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REPORT ON GEF FY99 ESTIMATED END-YEAR EXPENDITURES

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Overview

1. This document presents the end-year report of estimated expenditures for the six GEF entities for fiscal year (FY) 1999 with additional information on the Secretariat's expenditures for the year. The revised Council-approved budget was \$40.250 million. Estimated expenditures for FY99 amount to \$39.004 million, a savings of \$1.246 million¹ or 3%. The status of each Agency's work program and associated expenditures for FY99 is based on submissions by each entity and is summarized below.
2. In May 1998, the Council approved a FY99 corporate budget for GEF of \$39.255 million. Subsequent amendments to the budget included two mid-year adjustments² to the budget: \$727,000 for the World Bank for an anticipated increase in the number of medium-sized projects and implementation completion reports; and \$268,000 for UNDP to cover the costs of additional project delivery beyond what was forecast in the Business Plan. These adjustments resulted in a total revised FY99 corporate budget of \$40.250 million.
3. Table 1 shows a breakdown of estimated year-end expenditures by entity. The corporate end-year underrun of \$1.246 million is significantly larger than projections at mid-year, due mainly to the World Bank's under-delivery of anticipated medium-sized projects, Bank Board approvals and implementation completion reports.
4. Table 2 shows end-year operational outputs for the three Implementing Agencies. As in past years, savings resulting from operational underruns are returned to the core GEF Trust Fund at year's end.
5. Table 3 provides a detailed breakdown of estimated year-end expenditures for the Secretariat, including the M&E unit, using the standard budget reporting categories.

END YEAR REPORT ON WORK PROGRAMS AND BUDGET

UNDP

6. **Projects entered into Work Program.** During FY99, UNDP delivered a \$182.6 million work program, surpassing the \$150 million target projected in the FY99 Business Plan. This increase in deliverables for the third consecutive fiscal year was the result of the continuing efforts to improve the quality of project preparation and incorporate lessons learned, enhance the capacity of country offices in dealing with GEF policies and procedures. These end-year results were also due to the investments made in focusing high quality project development work in the country offices worldwide as part of

¹ Actual end-year figures will be available in December 1999 following the formal year-end closing at end-November and posting of actual expenses against accrued commitments.

² See Report on GEF FY99 Estimated Mid-Year Expenditures (March 11, 1999).

mainstreaming the GEF throughout UNDP. In FY99, UNDP received Council approval for 28 technical assistance projects totaling \$174.1 million, and received GEFSEC approval for 20 enabling activities totaling \$5.0 million, plus 6 medium-sized projects (MSP) totaling \$3.5 million. In addition, 28 PDFs totaling \$6.8 million were approved, together with \$31.6 million for the Small Grants Program.

7. **Projects in other phases.** During the course of the fiscal year, 55 projects and 25 PDF-B grants that had been cleared by the Council or CEO in current or previous fiscal years were processed for final approval. The overall UNDP/GEF portfolio under implementation consists of 240 regular operations, 80 PDFs, and a Small Grants Program portfolio of 750 on-going projects. Seven projects from the Pilot Phase and four projects from the GEF-1 phase were completed and are now in the final evaluation phase.

8. UNDP/GEF's FY99 disbursements (regular operations and PDFs) were \$67 million, while cumulative disbursements from inception to end of FY99 were \$332 million, which represents 60 percent of the total UNDP/GEF project commitment of \$570 million.

9. **Common Service Outputs.** In FY99, UNDP, in conjunction with the German Foundation for International Development (DSE), conducted a GEF logical framework workshop in Berlin, Germany. A total of over 30 participants including UNDP staff and environment focal persons, government and other national stakeholders were trained in this workshop. In addition, GEF project development training workshops were held in South Africa, China, Philippines and Vietnam. High-level UNDP/GEF staff and country office sustainable development officers also participated in other training activities with a view to increasing their knowledge and understanding of GEF policies and practices. UNDP staff also developed informational and media resources for distribution at the climate change COP meeting in Argentina.

10. During FY99, UNDP undertook mainstreaming efforts to integrate the new UNDP programming cycle with the GEF work program to produce more projects benefiting from joint financing by UNDP and other donors so as to provide baseline opportunities for GEF activities, and mobilized partnerships for project development and execution with NGOs and other UN agencies. In addition, UNDP has undertaken a number of activities to strengthen partnerships with the Regional Development Banks, NGOs and private sector. A UNDP initiative to harmonize the GEF and UNDP project cycles with a view to streamlining processes while meeting GEF requirements in a highly decentralized UNDP environment was implemented as well.

11. **Corporate Monitoring and Evaluation Activities.** During FY99, UNDP devoted a total of 47 staff-weeks' time in corporate monitoring activities including the biodiversity enabling activity study, climate change enabling activity study, indicator studies for biodiversity and climate change, study on biodiversity financial sustainability, capacity building, multi-country implementation arrangements, and trust funds evaluation. The total costs, including travel expenses, amounted to \$275,000. This has exceeded UNDP's initial FY99 corporate M&E activities budget of \$118,400 or 22 staff-weeks. This expected additional expenditure was highlighted in the corporate midyear budget report, but redeployment of resources between Implementing Agencies was not possible at end-year due to corporate staff weeks for these activities which exceeded the original provisional allocation.

12. **Budget.** UNDP received a supplemental budget of \$268,000 at mid-year as a result of expected over-delivery of the planned work program target. In addition, in view of the additional costs of staff time and travel associated with corporate M&E activities, UNDP has reported an additional \$156,600 in corporate M&E expenditures in FY99.

FY99	UNDP(\$000)
Council Approved Budget	7,249.6
Supplemental Budget approved at mid-year	268.0
Additional Monitoring & Evaluation Activities	156.6
Total Estimated year-end Expenditures	7,674.2

UNEP

13. **Work Program.** UNEP's FY99 projection was to deliver about 20 projects totaling approximately \$35 million. At the end of FY99, UNEP had delivered 7 full projects (\$21.6 million), 4 medium-sized projects (\$2.34 million) and 9 expedited enabling activities (\$1.7 million). The total was 20 projects totaling \$25.64 million. This includes 6 projects implemented jointly with UNDP and/or the World Bank, one of which is under appraisal with arrangements being finalized on allocation of activities and resources to each agency.

14. During FY99 UNEP assisted the participating countries in the finalization of a full-scale project on South China Sea of US\$18.5 million. At the request of one country, the project was withdrawn from the work program. The shortfall in delivery volume for FY99 was due to the deferral of this relatively large full project.

15. In accordance with the Action Plan on Complementarity between the activities undertaken by UNEP under the GEF and its work program, UNEP also began work in FY99 on its GEF Strategic Partnership as well as its strategy to expand opportunities for executing agencies. In addition, 9 PDF-Bs (\$2.7 million) were approved by the CEO in FY99. At the end of FY99, UNEP's GEF portfolio consisted of 85 approved projects (with an allocation of \$99.47 million) at various stages of preparation, implementation and evaluation. This included 26 full projects (\$82.16 million), 10 medium-sized projects (\$6.14 million), and 49 expedited enabling activities (\$11.17 million). Three of these full projects (\$20 million) are joint projects with UNDP that are being appraised, and allocations between the agencies have not been finalized.

16. **Common Service Outputs.** During FY99, UNEP participated in all aspects of GEF corporate activities, including Council meetings and NGO consultations, inter-agency focal area task force, as well as working groups on incremental cost, the project cycle, the fee-based budget system, and outreach. Significant staff resources have been invested in developing inter-agency collaboration on joint projects. A critical corporate activity, in support of mainstreaming objectives, was the preparation of the *UNEP/GEF Action Plan on Complementarity*. UNEP participated in, and prepared material for joint exhibits, workshops and other outreach activities in conjunctions with the GEF Secretariat and other Implementing Agencies, including the Conferences Parties.

17. UNEP was allocated 14 staff weeks for corporate monitoring and evaluation activities in FY99, and these were fully utilized in UNEP's participation in and contribution to M&E work on biodiversity and climate change enabling activities; biodiversity and climate change program indicators; medium-sized project review; and, the Project Implementation Review and follow-up studies.

18. **Budget.** UNEP's FY99 approved budget was \$2.37 million, and it is anticipated that the full amount will be utilized.

WORLD BANK/IFC

19. As compared to FY98, the World Bank GEF FY99 work program has seen considerable growth in dollar volume and number of operations, increased disbursements, a healthier project pipeline, and more efforts focused on mainstreaming the GEF in Bank operations.

20. **GEF Council Approvals:** The World Bank delivered a total of approximately \$250 million in Bank/GEF project approvals consisting of 29 GEF investment projects and 21 medium-sized projects (MSPs), a significant increase from \$190 million for 18 regular projects and 2 medium-sized projects in FY98. The Bank exceeded its original planned delivery in terms of combined number of regular projects and medium-sized projects. The lower total grant amount of \$250 million, as compared with the original planned allocation of \$300 million, resulted from a decrease in the average GEF funding per project from the FY98 average of \$10 million to \$8.0 million in FY99. This reduction in average grant size affected biodiversity as well as climate change projects.

21. FY99 was a particularly successful year for the Bank's medium-sized projects considering that this type of project was introduced in the Bank only late last fiscal year. The nature of this product required more intense involvement than originally envisaged, not only from Bank's staff, but also from its partners. This new GEF "expedited pathway" has been popular with NGOs involved in designing and implementing most medium-sized projects. Also, to strengthen the Bank's GEF project pipeline, there was a successful effort in FY99 to identify and prepare projects for future years GEF work program.

22. **World Bank Approvals.** The Bank had originally planned on delivering 22 projects to the Bank's Board for approval which was later revised to 21 projects. At June 30, 1999, only 13 projects were approved. The reasons for the slippage of the 8 projects were as follows: in three cases, civil disturbances or political developments prevented project preparation activities to be completed; in two other cases the economic and financial crises in Asia and Latin America adversely affected the environment for implementing the projects; and in the remaining three cases completion of project preparation was delayed because of unresolved issues relating to policy framework and institutional arrangements. Given this experience, the Bank is planning to be more proactive in lining up reserve projects for potential acceleration in project processing and to stress the importance of early identification of policy issues and other reform issues in its dialogue with clients.

23. **Projects under Implementation and Disbursements.** There were 91 regular Bank/GEF projects and 16 medium-sized projects which were under implementation and were supervised in FY99. Cumulative disbursements were \$430 million, which represents 37% of the total Bank/GEF project commitments of \$1.164 billion. Disbursements for FY99 alone were \$108 million, or approximately 30% higher than in FY98.

24. **Project Completions.** Implementation Completion Reports (ICR) were prepared for nine projects out of the original plan of ten projects or revised plan of 16. The under-delivery in ICRs was due to extensions of project closings into FY2000, resulting from the need to complete key activities or reporting requirements prior to project closing.

25. **Corporate Monitoring and Evaluation Activities.** The World Bank provided support to GEFSEC in the preparation of the Biodiversity Enabling Activity study, the development of the Climate Change and Biodiversity Program Indicators and the Trust Fund Evaluation, as part of corporate Monitoring and Evaluation. The Bank was provided a budget for this purpose of 39 staffweeks for approximately \$210,000 of which 32 staffweeks or \$172,000 was actually spent.

26. **Mainstreaming the GEF in Bank Operations:** The Bank's draft work program outline for the preparation of the World Bank Group (WBG) Environment Strategy called for the preparation of an inventory/review paper on "Past Experience and Strategy for GEF." The paper would also cover "experience with implementation; what worked, what did not; what are the constraints; how can objectives be integrated into the environmental agenda". A report on the WBG's efforts to mainstream the global environment was delivered to the GEF Council in October 1998. This paper highlighted efforts underway by the WBG to fully integrate the global environment in its overall strategy for the environment. A WBG Environment Strategy document is expected to be completed during the latter part of 2000. An important GEF mainstreaming measure undertaken by the Bank in FY99 was the decentralization of the GEF coordinators from the Bank's central Environment Department to the regional operating units. This action was taken to achieve further synergies between the Bank's work program and the GEF work program and to promote healthy GEF pipeline development.

27. **Budget:** The GEF Council approved an FY99 budget for the Bank of \$20.078 million. At mid-year, the CEO approved an additional budget of \$727,000 to cover the costs for a projected net increase in the number of Bank operations, primarily medium-sized projects. This resulted in a revised Bank GEF budget of \$20.805 million. The estimated FY99 expenditures are \$19.8 million or 95% of the revised budget. The underrun corresponds to the net under-delivery in outputs, specifically on Bank Board approvals, medium-sized projects and implementation completion reports.

STAP

28. STAP implemented all the activities identified in its Work Program for FY99. Particular emphasis was placed on issues identified by the Council after the first GEF

Assembly for immediate action, namely, mobilization of the wider scientific and technical community in GEF work and further clarification of the interlinkages between land degradation and the four GEF focal areas. A major strategy of the mobilization of the scientific and technical community is the building of strategic alliances with scientific and technical networks worldwide. Additional issues addressed by STAP during the period under review included grid and off-grid applications in the energy sector, taxonomy, climate assessment and freshwater resources with specific reference to Sub-Saharan Africa. STAP also provided substantive inputs to the preparation of the draft operational program on the transport sector and carbon sequestration as well as on agrobiodiversity.

29. During FY99 STAP commenced the process of updating the management of the STAP Roster of Experts. An integral part of this process being the establishment of a STAP Web Page as part of UNEP's Web Site which allows roster experts to update their biodata which is contained in the database, and conduct roster searches. It also allows for new submissions and evaluations by both STAP members and the Implementing Agencies of the STAP Roster reviews to be done electronically. During the period under review, STAP convened three STAP meetings, five brainstorming sessions and one expert group workshop.

30. **Budget.** STAP's FY99 budget was \$1.19 million which is expected to be fully utilized.

TRUSTEE

31. **Work Program.** The Trustee's outputs and work program for FY99 were delivered as described in the Business Plan. The Trustee continued to carry out ongoing Trustee responsibilities: monitoring commitment authority, managing drawdowns of promissory notes, managing liquidity, preparing consolidated financial statements, and overseeing auditing activities. Particularly noteworthy was the startup activities for GEF-2; in October 1998, the Advance Contribution Scheme of the GEF-2 became effective. In addition, the Trustee developed new investment guidelines for the GEF. These new guidelines are being implemented in FY00. The Trustee also undertook a comprehensive review of the disbursement profiles on GEF funded activities and developed new encashment profiles for the GEF-1 and GEF-2, based on new disbursement projections provided by Implementing Agencies. Finally, as part of an overall system renewal at the World Bank, the Trustee designed and implemented a new system for tracking donor contributions as well as disbursements to Implementing Agencies.

32. **Budget.** The Trustee expects to utilize \$.841 million of its allocated budget of \$.863 million for FY99.

SECRETARIAT

33. **Work Program and Corporate Activities.** The Secretariat coordinated the preparation of 4 work programs during the year and submitted \$21.6m in grants for medium-sized projects and \$7.4m for expedited enabling activities for CEO endorsement,

resulting in a total project allocation of about \$458 million for FY99. In addition, the Secretariat convened 2 Council meetings and 2 NGO Consultations and held the first GEF Familiarization Workshop. The first such workshop was held in July 1999 as part of a regular training program for staff of the GEF family (including Secretariat, Implementing Agencies, executing agencies, co-financiers and other stakeholders) with the objective of ensuring common understanding of the GEF's mandate and procedures. The Secretariat continued to coordinate the production of regular publications such as the Annual Report and Operational Report on GEF Programs, and published the *Proceedings* of the first GEF Assembly in New Delhi prior to the spring Council meeting. Three working papers³ were published and a new GEF Brochure entitled *Introduction to the GEF* was issued. The Secretariat also launched a new NGO newsletter entitled *GEF Digest* which has been well-received and will be produced on a quarterly basis.

34. During FY99, the Secretariat focused on strengthening GEF representation at desertification and climate change convention-related events and on improving communication tools for public outreach. During the first half of the year, the Secretariat participated in the fourth session of the UNFCCC Conference of the Parties in Buenos Aires, and the second session of the Conference of the Parties to the UN Convention to Combat Desertification in Dakar. At these meetings, the Secretariat organized outreach activities including GEF project presentation workshops and a GEF exhibition.

35. During the second half of the year, the Secretariat and the International Institute for Environment and Development (IIED) held a workshop in London to bring GEF stakeholders together to consider ways for improving the application of the incremental costs concept. The Secretariat sent a delegation to the May/June meetings of the subsidiary bodies to the UNFCCC in Bonn followed by the CEO's presentation of the GEF's Global Environmental Leadership Award. In collaboration with the Implementing Agencies, the Secretariat organized project workshops which were held during the April CSD meeting in New York. The Secretariat also attended the June meetings of the Subsidiary Body for Scientific, Technical and Technological Advice (SBSTTA) and the Intersessional Meeting on the Operations of the Convention of the Convention on Biological Diversity in Montreal.

36. Shortly after the May 1999 Council meeting, during which the proposal for introducing a Fee-Based System was approved, the Secretariat convened a 3-day Financial Management workshop in Baltimore with representatives of the finance staff from each of the Implementing Agencies and the Trustee. Results of the workshop were sent to the Executive Coordinators with a summary list of recommended actions for, among other things, enhancement of corporate units' financial management as well as proposals for further development of the fee system. The Secretariat also began work, subsequent to the Council's approval in May and in collaboration with the Implementing Agencies, on strategic partnerships, constituency-level support and the greater outreach initiatives. The Secretariat began discussions with the Trustee during the Spring on legal documentation required as part of the expanded opportunities initiative and consulted on accounting and reporting implications resulting from the new fee-based system.

³ Working papers included: "The Costs of Adapting to Climate Change"; "Restructuring the Global Environment Facility: From Pilot Phase to Permanent Facility"; Implications of Agenda 21 and UNCLOS for International Waters as a GEF Focal Area".

37. The Secretariat's monitoring and evaluation program produced the following studies and conducted the following activities in FY99 as planned. In collaboration with the Implementing Agencies, the M&E team produced the annual Project Implementation Review for 1998, which was presented at the May 1999 Council meeting, and completed the Conservation Trust Fund study in the first half of fiscal 1999. In addition, another major study conducted during the year entitled Interim Assessment of Biodiversity Enabling Activities was substantially prepared during the year, and will be presented at the December 1999 Council meeting. An impact study of GEF's ozone phase-out activities was also completed as part of the FY99 M&E work program and the M&E team commissioned an analysis of its World Bank-implemented Forest Biodiversity Portfolio as a constituent part of a major study by the World Bank's Operations Evaluation Department. The study will be published at the beginning of year 2000.

38. A major focus of the M&E team's efforts during the year was the preparation of M&E standards and guidelines, including program level indicators in biodiversity and climate change, and project level indicators in international waters. The climate change report has been completed, while some revisions are required to the biodiversity report. The international waters report is still underway.

39. **Budget.** The Secretariat estimates that \$5.956 million of its approved budget of \$6.291 million will be expensed by the time the fiscal year books are closed resulting in a savings of \$335,000 from the core budget. These funds are automatically returned to the core GEF Trust Fund. The savings are due to the delayed recruitment of several senior positions including the Sr. Corporate Planning Officer and the Team Leader for biodiversity and international waters. The Secretariat also had several support-level vacancies in the early part of the fiscal year which contributed to the salary and benefits savings reflected in the end-year budget (Table 3). Conversions of non-regular staff, as part of the World Bank's new human resource policy, also took more time than anticipated which led to the reduced staff costs for FY99. The Secretariat's expenditure on consultants and contractual services included work on the expanded opportunities initiative, development of an action plan in biodiversity in managed forests (sustainable forestry), background studies and an informal consultation on agrobiodiversity, a study on benefit-sharing, and hiring of a design consultant to help revamp the GEF's publications and outreach materials. The Secretariat also prepared consultations on 2 new operational programs: Transport and Integrated Ecosystem and Resource Management, and held a workshop in London, in collaboration with IIED, on incremental costs.

40. The M&E unit anticipates expensing \$1.164 million of its approved budget of \$1.204 million. The underrun of \$40,000 represents consultant and travel commitments which may not be expensed by account closing at end-November.

Table 1: GEF Estimated Year-end Expenditures - FY99 (in US\$ thousands)

FY99	UNDP	UNEP	Bank/IFC	STAP	Trustee	Secretariat	Total
Original Council Approved Budget	7,249.6	2,374.0	20,078.0	1,195.7	863.2	7,495.3	39,255.8
Adjustments*	268.0		727.0				995.0
Revised Council Approved Budget	7,517.6	2,374.0	20,805.0	1,195.7	863.2	7,495.3	40,250.8
Estimated Year-End Expenditures	7,674.2	2,374.0	19,800.0	1,195.7	841.0	7,120.0	39,004.9
Difference	-156.6	0.0	1,005.0	0.0	22.2	375.3	1,245.9

*Reflects mid-year supplemental budget for UNDP (\$268.0) and World Bank (\$727.0) based on revised work program projections.
Note: Secretariat budget includes core budget of \$6,291.0 and M&E program budget of \$1,204.

Table 2: FY99 Operational Work Program Delivery (Allocations in \$ millions)

	Original Plan	Midyear Estimates	End-year outcome 1/
UNDP	130	150.3	182.6
UNEP	35	28.7	25.6
World Bank	300	249.4	250
Total	465	428.4	458.2

1/figures exclude PDFs approved in FY99

Excludes joint projects where allocations per agency have not been finalized.

Excludes FY99 approval for Small Grants Program (\$31.1m)

**Table 3 : GEF Secretariat
FY99 Estimated End-Year Expenditures**

GEF Secretariat	<u>FY99</u> Approved Budget	<u>FY99</u> Estimated Year End	<u>FY99</u> Estimated Balance
<u>Expenses (US\$ thousands)</u>			
Staff Salaries & Benefits	3060.0	2483.0	577.0
Consultants	680.0	745.0	-65.0
Travel	430.0	454.0	-24.0
Meetings/Seminars 1/	490.0	450.0	40.0
Equipment	62.0	62.0	0.0
Translation	100.0	68.0	32.0
Communications/Management Information System	252.0	275.0	-23.0
Representation	13.0	13.0	0.0
Institutional Benefits/overhead 2/	300.0	298.0	2.0
General Operating Costs 3/	430.0	423.0	7.0
Contractual Services 4/	270.0	467.0	-197.0
Other 5/	204.0	218.0	-14.0
Subtotal Secretariat (core)	6291.0	5956.0	335.0
Monitoring and Evaluation Program (M&E)	1204.0	1164.0	40.0
Subtotal Secretariat + M&E	7495.0	7102.0	375.0

1/ Includes Council, NGO and Replenishment meeting costs (incl. Cons. travel funding, video, meals, interpretation);
Workshop and exhibit costs.

2/ World Bank's charge for institutional overhead (based on percentage of net salaries).

3/ Office occupancy costs based on World Bank charge per square foot.

4/ Includes printing and publication costs, editorial and design services, honoraria,
Relocation grants, hospitality

5/ Includes temporaries, overtime, supplies, staff training.

**Table 2: FY99 Operational Work Program Delivery
Approved Allocations (\$ millions)**

	Original Plan	Midyear Estimates	End-year outcome 1/
UNDP	130	150.3	182.6
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