



Global Environment Facility

GEF/LDCF.SCCF.4/4

March 20, 2008

LDCF/SCCF Council Meeting

April 25, 2008

ADMINISTRATIVE BUDGET FOR THE LEAST DEVELOPED COUNTRIES FUND (LDCF) AND THE SPECIAL CLIMATE CHANGE FUND (SCCF)

Recommended Council Decision

The LDCF/SCCF Council, having reviewed document GEF/LDCF.SCCF.4/4 Administrative Budget for the Least Developed Country Fund (LDCF) and the Special Climate Change Fund (SCCF), approves the proposed budgets of the secretariat and the trustee:

- (a) A budget of USD 526,823 from the LDCF; and
- (b) A budget of USD 506,523 from the SCCF.

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 United Nations Framework Convention on Climate Change (UNFCCC). In establishing the funds, the Council agreed that the operations and administrative costs incurred in connection with managing both the LDCF and the SCCF are kept separate from the GEF Trust Fund.

2. This paper proposes an administrative budget to cover the costs of the Secretariat and the Trustee in managing the LDCF and the SCCF for FY09.

I. ADMINISTRATIVE COSTS FOR THE GEF SECRETARIAT

3. The GEF Secretariat is responsible for oversight of the LDCF and SCCF funds; formulation of operational policies and programming strategies; review and processing of project proposals for CEO or Council approval; management of the portfolio of LDCF and SCCF projects; coordination with the GEF Agencies, the Trustee and the Convention Secretariat; and reporting to the Council and the Convention.

4. In June 2007, the Council approved a one year administrative budget for the SCCF and the LDCF. The budget included financing for a staff position, travel and general operating costs necessary for the operations of these funds. It was agreed that the administrative budget, would be financed fifty percent by the LDCF and fifty percent by the SCCF. In December 2006, the LDCF/SCCF Council revised the budget to include the costs of convening the LDCF/SCCF Council meetings.

5. GEF staff responsibilities include the preparation of policy papers to respond to Convention guidance to be submitted to the Council and operational guidelines for the agencies; development of a strategic approach to the LDCF/SCCF adaptation portfolio; extensive upstream consultations with agencies and stakeholders on how to design and develop adaptation projects under the new funds; review of projects proposals submitted for financing from the funds; and evolving work on indicators and a monitoring (and evaluation) system. The workload associated with these funds continues to increase.

3. 6. To cover its administrative expenses for FY09, the Secretariat requests USD 341,574 from the LDCF and USD 331,274 from the SCCF. This is a small increase over the FY08 budgets (USD 9,949 for the LDCF and USD 9,649 for the SCCF). The budgets for FY09 includes amounts for consultants.

The following tables show a break down of these costs.

Table 1: LDCF FY08 Administrative costs for the Secretariat			
Expense Category	FY08 Approve d Budget	FY08 Expecte d Actual	FY09 Budget Reques t
	\$	\$	\$
Standard Services			
<u>Staff Costs (Salaries and Benefits)</u>			
50% 2 Senior Professionals	185,000	86,066	190,550
25% Professional	35,000	24,034	36,050
25% ACS	16,875	0	17,381
<u>Travel</u>	35,000	35,000	36,050
(3.5 trips @ \$10,000 trip)			
<u>Consultants</u>	7,500	0	7,725
<u>General Operations Costs</u>	46,250	34,070	47,638
Office Space, Equipment, and Supplies			
<u>Cost of meetings</u>	6,000	6,078	6,180
Total	331,625	185,249	341,574

Table 2: SCCF FY08 Administrative costs for the Secretariat			
Expense Category	FY08 Approve d Budget	FY08 Expecte d Actual	FY09 Budget Reques t
	\$	\$	\$
Standard Services			
<u>Staff Costs (Salaries and Benefits)</u>			
50% 2 Senior Professionals	185,000	86,066	190,550
25% Professional	35,000	24,034	36,050
25% ACS	16,875	0	17,381
<u>Travel</u>	25,000	25,000	25,750
(2.5 trips @ \$10,000 trip)			
<u>Consultants</u>	7,500	0	7,725
<u>General Operations Costs</u>	46,250	34,070	47,638
Office Space, Equipment, and Supplies			

<u>Cost of meetings</u>	6,000	6,078	6,180
Total	321,625	175,249	331,274

II. LDCF AND SCCF: TRUSTEE ADMINISTRATIVE FEES

Least Developed Countries Fund

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

8. The Trustee's estimates for FY08 are currently expected to be \$108,530, and will be higher than the FY08 approved budget of \$101,000.00. The primary reasons for this increase are: (i) the Investment Management fee is higher due to a higher than expected investment portfolio balance; and (ii) the Legal Service fee is higher than expected due to the newly adopted Council decision to give the seven GEF Executing Agencies direct access to the LDCF. There are also cost savings in the FY08 budget due to one activity "development of an electronic messaging system to share financial and transaction information between the Agencies and the Trustee" being rescheduled from FY08 to FY09. It should be noted that this report was produced four months ahead of the fiscal year end and that there may be some potential for further cost saving over the next few months.

9. To cover its administrative expenses for FY09, the Trustee requests USD 118,800. Trustee's projected costs for FY09 reflect a 17% overall increase from the FY08 approved budget. This is due to two main reasons: first, the investment management fee has increased in proportion to the LDCF's higher portfolio balance. The average annual investment portfolio balance for FY09 is \$86 million, while the FY08 estimate was based on an average annual fund balance of \$50 million. Second, due to the recent Council decision to give the GEF Executing Agencies direct access to the LDCF for the preparation and implementation of activities financed by these funds, the Trustee started the process to take all necessary legal and administrative steps to ensure such access. This work included the amendment of donor administrative agreements to reflect the decision adopted by Council and the collaboration and negotiation of Financial Procedure Agreements with the seven Executing Agencies.

10. Core elements of the Trustee work program over the coming year 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; (vi) finalization of Financial Procedures Agreements between the Trustee and the Agencies; and (vii) development of an electronic messaging system to share financial and transaction information between the Agencies and the Trustee.¹ Annex 1 shows the breakdown of the Trustee fee by services provided for the LDCF. Table 3 shows the breakdown of Trustee fee by expense category.

11. Although there have been some areas of increase to the FY09 budget, notably in Investment Management and Legal Services, it should be noted that there is a 12% decrease in the Trustee's Relationship Management Services due to the collaborative efforts between the Trustee and the

¹ This activity was originally scheduled to be completed in FY08 but has been rescheduled for FY09.

Agencies to streamline processes and reporting for the LDCF financial transactions.

Table 3: Trustee Costs for the LDCF by Expense Category

Expense Category	FY08 Approved Budget \$	FY08 Current Estimated \$	FY09 Budget Request \$
Standard Services			
Staff Costs	73,428	72,418	76,800
Salaries and Benefits	73,428	72,418	76,800
Travel	-	-	-
Investment Management Fee	16,800	25,200	30,000
General Operations Costs	10,772	10,882	12,000
Office Space, Equipment, and Supplies	5,779	5,876	6,480
Communications and Internal Computing	4,993	5,006	5,520
Total Standard Services	101,000	108,500	118,800
External Audit Fee	n/a	n/a	n/a
Total	101,000	108,500	118,800

Special Climate Change Fund

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

13. The Trustee’s estimates for FY08 are currently expected to be \$149,300, and will be slightly higher than the FY08 approved budget of \$146,000. The primary reasons for this increase are: (i) the Investment Management fee is higher due to a higher than expected investment portfolio balance; and (ii) the Legal Service fee is higher than expected due to the newly adopted Council decision to give the seven GEF Executing Agencies direct access to the SCCF. On the other hand, there are also cost savings in the FY08 budget due to one activity “development of an electronic messaging system to share financial and transaction information between the Agencies and the Trustee” being rescheduled from FY08 to FY09. It should be noted that this report was produced four months ahead of the fiscal year end and that there may be some potential for further cost saving over the next few months.

14. To cover its administrative expenses for FY09, the Trustee requests USD 148,500. Trustee's projected costs for FY09 reflects less than a 2% overall increase from the FY08 approved budget. Although there is an increase in the costs for Investment Management and Legal Services, the costs for financial management and relationship management have gone down. This is due to the collaborative efforts between the Trustee and the Agencies to streamline processes, and reporting for the SCCF financial transactions; and cost efficiencies gained due to the maturity of the trust fund.

15. The Trustee apprises the Council that the External Audit fee for FY09 for the SCCF is expected to be in the region of \$30,000.

16. Core elements of the Trustee work program over the next year for the SCCF include the following: (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; (vi) preparation of unaudited financial statements and provision for their audit; (vii) preparation and finalization of the Financial Procedures Agreements between the Trustee and the Implementing Agencies and Executing Agencies; and (viii) development of an electronic messaging system to share financial and transaction information between the Implementing Agencies and the Trustee.² Annex 2 shows the breakdown of the Trustee fee by services provided for the SCCF. Table 4 shows the breakdown of the Trustee fee by expense category.

² This activity was originally scheduled to be completed in FY08 but has been rescheduled for FY09.

Table 4: Trustee Costs for the SCCF by Expense Category

Expense Category	FY08 Approved Budget \$	FY08 Current Estimated \$	FY09 Budget Request \$
Standard Services			
<u>Staff Costs</u>	113,703	111,803	107,100
Salaries and Benefits	113,703	111,803	107,100
Travel	-		-
<u>Investment Management Fee</u>	16,800	22,000	25,200
<u>General Operations Costs</u>	15,497	15,497	16,200
Office Space, Equipment, and Supplies	8,060	8,060	8,748
Communications and Internal Computing	7,437	7,437	7,452
Total Standard Services	146,000	149,300	148,500
<u>External Audit Fee</u>	30,000	21,000	30,000
Total	176,000	170,300	178,500

Least Developed Countries Fund
Budgetary Details for Basic Services Provided by the Trustee

Task Description	FY08 Approved Budget \$	FY08 Current Estimated \$	FY09 Proposed Budget \$
Financial Management	18,191	13,200	18,500
Investment Management	16,800	25,200	30,000
Relationship Management	24,985	24,985	21,900
Accounting and Reporting	16,382	16,382	17,900
Legal Services	13,870	17,851	18,500
Infrastructure and Systems	10,772	10,882	12,000
Estimated travel costs	-		
Total Standard Services	101,000	108,500	118,800
External Audit	n/a	n/a	n/a

Special Climate Change Fund
Budgetary Details for Basic Services Provided by the Trustee

Task Description	FY08 Approved Budget \$	FY08 Current Estimated \$	FY09 Budget Request \$
Financial Management	36,773	31,768	27,600
Investment Management	16,800	22,000	25,200
Relationship Management	24,710	24,710	21,900
Accounting and Reporting	36,625	36,625	37,000
Legal Services	15,595	18,700	20,600
Infrastructure and Systems	15,497	15,497	16,200
Estimated travel costs	-	-	-
Total Standard Services	146,000	149,300	148,500
External Audit	30,000	21,000	30,000
Total	176,000	170,300	178,500