing framework to replenish the resources of the Trust Fund;
- (b) Implementation of the GEF-4 replenishment resolution;
- (c) In accordance with the Policy Recommendations of the GEF-4 replenishment, preparation of recommended proposals on minimum fiduciary standards for GEF Agencies for consideration by the Council at its June 2007 meeting;
- (d) Comprehensive reconciliation of financial data between the Trustee and the Agencies;
- (e) Commencement of work on transaction policies and procedures relating to the use of non-grant instruments in the GEF funded operations;
- (f) Coordinating the submission of audited financial statements of the GEF agencies for review by the Council;
- (g) Starting July 1, 2006, establish accounts and maintain separate accounting and reporting for the GEF Evaluation Office to reflect its independent reporting relationship to the Council.
- (h) Providing input to the preparation of a revised GEF project cycle for consideration by the Council at its June 2007 meeting;
- (i) Legal work related to the GEF Assembly and Special Council meetings held in Cape Town, South Africa, including preparation of agreements between the World Bank, the Secretariat, and the Government of South Africa, and of donor contribution agreements to cover the meeting costs; and
- (j) Handling inquiries from the World Bank's internal audit function.

III. TRUSTEE SPECIAL INITIATIVES BEGUN IN FY07

Trustee System Development Project

10. In addition to the special activities noted above, the Trustee embarked on a major system overhaul of the World Bank's customized module for the GEF within the World Bank's main business and accounting system. The system overhaul is designed to (a) adjust for changes to the project cycle; (b) provide the ability to report more transparently on loans and guarantees funded by the GEF Trust Fund; (c) enable electronic sharing of data between the Secretariat and the Trustee and between the Agencies and the Trustee. The project is expected to be completed in FY09.

11. At its June 2006 meeting, the Council approved \$250,000 to help defray the costs of this system development project. The costs are projected to total approximately \$1 million over several years. The World Bank will pay for 75% of the total projected costs out of its own resources, with \$400,000 from administrative budget over the course of the project plus a one-time capital budget allocation by the World Bank of \$350,000. The system development work is being carried out using offshore resources, to the extent possible, to keep overall project costs to a minimum and maintain the quality of the final product.

12. The Trustee's system design and development work must be coordinated with the Secretariat's new MIS for the GEF as well as with the data systems of the Agencies. This will help ensure that the relevant systems can interface with each other efficiently and that the data structures and the data elements are compatible across all systems.

13. In FY07, the Trustee completed initial system development consultations with the Secretariat and the Agencies. Based on the outcome of the discussions, the Trustee completed a "user needs" analysis, designed the layout of user screens, prepared the necessary functional technical documents for the application developers, and completed the design of the data model and tables. By June 30, 2007, a total of \$160,000 (64%) is expected to have been spent from the 2006 Council allocation of \$250,000. This comprises approximately \$31,000 (19%) in travel-related costs and \$129,000 (81%) in payments to technical contractors. The balance of \$90,000 will be fully used in FY08 during the second phase of the project.

14. In FY08, using the balance of funds provided by the Trust Fund as well as the World Bank's own resources, the Trustee will build, test and implement the new applications related to commitments and disbursements of funds. In addition, major enhancements to the following existing applications will be completed and made operational: (a) donor contribution management; (b) management of promissory notes; (c) calculating commitment authority and funding status; and (d) more comprehensive reporting of business and accounting data.

15. In addition, during FY08, work will begin on baseline system-to-system integration/reconciliation processes with Agency and Secretariat systems. A more comprehensive and fully automated integration will be handled in a subsequent phase. Table 1 below shows the approved budget from the Trust Fund and the estimated expenses for FY07. As noted above, no further Trust Fund financing is required for this project as the World Bank is

using 75% of its own resources to cover the bulk of the costs for this project, although it is designed specifically and exclusively for the GEF Trust Fund.

Table 1: Trustee System Development Project

Expense Category	Budget Approved in FY07 a/ \$	FY07 Estimated Actual \$	FY08 Projected Expenditures c/ \$
<u>Staff Costs</u>	100,000	31,000	69,000
Salaries and Benefits	40,000	b/	40,000
Travel	60,000	31,000	29,000
<u>Contractual Services</u>	150,000	129,000	21,000
Contracts with Firms	150,000	129,000	70,000
TOTAL	250,000	160,000	90,000

a/ The budget for the Special Initiative will be spent over a two year period (FY07 and FY08).

b/ The World Bank used its own resources to cover FY07 costs of labour.

c/ This represents the balance of the approved budget and does not represent a request for additional funds. As noted in Section III, the World Bank is paying for 75% of total project costs.

IFRS conversion

16. The most significant financial reporting event that occurred during FY07 was the decision, prompted by the Trust Fund’s external auditors, to change the basis upon which the Trust Fund financial statements are prepared. In the past, the Trust Fund’s financial statements have been prepared as “special purpose”, i.e. they have been intended for the use of the donors and the Council. Special purpose financial statements are used as an acceptable form of reporting when their distribution remains limited. However, distribution of the Trust Fund financial statements has over time expanded significantly. They are included in the GEF Annual Report, a publicly available document, and are distributed widely via the internet. Consequently, during FY07, the Bank's external auditors informed the Trustee that they will no longer issue an audit opinion on the Trust Fund’s special purpose financial statements, given their wide distribution beyond the donors and the Council. Accordingly, the Trust Fund financial statements be prepared on the basis of International Financial Reporting Standards (IFRS), consistent with best practice.

17. In accordance with this decision, the FY07 Trust Fund financial statements must be converted, with comparatives for FY06, from the special purpose basis of reporting to IFRS as part of the FY08 work program. Once the FY07 financial statements are converted to IFRS, they can be freely distributed to the public with the external auditor’s opinion.

18. The conversion to IFRS financial statements has several different cost implications. First, work has begun in FY07. Second, there will be a one-time conversion cost, with respect to both internal and external audit work. Third, moving forward the annual production of IFRS financial statements will be somewhat more costly. Trustee has already begun the necessary work to transition from special purpose reporting to reporting on the basis of IFRS. It is expected that the completion of this conversion will occur around December 2007. The World Bank has absorbed the unexpected costs associated with this work and is not seeking to recover the shortfall from FY07. The Trustee, however, is requesting that the costs expected to be incurred in FY08 be reimbursed by the Trust Fund as a Special Initiative in FY08. The increased costs associated with the conversion for FY08 are discussed further in Sections IV and V.

IV. HIGHLIGHTS OF ACTIVITIES TO BE UNDERTAKEN IN FY08

19. As noted in Section II, the Trustee provides a wide range of financial and legal services in connection with the management of the assets of the Trust Fund. In carrying out these responsibilities, the Trustee draws on the Bank's expertise and comparative advantage in the areas of investment management, legal counseling on key areas of its role as Trustee (supporting the Secretariat administratively, preparation of Memoranda of Understanding and Financial Procedures Agreements), financial and operational controls, transaction processing, and financial reporting.

20. In view of the significant increase in the volume and complexity of these functions, as well as the additional non-standard activities required by the Council, the Trustee's costs for FY08 are projected to amount to \$2.086 million. The proposal for FY08 represents a 35% overall increase from the FY07 approved fee.

21. The highlights of non-standard initiatives, activities and outputs of the Trustee in FY08 will include the following:

- (a) in conjunction with the Secretariat and the Agencies, finalize the transactional policies and procedures for use of non-grant instruments in GEF projects;
- (b) follow-up work on the recommended proposals for minimum fiduciary standards;
- (c) review of financial and operational procedures in connection with the proposed new project cycle;
- (d) legal guidance in drafting Council papers plus services for amending where necessary the Financial Procedures Agreements and the Memoranda of Understanding between GEF parties;
- (e) as requested, support new Secretariat initiatives such as public/private partnerships for the GEF; and

- (f) Conversion of the GEF Trust Fund financial statements to International Financial Reporting Standards⁵.

22. A review of the Trustee's actual costs incurred in FY07 highlights that they are significantly higher than budgeted, due to several factors: conservative estimates of Trust Fund balances and the associated investment management costs, the extended GEF-4 replenishment negotiations, the reconciliation process with the Agencies, and the work on the recommended minimum fiduciary standards proposal which had not been included in the original budget forecast. The World Bank's policy is to recover its costs in the provision of trustee and administrative services. For FY07, the World Bank has absorbed these unexpected costs, and is not seeking to recover the shortfall. However, this has prompted closer examination and more careful estimates of true costs for FY08, which are expected to be substantially higher than FY07's (under-) estimated costs, although still lower than FY07 actual costs, are expected to total by June 30, 2007. The primary differences, discussed below, relate to the conversion from special purpose to IFRS financial statements; the need to cover the full cost of investment management of the Trust Fund's liquidity balances; and the expected provision of services beyond standard trust fund management services.

23. The first item contributing to the increased budget proposal is due to the fact that, on an ongoing basis, fees for internal and external accounting services will be somewhat higher due to the increased cost of preparing IFRS financial statements. The Trustee believes that these increased costs are reasonable, given the GEF's maturity as an international financial mechanism and the better quality of information provided under IFRS. Thus, internal accounting costs are projected to increase from \$100,000 in FY07 to \$180,000 in FY08. The fee paid to external auditors is expected to increase from \$50,000 in FY07 to \$100,000 in FY08.

24. The second item contributing to the overall budget increase for the Trustee is the increased administrative cost related to the management of an investment portfolio of the Trust Fund that has experienced sharp growth. While the portfolio has increased substantially over the last five years (as donors pay cash up front), the Trustee has not charged the full investment management fee to the Trust Fund. In light of the World Bank's increasing emphasis on full cost recovery for its financial services, this year's budget reflects the full cost of managing the GEF Trust Fund investment portfolio (3.5 basis points on approximately \$2 billion).

25. A third reason for the increase is the provision of expanded services (financial, administrative, and legal) that the Trustee expects to provide for the financial and operational activities of the Trust Fund and in administrative support of the Secretariat and the Evaluation Office. The Trustee will incur additional costs in FY08 related to (i) finalizing the transactional policies and procedures for use of non-grant instruments in GEF projects, (ii) follow-up work on the recommended proposals for minimum fiduciary standards, (iii) the review of the financial and operational procedures in connection with the new project cycle, (iv) services provided to support the Secretariat's new initiatives such as public/private partnerships for the GEF, and (v) the amendment, as necessary, of the Financial Procedures Agreements and the Memoranda of Understanding.

⁵ For budgetary purposes, the Trustee is requesting the funding for this work be treated as a Special Initiative.

26. The combined impact of these changes is a substantial increase, which more accurately reflects the actual work undertaken by the Trustee in support of the GEF's financial effectiveness in a manner consistent with the principle of cost recovery. Table 2 summarizes the Trustee's FY07 approved fee, the expected actual expenses for FY07, and the proposed budget for FY08.

Table 2: Trustee Budget for Services and Special Initiatives

Expense Category	FY07 Approved Budget \$	FY07 Expected Actual \$	FY08 Budget Request \$
Standard Services			
<u>Staff Costs</u>	879,000	1,339,600	1,153,000
Salaries and Benefits	859,000	1,311,900	1,126,700
	20,000	27,700	26,300
<u>Investment Management Fee</u>	460,000	805,000	700,000
<u>Contractual Services</u>	-	219,000	-
Fee for Minimum Fiduciary Standards	-	219,000	-
<u>General Operations Costs</u>	111,000	161,000	133,000
Office Space, Equipment, and Supplies	58,000	87,000	69,180
Communications and Internal Computing	53,000	74,000	63,820
<u>Total Standard Services</u>	1,450,000	2,524,600	1,986,000
<u>External Audit Fees</u>	90,000	108,360	100,000
External audit fee of the GEF Trust Fund	50,000	63,000	100,000
Overage of external audit fees for the Sec. & IBRD as IA	-	5,360	-
External audit fees of the Executing Agencies a/	40,000	40,000	-
Total	1,540,000	2,632,960	2,086,000

a/ Based on paragraph 47(c) of the Joint Summary of the Chairs, GEF Council Meeting, December 5-8, 2006, all GEF Agencies must pay for the audit of their GEF accounts out of their approved project cycle management fees.

V. Trustee Special Initiatives begun in FY08

27. In addition to the expenses associated with standard and customized Trustee services, a one time cost of \$314,000 is anticipated due to the conversion of the GEF Trust Fund financial statements. The breakdown of these costs is shown in Table 3.

28. As this is a substantial exercise, it requires a one-time expenditure of \$314,000 to cover the related conversion costs (internal accounting costs of \$128,000 and the external auditor costs of \$186,000). The Trustee requests that this expenditure be funded as a Special Initiative for FY08.

Table 3: Conversion of GEF Trust Fund Financial Statements to International Financial Reporting Standards

Expense Category	FY08 Proposed Budget \$
<u>Staff Costs</u>	128,000
Salaries and Benefits	128,000
<u>Contractual Services</u>	186,000
Contracts with Firms	186,000
Total	314,000

Budgetary Details for Basic Services Provided by the Trustee

Task Description	FY07 Approved Budget	FY07 Estimated Actual	FY08 Proposed Budget
	\$	\$	\$
GEF Financial Management	410,200	476,900	444,100
Investment Management	460,000	805,000	700,000
GEF Relationship Management	294,800	767,100	437,600
Accounting and Reporting	90,000	152,900	158,000
Legal Services	64,000	134,000	87,000
Infrastructure and Systems	111,000	161,000	133,000
Estimated travel costs	<u>20,000</u>	<u>27,700</u>	<u>26,300</u>
Total Standard Services	1,450,000	2,524,600	1,986,000
External Audit Fee	90,000	108,360	100,000
Total	1,540,000	2,632,960	2,086,000