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AGENDA ITEM 7

GEF CORPORATE BUDGET FOR FY98

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GEF FY98 CORPORATE BUDGET

INTRODUCTION

This paper presents the GEF corporate budget proposal for fiscal year (FY) 1998 (July 1, l997 - June 30, l998). It seeks Council approval of a proposed budget of $36.89 million to deliver $390-440 million in new projects in FY98, plus support a maturing portfolio of projects already in the work program, especially an expected 16% increase in projects under implementation. This corporate proposal covers the six entities of the GEF: UNDP, UNEP, World Bank, STAP, Trustee, and Secretariat. For the first time, it also incorporates the programmatic monitoring and evaluation budget, approved separately in FY97 and now included within the Secretariat's budget, but also identified separately for baseline comparison with prior years.

The paper follows a format similar to that of the FY97 budget proposal[1], beginning with a review of the main assumptions and objectives from the FY98 Business Plan[2] guiding GEF programming for FY98 and this business planning period. After summarizing the current project portfolio, the paper outlines the specific FY98 operational work program and related outputs that the proposed corporate budget would support . The paper then lays out the budget in more detail by entity and type of output, using the three-tier approach to cost accounting recommended by Price Waterhouse and endorsed by the Council on a pilot basis[3] for FY97. Two annexes are attached: (a) additional explanatory text and an itemized budget for the monitoring and evaluation unit now incorporated in the Secretariat's budget; and (b) Implementing Agency(IA)-specific considerations for estimating costs of projected work programs and project activities currently in the work program.

ASSUMPTIONS AND OBJECTIVES

The main programming assumptions and objectives for FY98 (identified in the FY98 business plan) continue from the FY97 budget period:

Maintaining a Long-term Strategy of Stable, Sustainable Growth: The FY98 projected new operational outputs reflect a pattern of steady and sustainable growth as compared with FY97, a planning principle broadly supported

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[1] *Revised GEF FY97 Corporate Budget*, GEF Council Meeting, April 2-4, l996, GEF/C.7/8.

[2] *GEF Corporate Business Plan FY98-00*, GEF Council Meeting, October 8-10, l996, GEF/C.8/6

[3] See Decisions of the Council, Agenda Item 9, *GEF Administrative Budget*, para. 23, approving the recommendations in document GEF/C.7/9, *Recommendations Concerning the Preparation of the GEF Administrative Budget*, GEF Council Meeting April 2-4, l996.

by the Council last year as consistent with the permanent and continuing nature of the GEF.

Implementing the Operational Strategy: The framework for GEF's FY98 operations continues to be the Operational Strategy approved by the Council in October l995, based on guidance from the conventions on biodiversity and climate change, supplemented by Council decisions. The portfolio of new projects for FY98 is expected to be fully consistent with the Strategy and convention guidance.

Continuing to Improve Project Quality and Efficiency in Resource Use: This objective remains an overriding goal and a challenge to measure with the young portfolio and limited data on real costs and results. Now that policy guidance is firmly in place, uncertainty about eligibility has been reduced and early work can be better targeted to the most viable, eligible projects. In addition, the introduction of more regular upstream consultations on project concepts and programming also should help improve quality and stabilize the pace of work. The rate of dropped or deferred projects is expected to fall with these efforts.

Mainstreaming GEF: As emphasized in the FY98 business plan, this objective was declared a high priority by the Heads of Agency in their annual meeting last year.[4] The ultimate goal of mainstreaming is to integrate GEF activities and objectives into each agency's own missions. This means fewer "freestanding" projects and more co-funded ones. In FY98, GEF projects will increasingly have co-financing, where possible with both IA and bilateral or other external co-financing. Also, efforts will continue with the special challenge of developing regular IA operations that include more GEF-type activities.

Maintaining Flexibility: As with FY97, the FY98 work program and budget assume flexibility to make resource adjustments if additional eligible projects of high quality are identified and shown to be viable for processing during the year. The tools available are the CEO's authority to approve supplemental funds up to 5% of the operational segments of an IA's approved administrative budget and the mid-year review.[5] Already the practice is developing to provide supplemental funds if needed for over-delivery of projected outputs, and to return funds at year's end for under-delivery.[6]

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[4] See *Conclusions of GEF Heads of Agency Meeting, June 19, 1996, Washington, D.C.*, (GEF/C.8/Inf.6).
[5] See Council Decision, Agenda Item 9, para. 22, GEF Council Meeting April 2-4, l996.
[6] See, e.g., *Report on GEF FY96 Estimated End-Year Expenditures*, GEF/C.8/Inf.7.

Formally Linking Outputs to Costs: The FY98 budget proposal begins to present projected expenditures in a "three-tier approach" in order to provide more transparency and consistency in differentiating costs that are purely administration, from those that are related to operations -- either a specific project (project direct), or multiple projects (project indirect). All entities are now formally working with the principle of linking outputs (projects and other products) to their estimated costs of delivery. As data improves with each budget cycle, expenditures will be able to be tied more accurately to specific outputs.

Shifting More Resources to Operations Processing and Oversight: A key programming assumption for FY98 reflects the changing business demands of the GEF as it matures. With the policy base and reporting requirements stabilizing, resources will be shifting more to meet the growing demands of project processing and oversight, especially with monitoring and supervision.

STATUS OF THE EXISTING PORTFOLIO

GEF's total operational work program, including the pilot phase, is $1.3 billion as of end-March 1997, comprising $718 million in the pilot phase, and $595 million in restructured GEF (FY95 through March 1997). This portfolio is reaching some 114 countries through national, regional and global projects, including projects under enabling activities, operational programs, and short-term measures. As can be seen in Table 1, UNDP and the World Bank each have about the same number of regular operations (long-term operations and short-term measures), with UNDP programming more than three-quarters of the enabling activities, and the World Bank having the largest dollar share with almost 70%.

Commitments and disbursements as of December 31, l996 (the most recent figures available from the IAs) are $909 million in committed dollars (projects approved by the IAs), and $399 million in disbursements (see Table 2 for the breakdown by agency).

Table 1: GEF Authorized Work Program* as of March, 1997 (US $ millions)

	UNDP		UNEP		World Bank		Total	
	No. of projects	$m	No. of projects	$m	No. of projects	$m	No. of projects	$m
Pilot Ph.	55	242.5	6	21.6	53	453.7	114	717.8
GEF - Projects	30	109.2	3	7.9	36	477.5	69	594.6
GEF - Enab. Act.**	80	29.6	17	3.5	7	0.8	104	33.9
TOTAL	**165**	**381.3**	**26**	**33.0**	**96**	**932.1**	**287**	**1346.3**
Global, Regional and/or National Projects	No. of Countries: 100		No. of Countries: 53		No. of Countries:80			

*Excludes Small Grants Programme and PRINCE.

**Includes Expedited and Non-expedited enabling activities.

Table 2: Disbursements and Commitments of each IA's Authorized Work Program*
(US $ millions) (data as of end-December 1996.)

Agency	Commitments*	Disbursements**
	$	$
UNDP	253.1	188.5
UNEP	28.8	15.5
WBank/IFC	627.1	195.2
Total	**909.0**	**399.2**

*excludes PDFs, PRIFs, PPAs. Small Grants Programme.

**UNDP/UNEP disbursements are estimates as of end December; Bank are actuals.

FY98 PROJECTED OUTPUTS

This section identifies the main outputs projected for the FY98 work program with the proposed corporate budget. Operational outputs are the primary focus, being the business of the GEF and requiring the bulk of the budget. Supporting outputs (common services, administration, STAP, and Trustee services) are relatively stable from year to year so the text highlights areas of special emphasis or new initiatives. The programmatic monitoring and evaluation work also is included.

Operational Outputs -- New Projects (phase 1 of project cycle): For FY98, the IAs estimate they will be able to deliver a new corporate operations work program in the range of $390-440 depending on project size. Early preparatory work also will occur in FY98 for new projects entering the FY99 and FY2000 work programs at a range at least comparable to FY98. Table 3 shows the new work program amounts for FY98 by IA compared with FY97 estimated actuals assuming the May 1997 work program is approved by Council[7]. The FY97 estimated actuals for UNDP are higher than originally projected because a number of projects matured earlier than expected.

Table 3: Proposed FY98 Operational Outputs compared with FY97 Estimated Actuals* (US $ millions)

	UNDP	UNEP	WB/IFC	Total
FY97 (Est. Act.)	126	15	253	**394**
FY98 (Proposed)	90-110	25-30	275-300	**390-440** **

*assuming Council approval of May 1997 Work Program

**depending on project size.

More than 90 percent of the projected new outputs will be long-term operations (Table 4). Short-term measures are continuing to decline to under 4%. Expedited enabling activities (normally $100,000 to $300,000 grants using streamlined procedures) will continue at about the FY97 level to support the remaining needs of countries with convention obligations for biodiversity reporting and climate change national communications. FY98 programming will put special emphasis on reaching out to countries still needing such assistance and the projected work program range of $390-440 million allows flexibility to ensure that all such countries are supported. Some 100 countries are expected to have received expedited enabling activities by end-FY97.

Table 4: FY95-98 Operational Outputs by Type of Activity (US $ millions)

	FY95 1/	FY96 2/	FY97 3/ (estimated)	FY98 (proposed)
Long-Term Operations	88	253	324	370
Enabling Activities	10	6	21	17
Short-Term Measures	37	58	49	15
Total	**135**	**317**	**394**	**402**

1/ FY95 is a nominal breakdown of the work program based on the Operational Strategy categories approved in FY96.

2/UNDP FY96 includes Small Grants Programme

3/Assuming May 1997 Proposed Work Program Approved by Council.

[7] For FY98, UNDP has used the mid-range of its projected $90-1l0 million work program to estimate outputs by type of activity and focal area. Depending on project size, deliverables at this mid-range may require a supplemental budget increase during FY98.

Consistent with the FY98-00 Business Plan's goal of steady, sustainable growth, the proposed $390-440 million range for new operations reflects steady growth with FY97's projected outputs and, even with the new estimated actuals for FY97 higher than projected[8], there will be modest growth overall. More importantly, the proposed new work program will deliver almost 15% more in long-term operations when compared to FY97's estimated actuals. At the same time, this new projected range is lower than the $450-500 million estimated last year in the FY97-98 planning assumptions[9] and the FY98 Business Plan. The new range is an updated target taking into account the need to allocate more resources than before to monitoring and supervision while still maintaining a stable rate of growth and keeping prudent targets for the administrative budget in line with the international trend towards budgetary restraint. It recognizes, as well, the principle of flexibility that governed the FY97 work program whereby additional high-quality, eligible projects will be able to move forward with supplemental assistance, if needed.

In focal area distribution, the FY98 projections would continue to program mostly climate change and biodiversity activities (Table 5), with climate change somewhat higher because of its continuing higher absorptive capacity for large technology-based projects. Taking pilot phase and restructured GEF operations together, however, the distribution in Council-authorized dollars between biodiversity and climate change as of end-FY97 is expected to be relatively even at 37% for biodiversity and 39% for climate change (see Table 6). FY98 and FY99 programming is expected to level this distribution even more as additional small biodiversity projects come forward and the size of climate change projects reduces. In ozone, projects are expected to continue to phase down, with international waters growing modestly in FY98 as earlier preparatory efforts now produce projects.

Table 5: Projected FY98 Operational Activities by Focal Area (US $ millions)

	Bio	C.C.	IW	Ozone	Total
UNDP	44.0	40.0	15.0	1.0	100.0 *
UNEP	14.0	4.0	8.0	1.0	27.0
WB/IFC	80.0	155.0	35.0	5.0	275.0
Total	**138.0**	**199.0**	**58.0**	**7.0**	**402.0**

*This reflects the mid-point of UNDP's range. See footnote 7.

[8] Current estimates for total FY97 operations, assuming Council approval of the May l997 work program, are above the range projected in the FY97 budget paper because several UNDP projects generated from PDFs and normal work matured earlier than expected. Project development during FY98 is anticipated to have more stable growth.

[9] See *Revised GEF FY97 Corporate Budget*, GEF/C.7/8, Annex A.

Table 6: Cumulative Work Program* by Focal Area (US $ millions)

	Pilot Phase	GEF Thru' May 1997**	Total $	Total %
Biodiversity	332.2	248.6	580.8	37%
Climate Change	259.0	347.1	606.1	39%
International Waters	118.0	62.4	180.4	12%
Ozone	4.0	108.7	112.7	7%
Multi-Focal	20.0	56.4	76.4	5%
Total	**733.2**	**823.2**	**1556.4**	**100%**

*Excluding Expedited Enabling Activities

**Assuming Council Approval.

Operational Outputs -- Projects in Preparation through Completion (phases 2 through 4 of project cycle): Projects already in the authorized GEF work program are being prepared and monitored/supervised by each agency (see Table 7 for estimated breakdown of FY98 operational outputs by all phases). A small number of projects also will move in FY98 to completion and require evaluation. Particularly important for estimating demand on administrative resources is the growing portfolio in implementation. FY98 projections are for a 16% increase over FY97 in regular operations in implementation (from 134 to 156). The World Bank expects the bulk of this increase, with 32% growth over FY97 (19 new projects going into implementation). For UNDP, numbers of projects going into implementation in FY98 will remain relatively steady over FY97 (from 67 to 69). It is important to highlight that UNDP's monitoring role is complicated by the decentralized nature of its operations, and the fact that all regions are currently represented in their portfolio.

Other Outputs supporting Operations: Each year, the GEF corporate budget continues to support other GEF outputs that facilitate operational outputs or are necessary to support the governance and decision-making processes of the GEF. For example, two types of outputs, common services and administrative reports, are mostly coordinated or produced by the Secretariat collaboratively with the other entities. These outputs remain relatively stable from year to year (with the exception of cyclical activity of the Assembly and replenishment).

Table 7: Projected FY98 Operational Outputs by Phase ($ US millions)

		UNDP		UNEP		World Bank	
		$	#	$	#	$	#
Project Development							
-Phase I -	*L-T/S-T Operations*	81	18	20	9	269	27
FY98	*Medium-Sized Projects*	7	15	3	4	5	8
	Expedited Enabling Activities	12	35	4	17	1	10
Total		**100**	**68**	**27**	**30**	**275**	**45**
Project Preparation* *- Phase II*		71	34	10	10	230	20
Project Implementation* *- Phase III*		245	69	30	8	735	79
Project Evaluation* *- Phase IV*		90	20	16	18	37	5

*Excluding expedited Enabling Activities.

"Common service" outputs supported by the proposed budget mainly relate to communications and associated representation as part of institutional relations and outreach to the conventions, countries, NGOs, and other concerned bodies. Communications outputs will continue to be guided by the "single corporate image" approach initiated with the GEF Business Plan FY96-97[10] and endorsed anew by the Secretariat and IA managers during a GEF management retreat in July 1996. An interagency communications working group, chaired by the Secretariat, was created in December l996 to more systematically pursue this approach, collaborate on the development and implementation of ongoing joint activities, and collectively undertake special initiatives for major events, especially formal meetings associated with the governance structure of the GEF.

A new initiative under this joint program in FY97 was GEF project workshop presentations involving project managers that were organized during conferences of the parties and subsidiary meetings of the conventions on biodiversity and climate change. These workshops will continue during FY98 and have greater emphasis in response to the positive feedback received from participants that these are a valuable cost-effective tool for communicating practical information about the GEF. During FY98 the workshops will vary in subject matter to take advantage of lessons from completed pilot phase projects, the advanced stages of implementation of some GEF projects, and the growing amounts of monitoring and evaluation data becoming available.

Traditional outreach publications will continue to be produced during FY98, with most emphasis being placed on the Quarterly Operations Report (QOR) and more ways to disseminate its information in a user-friendly manner to different audiences. The working paper series will begin to deliver outputs again, now that a formal editorial committee has been established with representatives of the three agencies along with an outside peer review process.

A GEF survey has indicated growing access in recipient countries to electronic means of communication such as the Internet. Given this trend, GEF's information dissemination strategy will be shifted gradually away from the traditional production, storage, and shipment of hard copy products as primary communication outputs. It will move towards more of the traditional outputs being available on line in a format that is easily accessible and also easy to update. A common database system already exists between the IAs and the Secretariat on GEF projects, which is used for producing the QOR, and this system will be further examined for use on the Internet. The pace of change toward more comprehensive electronic communication will be managed so as to continue to fully serve those focal points and constituencies dependent on hard copy with needed information materials. This strategy should help reduce costs further in hard copy production and dissemination.

[10] See *GEF Business Plan FY96-97 and Budget FY96*, GEF/C.4/4, para 20.

Institutional relations activities of the Secretariat, in collaboration with the IAs, also are expected to increase during FY98, particularly with the conventions on biodiversity and climate change. During this period, each convention will be undertaking a review of the GEF that will require information from the GEF and participation in relevant meetings. A considerable amount of effort also will be required from the Secretariat to continue to develop, in consultation with the IAs, Convention Secretariats and STAP, an operational framework for the implementation of new convention guidance. Similarly, international relations activities within the United Nations system also will be requiring increased attention, particularly with regard to representation at meetings, preparation of reports, and presentations.

The standard administrative outputs for FY98 will remain steady with prior years and reports regularly produced by the Secretariat in collaboration with the other entities are listed in Table 8. In addition, FY98 also will see some special outputs in two areas of a cyclical nature -- the Assembly scheduled for spring l998 and replenishment activities. Specific outputs for the Assembly[11] and their resource requirements will be better understood as the agenda and purposes are defined in the coming months. The replenishment effort also will be fully underway during FY98 and outputs will support the meeting schedule and work plan agreed at the March l997 planning meeting in Paris,[12] with any special costs to be reflected in the mid-year budget report, as noted in para. 26. The Secretariat expects to take the lead in preparing a number of special reports requested as part of that work plan.

TABLE 8: FY98 Administrative Reports to Council

Document	FY98		
	1st half	Intersessional	2nd half
Regular:			
GEF Corporate Business Plan	x		
GEF Corporate Budget			x
End-year Expenditure Report (including Secretariat Review)	x		
GEF Mid-year Budget Report		x	x
Quarterly Financial Statements	x	x	x
Status of Commitments and Pledges to the GEF Trust Fund	x		x
GEF Annual Report and annual audits	x		
Reports to Conventions	x		x
Annual Project Implementation Review			x
Special:			
Replenishment Reports*	x	x	x
Assembly Reports**	x	x	x

* Replenishment Reports as noted in Work Plan before this Council, see footnote 12.
**Assembly Reports as indicated in Note before this Council, see footnote 11.

[11] See *Note on the Organization of the GEF Assembly*, GEF/C.9/8, before this Council.
[12] See *Summary of the Co-Chairs* of the planning meeting for the second GEF replenishment, Paris, March 12, l997, GEF/C.9/Inf.6, before this Council.

The Trustee, in cooperation with the Chief Executive Officer of the GEF, will lead replenishment discussions begun in FY97 and continuing into FY98. Trustee outputs, more generally in FY98 will continue to include: (a) financial management of donor resources; (b) mobilization of resources; (c) maintenance of appropriate records and accounts of the Fund and providing for their audit; (d) monitoring and reporting to the Council; (e) coordination of the Trustee responsibilities with the Secretariat and outside sources; and (f) provision of legal advice.

STAP will also continue to provide a number of specialized scientific and technical outputs and services supportive of GEF operations. During FY98, special emphasis will be given to: (a) managing and updating the STAP Roster of Experts; (b) selective reviews of projects; (c) strategic advice on issues emerging from the GEF Operational Strategy, as requested by Council at its meeting in October 1995; and (d) participation in the GEFOP process.

Outputs for FY98 from the new programmatic monitoring and evaluation work in the Secretariat are a continuation of the work program approved for FY97 and defined in the paper, *Framework and Work Program for GEF's Monitoring, Evaluation and Dissemination Activities* (GEF/C.8/4), discussed by Council at its October l996 meeting[13]. High priority will be given to continued work, in collaboration with the IAs, on design of the monitoring system for GEF projects. Increased effort, as well, will be put into work with the agencies on issues of monitoring and supervision as they relate to performance indicators and performance-based budgeting. To improve consistency across agencies with project monitoring, a more standardized reporting format will be developed and implemented during FY98 for the annual project implementation review. Annex 1 outlines in more detail specific studies and other outputs expected in FY98 along with the associated estimates on costs.

PROPOSED FY98 CORPORATE BUDGET

The corporate budget being proposed for FY98 is $36.89 million, a 7% increase overall from FY97 depending on the final FY97 estimated actuals (particularly for UNDP which expects to over-deliver[14]). Table 9 shows the corporate budget request broken down by entity and each entity's proposed increase over last year's budget in nominal terms. Any additional budgetary resources to the IAs will go mostly to cover increased supervision and monitoring costs for the growing portfolio of projects under implementation, as discussed above. The over-arching priority as the portfolio matures will be to ensure adequate resources for quality monitoring and supervision so that the GEF objectives of the project are not jeopardized.

Table 9: GEF Administrative Budget fiscal years FY95-98 (US $ millions)

[13] See the revised paper, GEF/C.8/4/Rev.1, before this Council.
[14] See text and footnote, para. 9.

	FY95 (actuals)	FY96 (actuals)	FY97 (est. actuals)	FY98 Proposed	$ difference from FY97	% increase from FY97
UNDP *	5.33	5.58	6.29	6.61	0.33	5%
UNEP	1.53	1.28	2.01	2.10	0.09	5%
World Bank	13.62	14.65	17.56	19.22	1.66	9%
Subtotal	**20.48**	**21.51**	**25.85**	**27.93**	**2.08**	**8%**
STAP	0.88	0.78	1.08	1.16	0.08	7%
Trustee	0.73	0.70	0.83	0.84	0.01	1%
Secretariat:**						
Core	4.31	5.46	6.09	6.05	-0.04	-1%
M&E	0.00	0.00	0.72	0.91	0.19	27%
Subtotal	**5.92**	**6.94**	**8.72**	**8.96**	**0.24**	**3%**
Total	**26.40**	**28.44**	**34.57**	**36.89**	**2.32**	**7%**

*Subject to Council approval of the May work program, UNDP has requested the CEO to exercise his authority for a supplemental increase for FY97 due to over-delivery, which would put their proposed FY98 budget relatively even with FY97, and reduce the corporate increase to about 6%.
**Does not include special expenses for the up-coming Assembly which will be separately submitted in the Fall; does not include special expenses incurred for replenishment meetings which will be separately requested in mid-year based on actuals.

STAP is seeking a 7% increase primarily for the following additional outputs supporting GEF operations: (a) 4-5 new selective reviews of projects, including site visits and consultations with the IAs, as compared to 3 underway in FY97 which will continue into FY98; (b) short-term technical inputs for updating the Roster, such as database management and editing, in addition to on-going quality control functions; and (c) four additional workshops/roundtables on scientific and technical frameworks for GEF projects in the areas identified by the Council in October 1995 in its request to STAP to follow up on the GEF Operational Strategy. Some of the additional costs of these new outputs will be absorbed by savings resulting from streamlining STAP's working arrangements and other efficiency gains in administrative support. However, additional resources are needed for STAP travel, contractual services and consultants related to these operational outputs.

The Trustee is holding relatively steady with only a very small increase to cover fixed costs.

The Secretariat is reducing its core budget request for FY98 from FY97 due to cost savings mostly in staffing and streamlining, even as the two NGO consultations with Council meetings will now be covered by the administrative budget pursuant to Council decision.[15] The reduction in the Secretariat's budget is reflected in a transfer of one long-term consultant post (and associated budget) to the M&E unit.

[15] See Council Decision on Agenda Item 11, *GEF Voluntary Fund*, in A*ppendix to Chairs' Joint Summary, Council Decisions*, GEF Council Meeting, October 8-10, l996, para. 12.

No Assembly costs have been included in this budget. A separate note including financial information will be prepared for the Council to review and approve in November l997. Similarly, additional resources needed for the FY98 replenishment work are not included because it is difficult to estimate costs until the venue for the September meeting has been decided. For FY97, expenses for replenishment meetings are being covered by the Secretariat's current administrative budget. A separate accounting of FY98 replenishment meeting expenses will be included in the mid-year budget report and a supplemental request will be made at that time based on actuals.

The separate budget of the monitoring and evaluation unit in the Secretariat is proposed for an increase of $190,000, but about half of this would be provided by the Secretariat's transfer of the one position (equivalent up to $100,000), so the real gain to the corporate budget is much less. As noted in Annex 1, the addition of one long-term professional was proposed at the Council's October 1996 meeting in the *"Framework Paper"* cited in para. 21. The post would concentrate on working with the IAs on issues of supervision and monitoring. Were this post to be recruited as a fixed-term rather than a long-term consultant, a preference in view of the importance of this work for the growing portfolio, an additional $50,000 would be needed. Council guidance is sought on this issue.

Making Efficient Use of Resources: This has been a growing concern of the Council as the business practices of the GEF have stabilized and project experience has increased. This year, efficiency gains due to project cycle streamlining and reduced unit costs for project processing already are being reflected by the IAs in their budget estimates (see Annex 2). In addition, salaries and benefits for the six entities are projected to increase by about 3% annually, but this increment is being absorbed so that increased resources can be applied to the growing operations program. For UNEP and STAP, local inflation costs may be somewhat higher but these also are being absorbed.

Demand for resources with annual operational work programs will continue to be strong in FY98 because of the need to continue to develop new approaches in project design (e.g., mobilizing the private sector); develop new GEF business products (e.g., the expedited procedures for medium-sized projects); and broaden strategic partnerships. The new work program, which still shows some growth over FY97 plus the increased workload with monitoring and supervision, will be able to be handled with the proposed budget due to these measures.

Each agency has been making deliberate efforts to identify cost savings. UNDP expects that with more mainstreaming of project processing to the country level, as noted below, there will be efficiency gains in how the GEF core unit operates to allow redeployment of existing resources to programmatic oversight and monitoring. UNEP's Project Approval Committee has agreed to simplify the procedures for internal review and approval of GEF expedited enabling activities and regular projects. As a result, UNEP expects to reduce processing time, documentation requirements, and staff weeks needed for regular projects and expedited enabling activities. Efforts also are underway to supplement the GEF administrative budget with co-financing from bilaterals and other sources, helping to keep the GEF administrative budget growth at modest levels.

The Bank expects to reduce the costs of its GEF coordination unit for FY98 by 5% in real terms over FY97 (equivalent to about one staff year). This is the result of reduced staff input on guidance with policies and procedures, and program/project coordination that will be outweighing the increased inputs expected for portfolio monitoring and best practice development. Further, the Bank is already showing efficiency gains in its project processing coefficients as mainstreaming and streamlining advance, and it expects further gains over the business planning period (see Annex 2).

Mainstreaming: Mainstreaming has two dimensions: (a) increasing the number of GEF projects with co-financing, where the GEF project is the lead activity; and (b) increasing the number of GEF-type activities in regular IA operations where the latter operation is the lead, thereby reducing the number of "stand-alone" components or "free-standing" GEF projects. Almost all GEF projects now contain some IA, bilateral, or other co-financing, and this is expected to grow. Mainstreaming GEF financially into regular IA operations continues to be more challenging. In UNDP, because of separate mandates and output requirements of the thematic areas, global environmental activities continue to develop separately, though collaboratively with other programs and consistent with country strategies. In the Bank, GEF activities usually are "associated" with other projects or sector work , but are separate and distinct components, so almost the same level of work is required as if they were free-standing. GEF-funded activities that are truly "blended" or tied financially with larger Bank investment operations continue to be difficult to develop because the client's GEF needs and timing are not always able to fit into a current lending operation. Where GEF activities can be incorporated into normal IA operations, processing should be able to be virtually identical to that of the larger effort, reducing considerably the per unit processing costs charged for GEF's portion of the activity.

In this context, progress is continuing towards the goal of integrating GEF into each agency's mission. Each GEF unit continues to promote GEF objectives, ideas, and concerns into the core business of the agency -- organizing briefings for senior management, providing guidance materials and workshops for regular staff in headquarters and regional offices, and combining and streamlining IA and GEF project cycles.

In FY98, UNDP will be taking new initiatives in mainstreaming toward increased involvement of country offices in all aspects of project processing, and a more decentralized approach generally for GEF projects. A major investment will be made to enhance country office capability for increased responsibility with project development, supervision, and monitoring. Technical expertise will be more readily available at the country and regional levels to help local offices begin to take on this greater role. The goal is to produce efficiency gains in how the GEF core unit operates by enabling country offices to become more active in projects, especially enabling activities and medium-sized projects. The central elements of the strategy are intensive country office training, expanded access to the UNDP intranet worldwide, and strengthened technical assistance. The country offices will be equipped to take charge of tasks including stimulating the inflow of locally-generated project concepts; coordinating Project Development Workshops; facilitating project identification; ensuring proper monitoring and evaluation; and maintaining current project-related information on the intranet.

UNEP is expected to continue to make substantial in-kind contributions to GEF activities. In addition to the designation of GEF focal points in substantive units and regional offices, UNEP does not charge a standard overhead fee to cover project supervision and oversight. UNEP also does not charge for staff time of UNEP's programme and regional staff on GEF business. The contributions of these staff to project preparation, review of and participation in UNDP and World Bank projects, as well as Secretariat and STAP work, are absorbed by UNEP.

The Bank's senior management is overseeing the implementation of a series of specific measures to streamline GEF in Bank operations. These measures include aligning GEF processing with the new Bank project cycle and documentation standards, integrating GEF operations fully in overall portfolio management and business planning, and more systematically injecting global environmental concerns into sector work, policy dialogue and country assistance strategies.

Improving Transparency and Consistency in Cost Accounting: To improve transparency and consistency in how costs are reported across the three IAs, the Council took a major first step in l995 by requesting Price Waterhouse to prepare a short study, as noted at the beginning of this paper, to review the budget and cost accounting systems of the IAs. Based on recommendations of the study, completed in February l996, the Council directed the GEF entities to pilot a new three-tier approach to accounting during FY97. This effort also was to begin to link performance (outputs and efficiency targets) to the budget in order gradually to develop a performance-based budget system.

The FY98 budget proposal is presented using this pilot three-tier approach. The approach breaks budget reporting into three categories according to the type of activity involved: pure administration, project indirect activities, and project direct activities.

Following the Council's April 1996 decision, the Secretariat and IAs worked together through the Interagency Budget Committee to develop a common cost accounting format along the lines of this three-tier approach. The goal was to keep the format simple and straight-forward, with a view to building on existing systems as much as possible while improving transparency, comparability and accountability. To support this improved cost accounting format, associated procedures to track time and expenses by project also were developed.

Through this collaborative work, the following framework was agreed for defining and recording activities for FY97 and estimating budgetary needs for FY98:

F*irst tier -- administration*: management, budget and business planning, personnel, finance, preparation of Council-requested documents and attendance at meetings required to support the decision-making and governance structure, e.g. Annual Report, policy papers, Council meetings, CoPs, and basic communications.

Second tier -- project indirect costs: activities and tasks associated with GEF operational programming, including GEFOP meetings and project review and advice associated with GEFOP meetings; other project-related work involving activities relevant for multiple projects but not distinguishable to one or a few projects, e.g. Project Implementation Reviews, technical task forces, country project development workshops. For STAP, it was agreed that all project-related activities could be classified as project indirect to avoid the need for timesheets from STAP panel members.

Third tier -- project direct costs: activities and tasks directed to a specific identifiable project for a material amount of time, to be determined by the staff member, which would warrant time tracking against that concept or project by phase of the project cycle.

For UNDP and UNEP, implementing this format involved developing time sheets and pre-project tracking for the first time. For the World Bank and Secretariat this entailed a separate classification scheme for existing task codes to conform to the GEF format. By the time of preparation of this paper, the new approach had produced some seven months of data. The FY98 budget presentation in the three tiers is a best estimate from partial data and projections for how costs of the proposed outputs would fall into this new format.

Table 10 summarizes the proposed FY98 budget by IA costs and non-IA costs using the three-tier breakdown. As can be seen, the bulk of the budget (some 70%) would support project-related work with more than half of the budget (57%) applied to project-direct activities. For the IAs, as noted above, project-direct cost calculations are driven by: (a) size and number of projected operations for Council approval in FY98; (b) development of a pipeline beyond FY98 (FY99 and FY2000); (c) size of the portfolio under supervision and monitoring, especially for the World Bank and UNDP; and (d) processing costs. As reflected in Annex 2, these considerations are specific to each IA.

Table 10: FY98 Proposed Budget: Aggregate Sums using Three-Tier Approach (US$ millions)

	IA Costs	Non-IA Costs	Total

	US $	%	____	%	US $	%
First-Tier: Admin	**3.99**	**14%**	**6.25**	**70%**	**10.24**	**28%**
Second-Tier: Project Indirect	**2.99**	**11%**	**2.71**	**30%**	**5.70**	**15%**
Third-Tier: Project Direct	**20.96**	**75%**		**0%**	**20.96**	**57%**
GRAND TOTAL	**27.93**	**100%**	**8.96**	**100%**	**36.90**	**100%**

Finally, Table 11 sets out the detailed aggregate FY98 budget by entity, using the traditional budget categories for the administrative expenses and dividing all expenses according to the three-tier approach.

SPECIAL ISSUES

During FY98, some important issues will need special attention and further work as the GEF gains experience with the pilot accounting approach and begins to define its strengths and weaknesses for meeting GEF's needs.

Incentives for mainstreaming and cost-sharing: As efforts continue with mainstreaming, as discussed above, two areas are worth special attention: (a) how incentives might be developed to generate more GEF-type activities that are truly mainstreamed into normal IA operations; and (b) how costs accruing from GEF mainstreamed and IA co-financed operations are allocated to ensure that GEF's portion of the joint processing cost is reasonable and that incentives exist to ensure sound use of GEF's resources in this regard.

Making progress toward performance-based budgeting: Council's decision to pilot the Price Waterhouse three-tier approach to cost accounting included expectations that additional monitoring and evaluation work could help better link the budget to substantive outputs, not only financial targets. As the portfolio grows, it becomes more important that programmatic guidance be provided to understand corporate performance and costs in relation to GEF's objectives. At the same time, each IA's project monitoring system must function properly, or it will be very costly in administrative and project terms to make adjustments later. To ensure that programmatic and project-related monitoring and evaluation activities advance toward these objectives, special attention will continue to be needed on the appropriate roles and division of labor between the programmatic monitoring and evaluation unit and the IAs in these efforts.

Staffing: The FY98 business plan raised the special issue of staffing and how to make best use of scarce administrative resources to ensure the efficient and effective performance of the GEF. Staffing issues continue to be the focus of an ongoing effort between the CEO and IAs to identify and better understand corporate staffing needs in line with the shift in work program emphasis from policy development to operations. Recognizing the scarcity of administrative resources and international developments to reduce administrative costs, the goal of this effort is to look for new opportunities to share, redeploy, or adjust staff resources in order to ensure the most effective and efficient use of available funds.

Efforts are underway already along these lines. The CEO has begun a review with a view to seeking opportunities for increased efficiencies, resulting in some shifts and redeployment which now will permit reduction of one long-term consultant position in the Secretariat paced with normal staff turnover. In FY98, this post will be transferred (along with the corresponding budget) to the monitoring and evaluation unit to assist that unit meet its core requirements as outlined above and in Annex 1. Similarly, as noted in the prior section, the Bank's FY98 budget for its GEF core coordination unit reflects a reduction in professional staff by almost a full post (.8 of a staff year), as activities are mainstreamed. In UNDP, also as noted above, a new staff enhancement strategy at the local country level (noted above in the discussion of efficiency) is expected to allow the headquarters GEF unit to put more effort into programmatic oversight and monitoring quality of the growing portfolio by delegating more project-specific processing and supervision to local offices.

Inter-agency Collaboration: Inter-agency collaboration has been given high priority by the Council and Heads of Agency. An issue needing continued attention in this regard is how the budget system can incorporate appropriate incentives for joint efforts in project development and implementation. Presently, when one IA reviews another agency's proposal, participates in its project development or supervision missions and steering committees, or implements parts of a project where the other agency takes the lead, the costs (budget resources) are born proportionately but the outputs are normally attributed to the lead IA only. As part of the continuing effort to better link operational outputs to budgets, additional work is needed to identify new approaches in budget reporting that promote such inter-agency partnerships.

Review of Three-Tier Approach: The Council decision to test the Price Waterhouse recommendations for a pilot three-tier accounting approach in FY97 was based on the expectations that important benefits could be gained to better link outputs or efficiency targets to costs. By the end of FY97, the pilot approach will have completed twelve months of trial. All agencies will have recorded a full year's data of expenditures based on time sheets completed by staff and long-term consultants. It will be important to review the results of the pilot effort as soon as feasible in FY98 in order to ensure that the benefits meet or have the potential to meet GEF's special requirements, especially in some of the efficiency and performance issues noted above. This review should address the relative costs associated with the benefits received. In addition, a remaining task is to better understand comparability among IAs' direct project costs. By the nature of their operations, IAs have differences in methodologies, business practices and procedures, and variations in types of projects targeted. While the three-tier cost accounting approach improves consistency in financial cost tracking, it does not recommend how these conceptual differences among the IAs should be addressed.

It is proposed that in early FY98 the CEO, through the Interagency Budget Committee, initiate a process with the IAs that would produce a formal review of the first year's pilot experience for the November l997 Council meeting. This review would involve, as appropriate, the use of outside professionals to provide specialized assistance in the assessment, and for making recommendations on improvements, changes or new elements that may be needed. The review would include recommendations from the CEO to the Council and IAs on how to proceed with future GEF budgets.

FY 98 OUTPUTS AND PROPOSED BUDGET FOR MONITORING AND EVALUATION

The FY98 M&E work program of outputs and the associated budget represent a continuation of the FY97 work program approved by Council at its October 1996 meeting, and defined in the *Framework and Work Program for GEF's Monitoring, Evaluation, and Dissemination Activities (GEF/C.8/4)* as revised.[16] High priority will be given to continued work, in collaboration with the Implementing Agencies, on supervision and monitoring guidance for GEF projects, including of performance indicators and databases. A major element of this is the annual Project Implementation Review. A more standardized PIR format will be developed and implemented during FY98, one that reflects risk factors and includes an assessment of and ratings on the prospects for attaining project objectives. It is envisaged that the revised PIR format, with more systematic project assessments, based on supervision, monitoring and evaluation reports, will give a fuller overview and better basis for portfolio management and corrective action. This will also require development of evaluation systems.

The work initiated on M&E components in GEF projects will continue, in cooperation with the Implementing Agencies, and will include extended data baselines, the identification of relevant indicators, and further refinement and use of the logical framework. GEF-wide guidelines for project evaluations will be drafted, including specific guidelines for evaluation of second-phase projects.

The total proposed FY98 budget for this M&E program is US$ 910,000, presented in Table 1 to this Annex using the traditional budget categories. The major change between FY97 and FY98 is the proposed recruitment of an additional professional post, as indicated in the "Framework" paper noted above. This post would have primary responsibility for working closely with the Implementing Agencies on supervision and monitoring issues and systems. Duties would include strengthening and helping make more consistent the performance measures and indicators the agencies use to monitor and evaluate the growing GEF portfolio and helping begin to link costs to performance. The post would not require that a new position be added to the GEF family because the Secretariat will transfer one of its long-term consultant positions and associated budget. However, in order to secure continuity and institution strengthening of GEF's Monitoring and Evaluation function, it would be preferable that this post eventually be converted to a fixed-term position, which would mean an additional US$50,000, or a total budget of US$ 960,000. The Council's guidance is sought on this issue.

Table 2 itemizes the anticipated reports and outputs for FY98 which the proposed budget would support under the heading of special outputs.

Two studies begun in FY97, will carry into FY98. First, as listed in Table 2, the "Evaluation of Project Lessons" is endeavoring to make a systematic assessment of characteristic features of well performing and less well performing projects in order to identify and better understand determinants for project performance. This study will look at, <u>inter alia</u>, project designs, project cycle management, technical innovations, stakeholder participation, institutional and economic factors, and country and regional contexts. The objective will be to draw more systematic

[16] See, GEF/C.8/4/Rev.1, before this Council

lessons primarily from the GEF Pilot Phase portfolio, because that is the bulk of the more mature portfolio, for relevance with future project planning and management.

Second, a “Study on GEF’s Overall Performance” also begun in FY97 and continuing into FY98, has been designed on the basis of the M&E Framework Paper, noted above, taking into account Council comments at the October 1996 meeting and subsequent written comments by several Council members. It complements the “Evaluation of Project Lessons” study by assessing broader policy, institutional and management issues in the programming efforts of GEF. This study will particularly focus on GEF’s role as a catalyst in providing and leveraging resources for global environmental efforts by governments, international and other organizations. It will look at the content and modalities of cooperation between GEF and host governments and other national institutions and stakeholder groups. Further, it will examine GEF’s role and achievements with assistance to countries to fulfill responsibilities under the conventions for biological diversity and climate change (which also will feed into the reviews of the GEF being undertaken by those conventions). In addition, the integration of global environmental objectives into mainstream operations of multilateral and other aid organizations will be analyzed. Finally, the study will address criteria and priorities for overall portfolio and project selection, the choice of viable project concepts, technologies and designs, and systems for lessons learning, and replication.

The “GEF’s Project Preparation and Planning” study will focus on the roles and contributions by national governments and institutions as well as the Implementing and Executing Agencies in conceptualizing, initiating and managing new projects. It will also focus on the clarity of formulation of global objectives, incremental cost calculations and other GEF relevant concerns. Further, the adequacy of the planning, appraisal and clearance mechanisms, including coordination among the Secretariat, the Agencies, STAP and the Convention Secretariats, as well as approval procedures, will be studied.

A “Program Evaluation of Biodiversity Efforts” will be undertaken in FY98-99. The initial phase will comprise a review of existing project evaluation and mid-term reviews, as well as developing a conceptual framework for the program evaluation. The first phase of the study has been designed to represent an input to the planned review of GEF by the Convention Secretariat on Biological Diversity in early 1998.

Finally, the budget includes a small amount (US$ 10,000) for start-up work on other crosscutting or program evaluation activities towards the end of the year on the basis of findings of existing evaluations or special Council requests.

TABLE 1: PROPOSED FY98 BUDGET FOR M&E UNIT IN SECRETARIAT

	FY97 (act.)	FY98 (prop.)
Staff Resources (no. of positions)		
Professional Level	1	1
Long-Term Consultants*	1.5	2
Support Level	1	1
Coordination Expenses		
Staff Salaries and Benefits	180	205
Consultant fees**	80	246
Travel	20	35
Meetings/Seminars	30	11
Communications	5	5
Reports and Dissemination	5	5
Management Information System	1	1
Representation	2	2
Office Occupancy & fixed costs	55	50
Subtotal	***378***	***560***
Special Outputs		
M&E Studies and Assignments (See Table 2)	340	350
Subtotal	*340*	*350*
Grand Total	**718**	**910**

* Increase of 1 long-term consultant position (equiv. $100k) transferred from Secretariat budget. If Council approves the conversion of this post to fixed-term, an additional $50,000 should be added increasing the budget to $960,000.
** Consultant fees includes 2 long-term consultants and 1/2 year short-term consultants (120 days) FY97
FY97 budget for consultant fees was low because estimates were based on partial year funding pending recruitment

TABLE 2: ITEMIZED COSTS OF PROJECTED FY98 MONITORING AND EVALUATION OUTPUTS (US$ THOUSANDS)

Design of Monitoring System and Database, incl. identification of indicators, training in logical framework, etc.	90
Project Implementation Review	10
Evaluation of Project Lessons	50
Study of GEF's Overall Performance	90
Program Evaluation in Biodiversity	50
Evaluation of Project Preparation and Planning	50
Other cross-cutting evaluations, start-up	10
Total	350

IMPLEMENTING AGENCY-SPECIFIC CONSIDERATIONS FOR FY98 OPERATIONAL OUTPUTS AND ASSOCIATED BUDGETS

The proposed FY98 work program of new projects for the 3 Implementing Agencies is summarized below with each agency's estimate of distribution by focal area and type of activity. These data and the associated budgets are based on the following assumptions from each agency. Costs for processing medium-sized projects have been tentatively estimated and will be confirmed once procedures have been approved and experience gained.

United Nations Development Programme (UNDP):

FY98 Estimated Operational Outputs: The projected total UNDP work program of new projects entering the portfolio for FY98 is $90-110 million, depending on project size. In addition, the Small Grants Programme is expected to disburse $17 million to approximately 570 projects engaging local communities. UNDP's average project size for regular operations is $4.5 million.

Type of Activity	No.	$ millions	%
L-T Operations:			
-- Regular Operations:	18	81.0 }	88%
-- Medium-Size:	15	7.0 }	
Exp. Enabling Activities:	35	12.0	12%
Short-Term Measures:	0	0.0	0%
Total	**68**	**100.0***	**100%**

Focal Area	No.	$ millions	%
Biodiversity	32	44.0	44%
Climate Change	29	40.0	40%
Int'l Waters	6	15.0	15%
Ozone	1	1.0	1%
Total	**68**	**100.0***	**100%**

*For FY98, UNDP has used the mid-range of its projected $90-110m work program to estimate outputs by type of activity and focal area. Depending on project size, deliverables at this mid-range may require a supplemental budget increase during FY98.

Project Processing Time: UNDP estimates approximately 10 months for processing of regular operations (long-term operations, short-term measures) from project identification to entry into the Council-approved work program (phase 1) (down from 10-16 months in FY96/97). Preparation (phase 2--between work program entry and agency approval) continues to be 5-7 months. The average UNDP project in implementation is 4-5 years.

Staffweek Rate: $4,720 per staffweek (salaries and benefits plus coefficients for secretarial support, travel, communications, rent, PDF development/preparation work and the corresponding share of reimbursement to UNDP's financial personnel, and computer systems), down from the FY96/97 rate of $4,800 per week.

Project Processing Costs by Phase: Approximately 5.8 staffweeks for development and 4.2 staffweeks for preparation. For enabling activities, UNDP estimates 1.5 staffweeks for project processing. Supervision of projects in implementation is primarily undertaken by the country offices with support from UNDP/GEF staff. UNDP estimates approximately 1.6 staffweeks per project for monitoring by GEF staff, and 2.1 staffweeks per project for evaluation work.

United Nations Environment Programme (UNEP):

FY98 Estimated Operational Outputs: The projected total work program of new operations entering the work program in FY98 is $25-30 million, depending on project size. The average size of a regular operation is $3.2 million.

Type of Activity	No.	$ millions	%
L-T Operations			
-- Regular Operations:	8	19.0 }	81%
-- Medium-Size:	4	3.0 }	
Exp. Enabling Activities:	17	4.0	15%
Short-Term Measures:	1	1.0	4%
Total	**30**	**27.0**	**100%**

Focal Area	No.	$ millions	%
Biodiversity	12	14.0	51%
Climate Change	13	4.0	15%
Int'l Waters	4	8.0	30%
Ozone	1	1.0	4%
Total	**30**	**27.0**	**100%**

Project Processing Time: Estimates for a regular operation are 10 -12 months for project development and 8 months for project preparation based on historical data, and 3.4 years in implementation.

Staffweek Rate: $4800 per staffweek (salaries and benefits, travel, equipment, communications and general operating costs).

Project Processing costs by Phase: Approximately 6 staffweeks for project development and 4 staffweeks for project preparation for regular operations; approximately 2 weeks for expedited enabling activities. Implementation of projects is undertaken either in-house by substantive units, or externally by Executing Agencies under the supervision of the UNEP/GEF staff. Implementation monitoring takes approximately 3.5 GEF staffweeks per regular operation, and evaluation requires approximately 1 week per operation.

World Bank/IFC:

FY98 Operational Outputs: The projected total work program of new projects entering the portfolio for FY98 is $275-300 million, depending on project size, with an average size of $10 million per regular operation. In the past 2 years, the average GEF grant per project went up from $9 million in FY95, to $18 million and $12 million in FY96 and FY97, respectively, due to shifts in the Bank's work program towards larger projects in climate change. The work

program for FY98 is expected to be made up of smaller biodiversity projects ($7 million in FY98 vs. $8 million in FY97) as well as smaller climate change projects ($14 million in FY98 vs. $21 million in FY97). The Bank's comparative advantage and relative costs for processing medium-size projects are uncertain at this stage, and will be revisited during the midyear review. The Bank's role in supporting enabling activities is projected to diminish from 15 activities in FY97 to 10 activities in FY98, which is consistent with the Bank's strategy in the FY98-00 Corporate Business Plan.

Type of Activity	No.	$ millions	%
L-T Operations			
-- Regular Operations:	24	$255.0}	94%
-- Medium-Size:	8	5.0}	
Exp. Enabling Activities:	10	1.0	0%
Short-Term Measures*:*	3	14.0	5%
Total	**45**	**275.0**	**100%**

Focal Area	No.	$ millions	%
Biodiversity	12	80.0	29%
Climate Change	11	155.0	56%
Int'l Waters	4	35.0	13%
Ozone	1	5.0	2%
Total	**28**	**275.0***	**100%**

Project Processing Time: During FY97, steps were undertaken Bank-wide to streamline project processing and reduce time between appraisal and approval. In line with this, the Bank GEF unit began parallel actions to streamline GEF project processing. The Bank's GEF new business practices are expected to result in a 23-month project cycle from project identification to IA approval, which is a reduction of 4 months from FY97. This is a result of: (a) moving GEFSEC discussions and Council work program approval upstream in the project cycle, with the processing time from identification to Council approval averaging 14 months; and (b) streamlining the appraisal to IA approval. The processing time from Council approval to IA approval remains 9 months. These are estimated gains to be achieved over time as the new streamlined cycle is adopted for all Bank operations. The average Bank GEF regular operation in implementation is 5-6 years.

Staff Week Rate: $5400 per staff week which remains unchanged from FY97 (labor costs, travel, and costs for secretarial support, office space, communications, translation services, equipment, supplies and institutional costs for utilities, maintenance, insurance, security).

Project Processing Costs by Phase: Average staff weeks for Bank processing (identification to agency approval) of GEF projects remains an estimated 65 weeks (including costs for processing PDF) which compares to a Bank-wide average of 119 (FY96). It is also 5% lower than the historical cumulative average for Bank GEF projects of 68 staff weeks. Biodiversity projects have proven to be the most expensive to process (82 weeks) compared with climate change projects (50 weeks). Other variables that determine cost include: (a) type of association,
whether it is fully-blended financially with a Bank operation or as a separate component, with the latter requiring almost the same amount of work as a freestanding project; (b) project complexity (including complexities of capacity building, number of participating countries or sites covered, innovative nature of the project, incremental cost calculation, and issues such as indigenous people and participation); and (c) additional GEF-specific processing steps, documentation, or new product types. The coefficient for Bank-GEF supervision remains 12 staff weeks compared to a Bank-wide average of 18 staff weeks. About 12 staffweeks also are required to prepare the Bank's GEF Implementation Completion Report.