

20<sup>th</sup> LDCF/SCCF Council Meeting  
June 9, 2016  
Washington, D.C.

Agenda Item 07

## **FY17 ADMINISTRATIVE BUDGET FOR THE LEAST DEVELOPED COUNTRIES FUND AND THE SPECIAL CLIMATE CHANGE FUND**

**Recommended Council Decision**

The LDCF/SCCF Council, having reviewed document GEF/LDCF.SCCF.20/05/Rev.01 *Administrative Budget for the Least Developed Countries Fund and the Special Climate Change Fund*, approved the proposed budget for the GEF Secretariat, STAP, the Trustee and the GEF Independent Evaluation Office (IEO), as follows:

- (1) \$1,009,731 (GEF Secretariat), \$125,000 (STAP), \$319,000 (Trustee), and \$36,000 (GEF IEO) from the Least Developed Countries Fund; and
- (2) \$503,726 (GEF Secretariat), \$125,000 (STAP), \$159,000 (Trustee), and \$76,000 (GEF IEO) from the Special Climate Change Fund.

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## INTRODUCTION

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

2. This paper reviews the outcome of the fiscal year 2016 (FY16) LDCF/SCCF Council-approved budget, and proposes an administrative budget to cover the costs of the Secretariat, Trustee and Scientific Technical Advisory Panel (STAP) for their services to the LDCF and the SCCF for FY17 (July 1, 2016 - June 30, 2017). The GEF Independent Evaluation Office has prepared a separate document (LDCF.SCCF.20/ME/04) presenting a budget request to cover the Office's costs to implement the proposed evaluation work plan.

## KEY DEVELOPMENTS DURING FY16

3. FY16 was characterized by the following key developments and accomplishments:

- (a) Programming of \$73.23 million of LDCF and SCCF project approvals, leveraging co-financing of approximately \$281.78 million;
- (b) Finalizing the CEO Endorsements of \$149.14 million of LDCF and SCCF projects;<sup>1</sup>
- (c) Completion of a flagship publication on GEF-funded adaptation;
- (d) Continued support to various UNFCCC Convention obligations;
- (e) Continued cooperation and use of STAP services in the program including support to project screening and selection, as well as to knowledge management, monitoring, evaluation, and learning;
- (f) Progress on the Technical Review of the Program Priorities of the LDCF, as requested by the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) (decision 8/CP.21);
- (g) Completion of the Program Evaluation of the LDCF (LDCF.SCCF.20/ME/02); and,
- (h) Completion of the LDCF/SCCF Annual Evaluation Report (LDCF.SCCF.20/ME/01).

4. As in previous years, the lack of predictability in the pledging to the LDCF and the SCCF, severely limited the opportunities for programming.

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<sup>1</sup> As at May 10, 2016.

## **BUSINESS PLAN FY17**

5. The GEF Secretariat is responsible for oversight and formulation of the operational policies and programming strategies of the LDCF and the SCCF; review and processing of project proposals for CEO or Council approval and Endorsement; management of the portfolio of LDCF and SCCF projects; coordination with the GEF Agencies, the Trustee and the Convention Secretariat; and reporting to the LDCF/SCCF Council and the UNFCCC COP. The team working specifically on the LDCF and the SCCF is also responsible for the organization and management of the LDCF/SCCF Council meetings.
6. The Secretariat anticipates a need to focus on the following areas in FY17:
- (a) Providing the necessary technical support on adaptation, including for a substantial segment of the portfolio, consisting of approved projects and programs that are currently under development and have yet to reach the CEO Endorsement stage (please refer to document GEF/LDCF.SCCF.20/03 for more details);
  - (b) Monitoring the increasing progress achieved across the portfolio of projects under implementation;
  - (c) Continuing support to UNFCCC-related reporting and other matters, including the completion of the above-stated Technical Review; and,
  - (d) In line with broader effort of the GEF regarding knowledge management, continue the efforts pertaining to the knowledge being gained through the GEF adaptation experience.

## **LDCF AND SCCF ADMINISTRATIVE COSTS FOR THE GEF SECRETARIAT**

### **FY16 Current Status**

7. The approved FY16 administrative budget for the GEF Secretariat was in the amount of \$1,020,132 and \$508,923 for the LDCF and the SCCF, respectively. The FY16 budget included financing for staff, consultants, travel, publications and outreach, meetings, and general costs necessary for the operations of these funds.
8. The FY16 actual expenditure (projected) currently<sup>2</sup> stands at \$709,219 for the LDCF (with a difference of -30.48 percent with respect to FY16 approved) and \$378,880 for the SCCF (-25.55 percent with respect to FY16 approved). The under-run in the staff category is due to lack of replacement of staff lost to attrition (an under-run of \$186,861 and \$33,902, respectively). This had an effect on the spending in some of the other categories, namely Consultants, Travel, Publications and Outreach. The under-run in the General Operations Costs category is largely due to the significant, cost-savings due to new office space lease terms.

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<sup>2</sup> As of March 31, 2015

## **Budget Request for FY17**

9. The overall budget request for FY17 amounts to \$1,009,731 for the LDCF and \$503,726 for the SCCF. This budget presents a 1.02% decrease for the LDCF and the SCCF.
10. Staff Costs: An amount of \$645,619 is included in the FY16 budget request to cover staff costs under the LDCF and \$279,703 under the SCCF. This would allow recruitment to refill one staff position vacated in FY16 to occur, and ensure adequate part-time support from the GEF Secretariat staff to the LDCF/SCCF program.
11. Consultant Costs: An amount of \$50,585 is requested from the LDCF and \$40,858 from the SCCF to cover consultant costs. This amount is proposed in order to ensure adequate support in FY17 for portfolio management, knowledge dissemination support, and to meet the demands from the UNFCCC COP.
12. Travel: In the budget request for FY17, a total of \$110,000 and \$76,000 are requested for travel in FY17 under the LDCF and SCCF, respectively, including the RBM learning missions. These amounts are proposed to enable the Secretariat to continue to meet the demand from the UNFCCC COP, as well as GEF agencies.
13. Publications and Outreach: The request for \$100,000 for the LDCF and \$55,000 for the SCCF reflects the continued need for knowledge sharing in FY17.
14. General Operations Costs and Costs of Meetings: The request for \$90,000 for the LDCF and \$45,000 for the SCCF for FY17 represent decreases from the amounts approved in FY16, given the cost-savings projected for FY17, as mentioned in the previous section.

**Table 1: GEF Secretariat – LDCF and SCCF FY16 Administrative Costs and FY17 Budget Request**

Expense Category	L D C F			S C C F		
	FY16 Approved Budget	FY16 Actual (Projected)	FY17 Budget Request	FY16 Approved Budget	FY16 Actual (Projected)	FY17 Budget Request
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Standard Services</b>						
<u>Staff Costs (Salaries and Benefits)</u>	645,619	458,758	645,619	279,703	245,801	279,703
<u>Consultants</u>	50,858	34,150	50,858	40,858	26,262	40,858
<u>Travel</u>	110,000 a/	81,985	110,000 a/	76,000 a/	32,897	76,000 a/
<u>Publications and Outreach</u>	100,000	47,616	100,000	55,000	38,191	55,000
<u>General Operations Costs</u>	100,401	73,456	90,000	50,197	28,564	45,000
<u>Costs of meetings</u>	13,254	13,254	13,254	7,165	7,165	7,165
<b>GRAND TOTAL</b>	<b>1,020,132</b>	<b>709,219</b>	<b>1,009,731</b>	<b>508,923</b>	<b>378,880</b>	<b>503,726</b>

a/ Includes RBM learning missions.

## **LDCF AND SCCF STAP BUDGET**

### **Responsibilities of STAP**

15. During the upcoming year the Panel will complete guidance on implementing National Adaptation Plans for both the Adaptation Committee of UNFCCC as well as the GEF Partnership. In addition, over the next year STAP will also complete an assessment of best practice in monitoring and evaluation of climate adaptation initiatives. These activities are intended to help improve GEF project impact in the near term, and help design more effective cross-sectoral initiatives in future. As part of ongoing work across focal areas, STAP will work to ensure that directly addressing resilience to the likely future impacts of climate change becomes a central tenet to project planning through the GEF Partnership. STAP will continue to orient its work towards much more focused and integrative strategic program deliverables aimed primarily towards integration across focal areas, and will also begin planning for GEF 7 and developing recommendations for future program planning. Finally, STAP continues to screen all SCCF and LDCF full sized projects at entry into the work program and will continue to undertake this technical review process and regularly report on results to Council.

### **FY 16 STAP Budget Request**

16. The requested FY17 corporate budget for STAP reflects ongoing fiscal restraint while concomitantly maintaining steady implementation of the STAP Work Program. The STAP budget request is summarized in the Table below. STAP work program activities for FY 16 have been implemented within the approved budget. STAP wishes to stress that FY 16 actual expenditures are estimates at this time, as final audited results are not yet available.



**Table 2: FY17 STAP Budget Request (LDCF Trust Fund)**

<i>FY15 Budget \$m</i>	<i>FY15 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY16 Budget \$m</i>	<i>FY16 Estimated \$m</i>	<i>FY17 Request \$m</i>
<b><u>0.042</u></b>		<b><u>Staff Costs</u></b>	<b><u>0.042</u></b>	<b><u>0.042</u></b>	<b><u>0.044</u></b>
0.038		Salaries and Benefits	0.038	0.038	0.039
0.004		Travel	0.004	0.004	0.005
0.000		Training	0.000	0.000	0.000
<b><u>0.029</u></b>		<b><u>Consultant Costs</u></b>	<b><u>0.029</u></b>	<b><u>0.029</u></b>	<b><u>0.029</u></b>
0.024		Fees (long-term)	0.024	0.024	0.024
0.000		Fees (short-term)	0.000	0.000	0.000
0.005		Travel	0.005	0.005	0.005
<b><u>0.008</u></b>		<b><u>General Operations Costs</u></b>	<b><u>0.008</u></b>	<b><u>0.008</u></b>	<b><u>0.008</u></b>
0.005		Office Space, Equipment, and Supplies	0.005	0.005	0.005
0.001		Communications and Internal Computing	0.001	0.001	0.001
0.003		Corporate Services	0.003	0.003	0.003
0.000		Representation and Hospitality	0.000	0.000	0.000
<b><u>0.079</u></b>		<b><u>SUB-TOTAL</u></b>	<b><u>0.079</u></b>	<b><u>0.079</u></b>	<b><u>0.081</u></b>
		STAP -- Members Expense Category			
0.026		Honoraria & Logistical/Secretarial Support	0.026	0.026	0.028
0.000		MOUs with Expert Institutions	0.000	0.000	0.000
0.013		STAP Meetings	0.013	0.013	0.013
0.004		STAP Publications	0.004	0.004	0.004
<b><u>0.042</u></b>		<b><u>SUB-TOTAL</u></b>	<b><u>0.042</u></b>	<b><u>0.042</u></b>	<b><u>0.044</u></b>
<b><u>0.121</u></b>		<b><u>TOTAL</u></b>	<b><u>0.121</u></b>	<b><u>0.121</u></b>	<b><u>0.125</u></b>

**Table 3: FY17 STAP Budget Request (SCCF Trust Fund)**

<i>FY15 Budget \$m</i>	<i>FY15 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY16 Budget \$m</i>	<i>FY16 Estimated \$m</i>	<i>FY17 Request \$m</i>
<b><u>0.042</u></b>		<b><u>Staff Costs</u></b>	<b><u>0.042</u></b>	<b><u>0.042</u></b>	<b><u>0.044</u></b>
0.038		Salaries and Benefits	0.038	0.038	0.039
0.004		Travel	0.004	0.004	0.005
0.000		Training	0.000	0.000	0.000
<b><u>0.029</u></b>		<b><u>Consultant Costs</u></b>	<b><u>0.029</u></b>	<b><u>0.029</u></b>	<b><u>0.029</u></b>
0.024		Fees (long-term)	0.024	0.024	0.024
0.000		Fees (short-term)	0.000	0.000	0.000
0.005		Travel	0.005	0.005	0.005
<b><u>0.008</u></b>		<b><u>General Operations Costs</u></b>	<b><u>0.008</u></b>	<b><u>0.008</u></b>	<b><u>0.008</u></b>
0.005		Office Space, Equipment, and Supplies	0.005	0.005	0.005
0.001		Communications and Internal Computing	0.001	0.001	0.001
0.003		Corporate Services	0.003	0.003	0.003
0.000		Representation and Hospitality	0.000	0.000	0.000
<b><u>0.079</u></b>		<b><u>SUB-TOTAL</u></b>	<b><u>0.079</u></b>	<b><u>0.079</u></b>	<b><u>0.081</u></b>
		STAP -- Members Expense Category			
0.026		Honoraria & Logistical/Secretarial Support	0.026	0.026	0.028
0.000		MOUs with Expert Institutions	0.000	0.000	0.000
0.013		STAP Meetings	0.013	0.013	0.013
0.004		STAP Publications	0.004	0.004	0.004
<b><u>0.042</u></b>		<b><u>SUB-TOTAL</u></b>	<b><u>0.042</u></b>	<b><u>0.042</u></b>	<b><u>0.044</u></b>
<b><u>0.121</u></b>		<b><u>TOTAL</u></b>	<b><u>0.121</u></b>	<b><u>0.121</u></b>	<b><u>0.125</u></b>

## **LDCF AND SCCF FY17 ADMINISTRATIVE FEES FOR THE TRUSTEE**

### **Least Developed Countries Fund**

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

18. The core elements of the Trustee's work program in FY17 include: (i) management of donor contributions; (ii) financial and investment management of resources; (iii) commitments and disbursements to the Agencies; (iv) infrastructure and systems support; (v) accounting and reporting for the financial and operational activities of the LDCF; and (vi) preparation and finalization of Financial Procedures Agreements (FPAs) between the Trustee and the GEF Agencies. Table 1 below shows the breakdown of the Trustee fee by services provided to the LDCF.

19. Based on the first nine-month period ended March 31, 2016 and projections for the remaining three months, it is expected that the actual cost for Trustee services for FY16 will be \$330,800, which is \$3,200 or 1% lower than the approved budget of \$334,000 mainly due to lower investment management.

20. Liquidity levels are influenced by donor contributions and cash drawdown by Agencies. Investment management cost is a variable cost that is calculated based on 3.5 basis points against the average annual balance of the Trust Fund. The net cash inflows during FY16 resulted in decreased liquidity of the LDCF from a projected average of \$609 million to \$601 million, thereby decreasing investment management costs.

21. To cover expenses for FY17 related to the above work program, the Trustee requests a budget of \$319,000. This is \$11,800 or 4% lower than the estimated actual cost for FY16 due to reductions across the board, most notably for legal services and accounting and reporting costs. Based on projected net cash inflows, the projected average LDCF liquidity balance will also be lower to \$589 million resulting in a lower investment management cost. The actual investment management costs may vary depending on the actual liquidity level at the end of FY17.

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

FY 17 (in USD)			
Trustee Services	FY 16 Approved	FY 16 Expected Actual	FY 17 Proposed Budget
Financial Management and Relationship Management	53,000	53,200	53,000
Investment Management <i>/a</i>	236,000	232,800	227,000
Accounting and Reporting	22,000	21,600	20,000
Legal Services	23,000	23,200	19,000
<b>Total Costs</b>	<b>334,000</b>	<b>330,800</b>	<b>319,000</b>
<i>a/</i> Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio.			

### Special Climate Change Fund

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

23. The core elements of the Trustee’s work program for FY17 for the SCCF include: (i) management of donor contributions; (ii) financial and investment management of resources; (iii) commitments and disbursements to the Implementing Agencies; (iv) infrastructure and systems support; (v) accounting and reporting for the financial and operational activities of the SCCF; and (vi) preparation and finalization of Financial Procedures Agreements (FPAs) between the Trustee and the GEF Agencies. Table 2 below shows the breakdown of the Trustee fee by services provided to the SCCF.

24. Based on the first nine-month period ended March 31, 2016 and projections for the remaining three months, the FY16 actual costs for Trustee services are expected to be \$167,800, which is \$3,200 or 2% lower than the approved budget of \$171,000. The decrease is due to lower financial management, investment management and legal services costs.

25. To cover its expenses for FY17 related to the SCCF work program, the Trustee requests a budget of \$159,000 which is a decrease of \$8,800 or 5% compared to the FY16 estimated actual cost of \$167,800. Investment management, accounting and reporting, and legal services costs are expected to decrease. The lower investment management cost is on account of the lower projected net cash inflows of \$173 million for FY17. The actual investment management costs may vary depending on the actual liquidity level at the end of FY17.

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

<b>FY 17 (in USD)</b>			
<b>Trustee Services</b>	<b>FY 16 Approved</b>	<b>FY 16 Expected Actual</b>	<b>FY 17 Proposed Budget</b>
Financial Management and Relationship Management	54,000	52,400	53,000
Investment Management /a	72,000	71,200	67,000
Accounting and Reporting	22,000	22,100	20,000
Legal Services	23,000	22,100	19,000
<b>Total Costs, including Special Initiative</b>	<b>171,000</b>	<b>167,800</b>	<b>159,000</b>
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio.			

**LDCF AND SCCF GEF INDEPENDENT EVALUATION OFFICE BUDGET**

26. The FY17 work plan and budget to be provided by the GEF IEO request is detailed in document GEF/LDCF.SCCF.18/ME/04. The GEF IEO requests \$112,000 for FY17 to cover the cost of implementing the proposed evaluation work plan.

**CONSOLIDATED FY17 BUDGET**

27. The total consolidated budget for the Secretariat, STAP, Trustee and GEF IEO is \$1,489,731 from the LDCF and \$863,726 from the SCCF as summarized in Table 6.

**Table 6: Consolidated FY17 Budget Request**

	<b>LDCF US\$</b>	<b>SCCF US\$</b>	<b>Total US\$</b>
<u>GEF Secretariat</u>	1,009,731	503,726	1,513,457
<u>STAP</u>	125,000	125,000	250,000
<u>Trustee</u>	319,000	159,000	478,000
<u>GEF IEO</u>	36,000	76,000	112,000
<b>Total</b>	<b>1,489,731</b>	<b>863,726</b>	<b>2,353,457</b>