



GEF/LDCF.SCCF.22/05
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Agenda Item 07

FY18 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.22/05 *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) \$1,044,509 (GEF Secretariat), \$128,000 (STAP), \$301,000 (Trustee), and \$34,000 (GEF IEO) from the Least Developed Countries Fund; and
- (2) \$483,026 (GEF Secretariat), \$128,000 (STAP), \$131,000 (Trustee), and \$39,000 (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 2017 (FY17) 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 FY18 (July 1, 2017 - June 30, 2018). The GEF Independent Evaluation Office has prepared a separate document (LDCF.SCCF.22/ME/04) presenting a budget request to cover the Office's costs to implement the proposed evaluation work plan.

KEY DEVELOPMENTS DURING FY17

3. FY17 was characterized by the following key developments and accomplishments:

- (a) Programming of \$154.6 million and \$1.1 million of LDCF and SCCF project approvals, respectively, leveraging co-financing of approximately \$537.8 million and \$4.5 million, respectively;
- (b) Finalizing the CEO Endorsements of \$125.3 million and \$28.2 for LDCF and SCCF projects, respectively;¹
- (c) Continued support to various UNFCCC Convention obligations;
- (d) 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;
- (e) Completion of 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);
- (f) Completion of the Program Evaluation of the SCCF (LDCF.SCCF.22/ME/02); and,
- (g) Completion of the LDCF/SCCF Annual Evaluation Report (LDCF.SCCF.22/ME/01).

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

¹ As at April 10, 2017.

BUSINESS PLAN FY18

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 FY18:
- (a) Development of the LDCF/SCCF Strategy for the period covering FY19-22, including a broad consultative process and developing, enhancing, and re-energizing strategic partnerships.
 - (b) 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.22/03 for more details);
 - (c) Monitoring the increasing progress achieved across the portfolio of projects under implementation;
 - (d) Continuing support to UNFCCC-related reporting and other matters; and,
 - (e) 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

FY17 Current Status

7. The approved FY17 administrative budget for the GEF Secretariat was in the amount of \$1,009,731 and \$503,726 for the LDCF and the SCCF, respectively. The FY17 budget included financing for staff, consultants, travel, publications and outreach, meetings, and general costs necessary for the operations of these funds.

8. The FY17 estimated expenditure currently² stands at \$731,157 for the LDCF (with a difference of -31.26 percent with respect to FY17 approved) and \$309,151 for the SCCF (-38.63 percent with respect to FY17 approved). The under-run in the staff category is mainly due to lack of replacement of staff lost to attrition (an under-run of \$184,411 and \$82,043,

² As of March 31, 2017

respectively). This had an effect on the spending in some of the other categories, namely Consultants, Travel, Publications and Outreach. No Learning Missions were undertaken in FY17.

Budget Request for FY18

9. The overall budget request for FY18 amounts to \$1,039,504 for the LDCF and \$483,024 for the SCCF. This budget presents a 3.4 percent increase for the LDCF and a 4.1 percent decrease for the SCCF, respectively.

10. **Staff Costs:** An amount of \$710,581 is included in the FY18 budget request to cover staff costs under the LDCF and \$304,535 under the SCCF. This would allow recruitment to refill one-half staff position vacated in FY17 to occur. The amounts requested also reflect an additional increase of \$122,985 due to a recently-announced increase in the charges applied by the GEF host institution, the World Bank, on the Staff Benefit Recovery Rate charged to all World Bank staff,³ effective at the beginning of FY18.

11. **Consultant Costs:** An amount of \$25,000 is requested from the LDCF and \$20,000 from the SCCF to cover consultant costs. This amount is proposed in order to ensure adequate support in FY18 for portfolio management, knowledge management dissemination support, strategy development, and to meet the demands from the UNFCCC COP.

12. **Travel:** In the budget request for FY18, a total of \$110,000 and \$76,000 are requested for travel in FY18 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. These amounts would also ensure adequate preparatory work ahead of the launch of the LDCF/SCCF 2018-2022 Strategy, as well as development of partnerships and continued work on adaptation knowledge management.

13. **Publications and Outreach:** The requests for \$80,000 for the LDCF and \$30,000 for the SCCF would support continued knowledge sharing in FY18, adaptation knowledge management, including dissemination and outreach to partners.

14. **General Operations Costs and Costs of Meetings:** The requests for \$105,338 for the LDCF and \$45,145 for the SCCF for FY18 reflect projected rent increases over the amounts approved in FY17.

³ Specifically, in April 2017, the World Bank has announced an increase in its Staff Benefit Recovery Rate, from 50% to 70%, which will increase LDCF/SCCF GEF Secretariat staff costs by 13.8%. Because GEF Secretariat staff have staff contracts under the host institution, the World Bank, this charge increase applies to the GEF Secretariat.

Table 1: GEF Secretariat – LDCF and SCCF FY17 Administrative Costs and FY18 Budget Request

Expense Category	L D C F			S C C F		
	FY17 Approved Budget	FY17 Estimated	FY18 Budget Request	FY17 Approved Budget	FY17 Estimated	FY18 Budget Request
	US\$	US\$	US\$	US\$	US\$	US\$
Standard Services						
<u>Staff Costs (Salaries and Benefits)</u>	645,619	461,208	710,586	279,703	197,660	304,537
<u>Consultants</u>	50,858	25,000	25,000	40,858	17,000	20,000
<u>Travel</u>	110,000 a/	86,339	110,000 a/	76,000 a/	27,178	76,000 a/
<u>Publications and Outreach</u>	100,000	53,362	80,000	55,000	14,084	30,000
<u>General Operations Costs</u>	90,000	91,994	105,338	45,000	46,064	45,145
<u>Costs of meetings</u>	13,254	13,254	13,585	7,165	7,165	7,344
GRAND TOTAL	1,009,731	731,157	1,044,509	503,726	309,151	483,026

a/ Includes RBM learning missions.

LDCF AND SCCF STAP BUDGET

Responsibilities of STAP

15. During the upcoming year STAP will be preparing a Practitioner’s Guide to improve the use of climate information in project development for the GEF Partnership. In addition, over the next year STAP will also complete an assessment of best practice in screening climate risks, alongside guidelines climate risk screening for GEF projects, with a particular focus on adaptation. These activities are intended to help improve GEF project impact, and help design more effective cross-sectoral initiatives in the future. As part of ongoing work across focal areas, STAP will work to ensure that directly addressing climate change concerns becomes a central tenet to project planning through the GEF Partnership. 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 18 STAP Budget Request

16. The requested FY18 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 FY17 have been implemented within the approved budget. STAP wishes to stress that FY17 actual expenditures are estimates at this time, as final audited results are not yet available.

Table 2: FY18 STAP Budget Request (LDCF Trust Fund)

<i>FY16 Budget \$m</i>	<i>FY16 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY17 Budget \$m</i>	<i>FY17 Estimated \$m</i>	<i>FY18 Request \$m</i>
<u>0.042</u>		Staff Costs	<u>0.044</u>	<u>0.044</u>	<u>0.045</u>
0.038		Salaries and Benefits	0.039	0.039	0.040
0.004		Travel	0.005	0.005	0.005
0.000		Training	0.000	0.000	0.000
<u>0.029</u>		Consultant Costs	<u>0.029</u>	<u>0.029</u>	<u>0.029</u>
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
<u>0.008</u>		General Operations Costs	<u>0.008</u>	<u>0.008</u>	<u>0.009</u>
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
<u>0.079</u>		SUB-TOTAL	<u>0.081</u>	<u>0.081</u>	<u>0.083</u>
		STAP -- Members Expense Category			
0.026		Honoraria & Logistical/Secretarial Support	0.028	0.028	0.029
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
<u>0.042</u>		SUB-TOTAL	<u>0.044</u>	<u>0.044</u>	<u>0.046</u>
<u>0.121</u>		TOTAL	<u>0.125</u>	<u>0.125</u>	<u>0.128</u>

Table 3: FY18 STAP Budget Request (SCCF Trust Fund)

<i>FY16 Budget \$m</i>	<i>FY16 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY17 Budget \$m</i>	<i>FY17 Estimated \$m</i>	<i>FY18 Request \$m</i>
<u>0.042</u>		Staff Costs	<u>0.044</u>	<u>0.044</u>	<u>0.045</u>
0.038		Salaries and Benefits	0.039	0.039	0.040
0.004		Travel	0.005	0.005	0.005
0.000		Training	0.000	0.000	0.000
<u>0.029</u>		Consultant Costs	<u>0.029</u>	<u>0.029</u>	<u>0.029</u>
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
<u>0.008</u>		General Operations Costs	<u>0.008</u>	<u>0.008</u>	<u>0.009</u>
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
<u>0.079</u>		SUB-TOTAL	<u>0.081</u>	<u>0.081</u>	<u>0.083</u>
		STAP -- Members Expense Category			
0.026		Honoraria & Logistical/Secretarial Support	0.028	0.028	0.029
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
<u>0.042</u>		SUB-TOTAL	<u>0.044</u>	<u>0.044</u>	<u>0.046</u>
<u>0.121</u>		TOTAL	<u>0.125</u>	<u>0.125</u>	<u>0.128</u>

LDCF AND SCCF FY18 ADMINISTRATIVE FEES FOR THE TRUSTEE

Least Developed Countries Fund

17. As agreed with donors under the Trust Fund 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 FY18 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 4 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, 2017 and projections for the remaining three months, it is expected that the actual cost for Trustee services for FY17 will be \$324,000, which is \$5,000 or 2% higher than the approved budget of \$319,000 mainly due to higher investment management cost.

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 FY17 resulted in increased liquidity of the LDCF from a projected average of \$589 million to \$606 million, thereby increasing investment management costs.

21. To cover expenses for FY18 related to the above work program, the Trustee requests a budget of \$301,000. Despite the increase in the World Bank's rate used to calculate non-salary staff costs charged to all its products from 50% to 70% beginning FY18, the proposed budget is \$23,000 or 7% lower than the estimated actual cost for FY17 due to the reduction in investment management costs. Based on projected net cash inflows, the projected average LDCF liquidity balance will be lower at \$539 million. The actual investment management costs may vary depending on the actual average liquidity level during FY18.

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

Trustee Services	FY 17 Approved	FY 17 Expected Actual	FY 18 Proposed Budget
Financial Management and Relationship Management	53,000	51,000	52,000
Investment Management /a	227,000	234,000	210,000
Accounting and Reporting	20,000	20,000	20,000
Legal Services	19,000	19,000	19,000
Total Costs	319,000	324,000	301,000
a/ 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 Fund 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 FY18 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 5 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, 2017 and projections for the remaining three months, the FY17 actual costs for Trustee services are expected to be \$145,400, which is \$13,600 or 9% lower than the approved budget of \$159,000. The decrease is due to lower fees across the board.

25. To cover its expenses for FY18 related to the SCCF work program, the Trustee requests a budget of \$131,000 which, despite the increase in the World Bank’s rate used to calculate non-salary staff costs charged to all its products from 50% to 70% beginning FY18, represents a decrease of \$14,400 or 10% compared to the FY17 estimated actual cost of \$145,400 due largely to the expected lower investment management cost. This is on account of the lower projected liquidity average of \$111 million for FY18 as against the FY17 average of \$149 million. The actual investment management costs may vary depending on the actual average liquidity level during FY18.

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

Trustee Services	FY 17 Approved	FY 17 Expected Actual	FY 18 Proposed Budget
Financial Management and Relationship Management	53,000	51,400	52,000
Investment Management /a	67,000	58,200	43,000
Accounting and Reporting	20,000	17,900	18,000
Legal Services	19,000	17,900	18,000
Total Costs, including Special Initiative	159,000	145,400	131,000
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 FY18 work plan and budget to be provided by the GEF IEO request is detailed in document GEF/LDCF.SCCF.22/ME/04. The GEF IEO requests \$73,000 for FY18 to cover the cost of implementing the proposed evaluation work plan.

CONSOLIDATED FY18 BUDGET

27. The total consolidated budget for the Secretariat, STAP, Trustee and GEF IEO is \$1,507,509 from the LDCF and \$781,026 from the SCCF as summarized in Table 6.

Table 6: Consolidated FY18 Budget Request

	LDCF US\$	SCCF US\$	Total US\$
<u>GEF Secretariat</u>	1,044,509	483,026	1,527,535
<u>STAP</u>	128,000	128,000	256,000
<u>Trustee</u>	301,000	131,000	432,000
<u>GEF IEO</u>	34,000	39,000	73,000
Total	1,507,509	781,026	2,288,535