



GEF/LDCF.SCCF.8/4
June 1, 2010

LDCF/SCCF Council Meeting
July 1, 2010

Agenda Item 5

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

Recommended Council Decision

The LDCF/SCCF Council, having reviewed the proposed document GEF/LDCF.SCCF.8/4 *Administrative Budget for the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF)*, approves the proposed budgets for the GEF Secretariat, the Trustee and the GEF Evaluation Office, as follows:

(1) USD 656,075 (GEF Secretariat), USD 163,400 (Trustee), and USD 27,000 (GEF Evaluation Office) from the LDCF; and

(2) USD 415,742 (GEF Secretariat), USD 198,200 (Trustee), and USD 112,000 (GEF Evaluation Office) from the SCCF.

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 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 be kept separate from the GEF Trust Fund.
2. This paper reviews the outcome of the Fiscal Year 2010 (FY10) LDCF/SCCF Council-approved budget, and proposes an administrative budget to cover the costs of the Secretariat and the Trustee in managing the LDCF and the SCCF for FY11 (July 1, 2010 - June 30, 2011). The GEF Evaluation Office has prepared a separate document (LDCF.SCCF.8/ME/1) presenting a request for a budget for FY11 to cover the Office's cost to implement the proposed evaluation work plan.

LDCF AND SCCF ADMINISTRATIVE COSTS FOR THE GEF SECRETARIAT

3. The GEF Secretariat is responsible for oversight of formulation of operational policies and programming strategies of the LDCF and SCCF funds; 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 LDCF/SCCF Council and the Climate Convention.
4. The approved FY10 administrative budget for the GEF Secretariat was in the amount of USD 581,450 and USD 387,616 for the LDCF and SCCF, respectively. The FY10 budget included financing for staff, consultants, travel, results-based management plan, and general costs necessary for the operations of these funds.¹

FY10 Current Status

Budget Under-run. The FY10 actual budget (projected) currently stands at USD 501,181 for LDCF (with a difference of -14% with respect to FY10 approved) and 342,318 for SCCF (-12%

¹ The FY10 budget for the GEF Secretariat was initially approved in June of 2009 for the amount of USD 445,733 for LDCF and USD 251,899 for SCCF. In January 2010, the LDCF/SCCF Council revised the FY10 budget to include the costs to implement a Results-Based Management work plan in the amounts of USD 135,717 from the LDCF and USD 135,717 from the SCCF.

with respect to FY10 approved). The overall under-run is due to a delay in staff hires partially offset by salary increases and higher travel costs imposed by an increase in the number of activities requiring GEF Secretariat staff participation (an example is the number of UNFCCC meetings which increased from one to four in FY10).

Budget Proposal for FY11

5. The overall budget request for FY11 amounts to USD 656,075 for LDCF and USD 415,742 for SCCF. This budget presents an increase of 13% for the LDCF, and 7% for SCCF. These budget increases include RBM costs, increase in travel requirements and consultant cost, and a new publications and outreach budget for activities that were previously funded for LDCF and SCCF out of the GEF TF budget. The budget can be found in Table 1.

6. Staff Costs: An amount of USD 359,141 is included in the FY11 request to cover staff costs under the LDCF and USD 227,822 under the SCCF. All amounts were adjusted to account for an inflation of 3%.

7. Consultant Costs: An amount of USD 31,541 is requested from each trust fund to cover consultant costs.

8. Travel: The FY10 actual (projected) travel expenditures totaling USD 100,786 for LDCF was substantially higher than the FY10 approved budget of USD 57,132. This was mainly due to an increase in travel needs, including improving communication with the LDCs and Agencies and participation of GEF staff at UNFCCC meetings. The level of activity (such as FY11 UNFCCC meetings – additional meetings of Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA), Subsidiary Body for Implementation (SBI), COP16 and others), and the associated travel needed in FY11 are expected to remain the same. Therefore, a total of USD 120,000 and USD 50,000 are requested for travel in FY11 under the LDCF and SCCF, respectively, including the monitoring and learning missions.

9. Publications and Outreach: The request for USD 50,000 for each trust fund reflects the need to finance publications and other outreach materials for LDCF and SCCF. In prior years, these costs were funded by the GEF Trust Fund.

10. General Operations Costs and Costs of Meetings: The 34% increase in costs vis-à-vis levels approved for FY10 reflects the increase in the cost of The World Bank's office space leased to the GEF.

Special Initiatives

11. The expenditure for six LDC National Adaptation Plan of Action (NAPA) Workshops, requested by the UNFCCC COP decision and already approved by the LDCF/SCCF Council by mail in January 2010 is shown in Table 2 for information purposes.

Table 1: GEF Secretariat - LDCF and SCCF FY10 Administrative Costs and FY11 Budget Request

Expense Category	L D C F			S C C F		
	FY10 Approved Budget	FY10 Actual (Projected)	FY11 Budget Request	FY10 Approved Budget	FY10 Actual (Projected)	FY11 Budget Request
	US\$	US\$	US\$	US\$	US\$	US\$
Standard Services						
<u>Staff Costs (Salaries and Benefits)</u>	383,820	272,687	359,141	230,340	211,593	227,822
<u>Consultants</u>	62,207	62,207	31,541	62,207	62,207	31,541
<u>Travel</u>	57,132	100,786	120,000 ^{a/}	46,523	26,523	50,000 ^{a/}
<u>Publications and Outreach</u>	0	0	50,000	0	0	50,000
<u>General Operations Costs</u>	71,926	59,136	88,837	42,181	35,630	49,823
<u>Costs of meetings</u>	6,365	6,365	6,556	6,365	6,365	6,556
GRAND TOTAL	581,450	501,181	656,075	387,616	342,318	415,742

a/ Includes RBM learning missions.

**Table 2: National Adaptation Plans of Action Workshops
Adaptation Activities Special Initiative (LDCF)**

NAPA Workshops Current Status	Amount US\$
<u>Approved Budget</u>	600,000
<u>Actual Expenditure to-date</u>	253,124
Remaining Balance	346,876

LDCF AND SCCF TRUSTEE ADMINISTRATIVE FEES

Least Developed Countries Fund

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

13. The core elements of the Trustee's work program during FY11 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 (FPAs) 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. Table 3 below shows the breakdown of the Trustee fee by services provided to the LDCF.

14. To cover its expenses for FY11 related to the above work program, the Trustee requests a budget of USD 163,400. This represents an overall increase of USD 29,000 (about 22%) as compared to the FY10 approved budget of USD 134,400. The reason for this increase is the one-time staff and software development cost related to the development of an electronic messaging system noted above, estimated to cost USD 25,000. Excluding this one-time special initiative, the FY11 proposed budget represents an increase of 3% over the FY10 approved budget.

15. The FY10 actual expected costs are lower than the approved budget for the year (see Table 1), due to the fact that completion of the FPAs for the LDCF, originally anticipated for FY10, was delayed due to the longer than expected time taken for the finalization of the FPAs for the GEF Trust Fund, on which the LDCF FPAs are based. This also explains the significantly lower than budgeted costs of legal services during FY10. Once the FPAs for the GEF Trust Fund have been finalized, the Trustee anticipates that the LDCF FPAs can be finalized in a reasonably short period of time thereafter.

Table 3: LDCF: Budgetary Requirements for Services Provided by the Trustee

LDCF: Budgetary Requirements for Services Provided by the Trustee			
FY 11			
(in USD)			
Trustee Services	FY 10 Approved	FY 10 Expected Actual	FY 11 Proposed Budget Total
Financial Management and Relationship Management	50,000	45,000	45,000
Investment Management a/	40,600	40,600	47,300
Accounting and Reporting	20,300	20,300	22,600
Legal Services	23,500	16,400	23,500
Sub-total	134,400	122,300	138,400
System upgrade	-	-	25,000
Total Costs	134,400	122,300	163,400
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio; the estimated average portfolio size is USD 130 million for FY 10 and the projected for FY 11 is USD 135 million.			

Special Climate Change Fund

16. As agreed with the donors under the Trust Administration Agreements, the Trustee will receive an annual administrative fee to cover the reasonable actual expenses incurred by the Trustee in carrying out the Trustee function for the SCCF in FY11.

17. The core elements of the Trustee’s work program for FY11 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; and (vii) preparation and finalization of Financial Procedures Agreements (FPAs) between the Trustee and the Implementing Agencies and Executing Agencies; and (vii) development of an electronic messaging system to share financial and transaction information between the Implementing Agencies and the Trustee. Table 4 below shows the breakdown of the Trustee fee by services provided to the SCCF.

18. To cover its expenses for FY11 related to the above work program, the Trustee requests a budget of USD 198,200. This represents an 11.7% overall increase from the FY10 approved

budget of USD 177,500. The increase is driven entirely by two special initiatives: i) an external audit of the SCCF Trust Fund, covering FY09 and FY10, estimated to cost USD 30,000; and ii) the staff and software development costs for an electronic messaging system to share financial and transaction information between the Agencies and the Trustee. This special initiative is estimated to cost USD 25,000. Excluding these special initiatives, the FY11 proposed budget represents a slight decrease from the FY10 approved budget.

19. The FY10 actual expected costs are lower than the approved budget for the year (see Table 2). This is explained by the following:

20. First, the FPAs for the SCCF, which are largely based on the FPAs for the GEF Trust Fund, could not be completed as anticipated during FY10 owing to a delay in the finalization of the FPAs for the GEF Trust Fund. As a result, the actual costs of legal services were lower than budgeted in FY10. Once the FPAs for the GEF Trust Fund have been finalized, the Trustee anticipates that the SCCF FPAs can be finalized in a reasonably short period of time thereafter.

21. Second, an external audit of the SCCF Trust Fund, originally planned and budgeted for FY10, was delayed and will now take place in FY11. This delay resulted in significantly lower accounting costs than were budgeted for FY10.

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

SCCF: Budgetary Requirements for Services Provided by the Trustee			
FY 11			
(in USD)			
Trustee Services	FY 10 Approved	FY 10 Expected Actual	FY 11 Proposed Budget Total
Financial Management and Relationship Management	50,000	45,000	45,000
Investment Management a/	31,500	31,500	32,000
Accounting and Reporting	45,000	21,300	46,200
Legal Services	21,000	18,000	20,000
Sub-total	147,500	115,800	143,200
External Audit	30,000	-	30,000
System upgrade	-	-	25,000
Total Costs	177,500	115,800	198,200
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio; the estimated average portfolio size is USD 92 million for FY 10 and the projected for FY 11 IS USD 95 million.			

LDCF AND SCCF EVALUATION OFFICE BUDGET

22. The FY11 work plan and budget for the GEF Evaluation Office request is detailed in the FY11 Work Plan and Budget for the Evaluation Office under LDCF and SCCF (LDCF.SCCF.8/ME/1). The Evaluation Office requests USD 139,000 for FY11 to cover the cost of implementing the proposed evaluation work plan. The budget approved in FY10 for the Office, USD 74,000, was not utilized so it is returned to the respective trust funds.

CONSOLIDATED FY11 BUDGET

The total consolidated budget for the Secretariat, Trustee and Evaluation Office is USD 846,475 from the LDCF and USD 725,942 from the SCCF as summarized in Table 5.

Table 5. Consolidated FY11 Budget Request

	LDCF (USD)	SCCF (USD)	Total (USD)
<u>GEF Secretariat</u>	656,075	415,742	1,071,817
<u>Trustee</u>	163,400	198,200	361,600
<u>GEF Evaluation Office</u>	27,000	112,000	139,000
Total	846,475	725,942	1,572,417

Recommended Council Decision

The LDCAF/SCCF Council, having reviewed the proposed document GEF/LDCAF.SCCF.8/4 *Administrative Budget for the Least Developed Countries Fund (LDCAF) and the Special Climate Change Fund (SCCF)*, approves the proposed budgets for the GEF Secretariat, the Trustee and the GEF Evaluation Office, as follows:

(1) USD 656,075 (GEF Secretariat), USD 163,400 (Trustee), and USD 27,000 (GEF Evaluation Office) from the LDCAF; and

(2) USD 415,742 (GEF Secretariat), USD 198,200 (Trustee), and USD 112,000 (GEF Evaluation Office) from the SCCF.

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 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 be kept separate from the GEF Trust Fund.
2. This paper reviews the outcome of the Fiscal Year 2010 (FY10) LDCF/SCCF Council-approved budget, and proposes an administrative budget to cover the costs of the Secretariat and the Trustee in managing the LDCF and the SCCF for FY11 (July 1, 2010 - June 30, 2011). The GEF Evaluation Office has prepared a separate document (LDCF.SCCF.8/ME/1) presenting a request for a budget for FY11 to cover the Office's cost to implement the proposed evaluation work plan.

LDCF AND SCCF ADMINISTRATIVE COSTS FOR THE GEF SECRETARIAT

3. The GEF Secretariat is responsible for oversight of formulation of operational policies and programming strategies of the LDCF and SCCF funds; 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 LDCF/SCCF Council and the Climate Convention.
4. The approved FY10 administrative budget for the GEF Secretariat was in the amount of USD 581,450 and USD 387,616 for the LDCF and SCCF, respectively. The FY10 budget included financing for staff, consultants, travel, results-based management plan, and general costs necessary for the operations of these funds.¹

FY10 Current Status

Budget Under-run. The FY10 actual budget (projected) currently stands at USD 501,181 for LDCF (with a difference of -14% with respect to FY10 approved) and 342,318 for SCCF (-12%

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Budget Proposal for FY11

5. The overall budget request for FY11 amounts to USD 656,075 for LDCF and USD 415,742 for SCCF. This budget presents an increase of 13% for the LDCF, and 7% for SCCF. These budget increases include RBM costs, increase in travel requirements and consultant cost, and a new publications and outreach budget for activities that were previously funded for LDCF and SCCF out of the GEF TF budget. The budget can be found in Table 1.

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9. Publications and Outreach: The request for USD 50,000 for each trust fund reflects the need to finance publications and other outreach materials for LDCF and SCCF. In prior years, these costs were funded by the GEF Trust Fund.

10. General Operations Costs and Costs of Meetings: The 34% increase in costs vis-à-vis levels approved for FY10 reflects the increase in the cost of The World Bank's office space leased to the GEF.

Special Initiatives

11. The expenditure for six LDC National Adaptation Plan of Action (NAPA) Workshops, requested by the UNFCCC COP decision and already approved by the LDCF/SCCF Council by mail in January 2010 is shown in Table 2 for information purposes.

Table 1: GEF Secretariat - LDCF and SCCF FY10 Administrative Costs and FY11 Budget Request

Expense Category	L D C F			S C C F		
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<u>Consultants</u>	62,207	62,207	31,541	62,207	62,207	31,541
<u>Travel</u>	57,132	100,786	120,000 a/	46,523	26,523	50,000 a/
<u>Publications and Outreach</u>	0	0	50,000	0	0	50,000
<u>General Operations Costs</u>	71,926	59,136	88,837	42,181	35,630	49,823
<u>Costs of meetings</u>	6,365	6,365	6,556	6,365	6,365	6,556
GRAND TOTAL	581,450	501,181	656,075	387,616	342,318	415,742

a/ Includes RBM learning missions.

**Table 2: National Adaptation Plans of Action Workshops
Adaptation Activities Special Initiative (LDCF)**

NAPA Workshops Current Status	Amount US\$
<u>Approved Budget</u>	600,000
<u>Actual Expenditure to-date</u>	253,124
Remaining Balance	346,876

LDCF AND SCCF TRUSTEE ADMINISTRATIVE FEES

Least Developed Countries Fund

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

13. The core elements of the Trustee's work program during FY11 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 (FPAs) 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. Table 3 below shows the breakdown of the Trustee fee by services provided to the LDCF.

14. To cover its expenses for FY11 related to the above work program, the Trustee requests a budget of USD 163,400. This represents an overall increase of USD 29,000 (about 22%) as compared to the FY10 approved budget of USD 134,400. The reason for this increase is the one-time staff and software development cost related to the development of an electronic messaging system noted above, estimated to cost USD 25,000. Excluding this one-time special initiative, the FY11 proposed budget represents an increase of 3% over the FY10 approved budget.

15. The FY10 actual expected costs are lower than the approved budget for the year (see Table 1), due to the fact that completion of the FPAs for the LDCF, originally anticipated for FY10, was delayed due to the longer than expected time taken for the finalization of the FPAs for the GEF Trust Fund, on which the LDCF FPAs are based. This also explains the significantly lower than budgeted costs of legal services during FY10. Once the FPAs for the GEF Trust Fund have been finalized, the Trustee anticipates that the LDCF FPAs can be finalized in a reasonably short period of time thereafter.

Table 3: LDCF: Budgetary Requirements for Services Provided by the Trustee

LDCF: Budgetary Requirements for Services Provided by the Trustee			
FY 11			
(in USD)			
Trustee Services	FY 10 Approved	FY 10 Expected Actual	FY 11 Proposed Budget Total
Financial Management and Relationship Management	50,000	45,000	45,000
Investment Management a/	40,600	40,600	47,300
Accounting and Reporting	20,300	20,300	22,600
Legal Services	23,500	16,400	23,500
Sub-total	134,400	122,300	138,400
System upgrade	-	-	25,000
Total Costs	134,400	122,300	163,400
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio; the estimated average portfolio size is USD 130 million for FY 10 and the projected for FY 11 is USD 135 million.			

Special Climate Change Fund

16. As agreed with the donors under the Trust Administration Agreements, the Trustee will receive an annual administrative fee to cover the reasonable actual expenses incurred by the Trustee in carrying out the Trustee function for the SCCF in FY11.

17. The core elements of the Trustee’s work program for FY11 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; and (vii) preparation and finalization of Financial Procedures Agreements (FPAs) 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. Table 4 below shows the breakdown of the Trustee fee by services provided to the SCCF.

18. To cover its expenses for FY11 related to the above work program, the Trustee requests a budget of USD 198,200. This represents an 11.7% overall increase from the FY10 approved

budget of USD 177,500. The increase is driven entirely by two special initiatives: i) an external audit of the SCCF Trust Fund, covering FY09 and FY10, estimated to cost USD 30,000; and ii) the staff and software development costs for an electronic messaging system to share financial and transaction information between the Agencies and the Trustee. This special initiative is estimated to cost USD 25,000. Excluding these special initiatives, the FY11 proposed budget represents a slight decrease from the FY10 approved budget.

19. The FY10 actual expected costs are lower than the approved budget for the year (see Table 2). This is explained by the following:

20. First, the FPAs for the SCCF, which are largely based on the FPAs for the GEF Trust Fund, could not be completed as anticipated during FY10 owing to a delay in the finalization of the FPAs for the GEF Trust Fund. As a result, the actual costs of legal services were lower than budgeted in FY10. Once the FPAs for the GEF Trust Fund have been finalized, the Trustee anticipates that the SCCF FPAs can be finalized in a reasonably short period of time thereafter.

21. Second, an external audit of the SCCF Trust Fund, originally planned and budgeted for FY10, was delayed and will now take place in FY11. This delay resulted in significantly lower accounting costs than were budgeted for FY10.

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

SCCF: Budgetary Requirements for Services Provided by the Trustee			
FY 11			
(in USD)			
Trustee Services	FY 10 Approved	FY 10 Expected Actual	FY 11 Proposed Budget Total
Financial Management and Relationship Management	50,000	45,000	45,000
Investment Management a/	31,500	31,500	32,000
Accounting and Reporting	45,000	21,300	46,200
Legal Services	21,000	18,000	20,000
Sub-total	147,500	115,800	143,200
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LDCF AND SCCF EVALUATION OFFICE BUDGET

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CONSOLIDATED FY11 BUDGET

The total consolidated budget for the Secretariat, Trustee and Evaluation Office is USD 846,475 from the LDCF and USD 725,942 from the SCCF as summarized in Table 5.

Table 5. Consolidated FY11 Budget Request

	LDCF (USD)	SCCF (USD)	Total (USD)
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