



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

GEF/LDCF.SCCF.18/06

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Washington, D.C.

Agenda Item 06

**FY16 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.18/06 *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) \$1,020,132 (GEF Secretariat), \$121,000 (STAP), \$334,000 (Trustee), and \$69,000 (GEF IEO) from the Least Developed Countries Fund; and

(2) \$508,923 (GEF Secretariat), \$121,000 (STAP), \$171,000 (Trustee), and \$14,000 (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 2015 (FY15) 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 FY16 (July 1, 2015 - June 30, 2016). The GEF Independent Evaluation Office has prepared a separate document (LDCF.SCCF.18/ME/01) presenting a budget request to cover the Office's costs to implement the proposed evaluation work plan.

KEY DEVELOPMENTS DURING FY15

3. FY15 was characterized by the following key developments and accomplishments:

- (a) Programming of \$135.05 million of LDCF and SCCF project and program approvals, leveraging co-financing of approximately \$520.74 million. This excludes the SCCF June 2015 Work Program of \$15.80 million.¹
- (b) The Secretariat has made progress on expanding its collaboration with the Agencies, IEO, and STAP to improve the utility and efficiency of RBM and KM systems.
- (c) The Secretariat has made significant progress in KM, including specifically in the transfer of lessons in adaptation, and the associated expansion of outreach. New knowledge products are coming online (anticipated completion within the first quarter of FY16), and has identified and engaged with appropriate forums for their dissemination during FY15 as well as in the coming fiscal year.
- (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; and,
- (f) Completion of the LDCF/SCCF Annual Evaluation Report (LDCF.SCCF.18/ME/02).

2. Given the lack of predictability in the pledging to the LDCF and the SCCF, the opportunities for achieving more optimal resource programming were limited.

3. The Secretariat has extended support to a number of GEF Agencies, including the newly-accredited GEF Project Agencies.

¹ See Council Document GEF/LDCF.SCCF.18/05

BUSINESS PLAN FY16

4. 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.
5. The Secretariat anticipates a need to focus on the following areas in FY16:
 - (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.18/03 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; and,
 - (d) Disseminating more widely the knowledge gained so far through the GEF adaptation experience.

LDCF AND SCCF ADMINISTRATIVE COSTS FOR THE GEF SECRETARIAT

FY15 Current Status

6. The approved FY15 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 FY15 budget included financing for staff, consultants, travel, publications and outreach, meetings, and general costs necessary for the operations of these funds.

7. *Budget Under-run.* The FY15 actual expenditure (projected) currently² stands at \$964,680 for the LDCF (with a difference of -5.44 percent with respect to FY15 approved) and \$474,675 for the SCCF (-6.73 percent with respect to FY15 approved). The overall under-run is mainly due to delayed spending in the publications and outreach categories, and lower-than-expected general operations costs. Less significant under-runs are found in other categories. The under-run in the staffing category has been significantly offset by cross-support.

Budget Request for FY16

8. The overall budget request for FY16 amounts to \$1,020,132 for the LDCF and \$508,923 for the SCCF. This budget presents a zero increase for the LDCF and the SCCF.

² As of March 31, 2015

9. 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.
10. 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 FY16 for portfolio management, knowledge dissemination support, and to meet the demands from the UNFCCC COP.
11. Travel: In the budget request for FY16, a total of \$110,000 and \$76,000 are requested for travel in FY16 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.
12. 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 FY16.
13. General Operations Costs and Costs of Meetings: There is no change in the general operations costs request and costs of meetings vis-à-vis levels approved for FY15.

Table 1: GEF Secretariat – LDCF and SCCF FY15 Administrative Costs and FY16 Budget Request

Expense Category	L D C F			S C C F		
	FY15 Approved Budget	FY15 Actual (Projected)	FY16 Budget Request	FY15 Approved Budget	FY15 Actual (Projected)	FY16 Budget Request
	US\$	US\$	US\$	US\$	US\$	US\$
Standard Services						
<u>Staff Costs (Salaries and Benefits)</u>	645,619	641,082	645,619	279,703	274,035	279,703
<u>Consultants</u>	50,858	47,211	50,858	40,858	39,559	40,858
<u>Travel</u>	110,000 a/	109,539	110,000 a/	76,000 a/	75,681	76,000 a/
<u>Publications and Outreach</u>	100,000	71,336	100,000	55,000	37,109	55,000
<u>General Operations Costs</u>	100,401	82,258	100,401	50,197	41,126	50,197
<u>Costs of meetings</u>	13,254	13,254	13,254	7,165	7,165	7,165
GRAND TOTAL	1,020,132	964,680	1,020,132	508,923	474,675	508,923

a/ Includes RBM learning missions.

LDCF AND SCCF STAP BUDGET

Responsibilities of STAP

14. During FY16, and throughout the remainder of GEF-6, STAP will continue to implement its Work Program in conjunction with GEF Agencies and other Partners. STAP will continue to orient its work towards much more focused and integrative strategic program deliverables aimed primarily towards integration across focal areas. In particular, 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. Specifically within STAP's climate adaptation portfolio, the Panel will develop guidance on implementing NAPs for both the Adaptation Committee of UNFCCC as well as the GEF Partnership. Over the next year STAP will also produce 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. 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

15. STAP's requested FY16 corporate budgets reflect the need for fiscal restraint while maintaining steady implementation of the STAP Work Program. The budget also reflects the findings of OPS-5, and includes resources to allow STAP to provide greater strategic support to the GEF while keeping within the overall funding envelope for Secretariat activities in GEF-6. The STAP budget request is summarized in the Table below. STAP work program activities for FY 15 have been implemented within the approved budget. STAP wishes to stress that FY 14 actual expenditures are estimates at this time, as final audited results are not yet available. In addition, FY 15 actual expenditures are not yet available due to the difference in the UNEP and GEF fiscal years.

Table 2: FY16 STAP Budget Request (LDCF Trust Fund)

<i>FY14 Budget \$m</i>	<i>FY14 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY15 Budget \$m</i>	<i>FY15 Estimated \$m</i>	<i>FY16 Request \$m</i>
<u>0.041</u>	<u>0.041</u>	<u>Staff Costs</u>	<u>0.042</u>	<u>0.042</u>	<u>0.042</u>
0.037	0.037	Salaries and Benefits	0.038	0.038	0.038
0.004	0.004	Travel	0.004	0.004	0.004
0.000	0.000	Training	0.000	0.000	0.000
<u>0.028</u>	<u>0.028</u>	<u>Consultant Costs</u>	<u>0.029</u>	<u>0.029</u>	<u>0.029</u>
0.023	0.023	Fees (long-term)	0.024	0.024	0.024
0.000	0.000	Fees (short-term)	0.000	0.000	0.000
0.005	0.005	Travel	0.005	0.005	0.005
<u>0.009</u>	<u>0.009</u>	<u>General Operations Costs</u>	<u>0.008</u>	<u>0.008</u>	<u>0.008</u>
0.005	0.005	Office Space, Equipment, and Supplies	0.005	0.005	0.005
0.004	0.004	Communications and Internal Computing	0.001	0.001	0.001
0.000	0.000	Corporate Services	0.003	0.003	0.003
0.000	0.000	Representation and Hospitality	0.000	0.000	0.000
<u>0.077</u>	<u>0.077</u>	<u>SUB-TOTAL</u>	<u>0.079</u>	<u>0.079</u>	<u>0.079</u>
		STAP -- Members			
		Expense Category			
0.024	0.024	Honoraria & Logistical/Secretarial Support	0.026	0.026	0.026
0.000	0.000	MOUs with Expert Institutions	0.000	0.000	0.000
0.010	0.010	STAP Meetings	0.013	0.013	0.013
0.004	0.004	STAP Publications	0.004	0.004	0.004
<u>0.038</u>	<u>0.038</u>	<u>SUB-TOTAL</u>	<u>0.042</u>	<u>0.042</u>	<u>0.042</u>
<u>0.115</u>	<u>0.115</u>	<u>TOTAL</u>	<u>0.121</u>	<u>0.121</u>	<u>0.121</u>

Table 3: FY16 STAP Budget Request (SCCF Trust Fund)

<i>FY14 Budget \$m</i>	<i>FY14 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY15 Budget \$m</i>	<i>FY15 Estimated \$m</i>	<i>FY16 Request \$m</i>
<u>0.041</u>	<u>0.041</u>	<u>Staff Costs</u>	<u>0.042</u>	<u>0.042</u>	<u>0.042</u>
0.037	0.037	Salaries and Benefits	0.038	0.038	0.038
0.004	0.004	Travel	0.004	0.004	0.004
0.000	0.000	Training	0.000	0.000	0.000
<u>0.028</u>	<u>0.028</u>	<u>Consultant Costs</u>	<u>0.029</u>	<u>0.029</u>	<u>0.029</u>
0.023	0.023	Fees (long-term)	0.024	0.024	0.024
0.000	0.000	Fees (short-term)	0.000	0.000	0.000
0.005	0.005	Travel	0.005	0.005	0.005
<u>0.009</u>	<u>0.009</u>	<u>General Operations Costs</u>	<u>0.008</u>	<u>0.008</u>	<u>0.008</u>
0.005	0.005	Office Space, Equipment, and Supplies	0.005	0.005	0.005
0.004	0.004	Communications and Internal Computing	0.001	0.001	0.001
0.000	0.000	Corporate Services	0.003	0.003	0.003
0.000	0.000	Representation and Hospitality	0.000	0.000	0.000
<u>0.077</u>	<u>0.077</u>	<u>SUB-TOTAL</u>	<u>0.079</u>	<u>0.079</u>	<u>0.079</u>
		STAP -- Members Expense Category			
0.024	0.024	Honoraria & Logistical/Secretarial Support	0.026	0.026	0.026
0.000	0.000	MOUs with Expert Institutions	0.000	0.000	0.000
0.010	0.010	STAP Meetings	0.013	0.013	0.013
0.004	0.004	STAP Publications	0.004	0.004	0.004
<u>0.038</u>	<u>0.038</u>	<u>SUB-TOTAL</u>	<u>0.042</u>	<u>0.042</u>	<u>0.042</u>
<u>0.115</u>	<u>0.115</u>	<u>TOTAL</u>	<u>0.121</u>	<u>0.121</u>	<u>0.121</u>

LDCF AND SCCF FY15 ADMINISTRATIVE FEES FOR THE TRUSTEE

Least Developed Countries Fund

16. 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.

17. The core elements of the Trustee's work program in FY16 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.

18. Based on the first nine-month period ended March 31, 2015 and projections for the remaining three months, it is expected that the actual cost for Trustee services for FY15 will be \$347,000, which is \$23,300 higher than the approved budget of \$323,700. The minimal gains resulting from financial management cost, legal and accounting services that were offset by the steep increase in investment management costs as a result of the more than expected level of liquidity (fund balance) in LDCF.

19. 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 FY15 resulted in increased liquidity of the LDCF from a projected average of \$590 million to \$652 million, thereby increasing investment management costs.

20. To cover expenses for FY16 related to the above work program, the Trustee requests a budget of \$334,000. This is \$13,000 lower than the estimated actual cost in FY15. Based on projected cash outflows, the projected average LDCF liquidity balance will be lower to \$610 million resulting in a lower projected investment management cost. The actual investment management costs may vary depending on the actual liquidity level at the end of FY16.

Table 1: Proposed Trustee Budget for LDCF (FY16)

(in USD)

Trustee Services	FY 15 Approved	FY 15 Expected Actual	FY 16 Proposed Budget
Financial Management and Relationship Management	51,900	53,000	53,000
Investment Management /a	228,200	250,000	236,000
Accounting and Reporting	21,300	21,000	22,000
Legal Services	22,300	23,000	23,000
Sub-total, Standard Services	323,700	347,000	334,000
Special Initiative /b	-	-	-
Total Costs	323,700	347,000	334,000
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

21. 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.

22. The core elements of the Trustee’s work program for FY16 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.

23. Based on the first nine-month period ended March 31, 2015 and projections for the remaining three months, the FY15 actual costs for Trustee services are expected to be \$176,000, which is \$9,000 higher than the approved budget of \$167,000. The increase is due to higher investment management costs, which is a variable cost calculated based on 3.5 basis points against the average annual balance of the Trust Fund. The net contribution inflows during FY15 resulted in increased liquidity balance of the SCCF from a projected average of \$173 million to \$200 million, thereby increasing investment management cost.

24. To cover its expenses for FY16 related to the SCCF work program, the Trustee requests a budget of \$171,000, which is a decrease of \$5,000 compared to the FY15 estimated actual cost of \$176,000.

Table 2: Proposed Trustee Budget for SCCF (FY16)

(in USD)

Trustee Services	FY 15 Approved	FY 15 Expected Actual	FY 16 Proposed Budget
Financial Management and Relationship Management	54,000	54,000	54,000
Investment Management /a	67,000	77,000	72,000
Accounting and Reporting	22,000	22,000	22,000
Legal Services	24,000	23,000	23,000
Sub-total, Standard Services	167,000	176,000	171,000
Special Initiative	-	-	-
Total Costs, including Special Initiative	167,000	176,000	171,000
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

25. The FY16 work plan and budget to be provided by the GEF IEO request is detailed in document GEF/LDCF.SCCF.18/ME/01. The GEF IEO requests \$83,000 for FY16 to cover the cost of implementing the proposed evaluation work plan.

CONSOLIDATED FY16 BUDGET

26. The total consolidated budget for the Secretariat, STAP, Trustee and GEF IEO is \$1,544,132 from the LDCF and \$814,923 from the SCCF as summarized in Table 6.

Table 6: Consolidated FY16 Budget Request

	LDCF US\$	SCCF US\$	Total US\$
<u>GEF Secretariat</u>	1,020,132	508,923	1,529,055
<u>STAP</u>	121,000	121,000	242,000
<u>Trustee</u>	334,000	171,000	505,000
<u>GEF IEO</u>	69,000	14,000	83,000
Total	1,544,132	814,923	2,359,055