



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

GEF/LDCF.SCCF.16/07

May 1, 2014

16th LDCF/SCCF Council Meeting
May 27, 2014
Cancún, Mexico

Agenda Item 8

**FY15 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.16/08 *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), \$323,700 (Trustee), and \$37,000 (GEF IEO) from the Least Developed Countries Fund; and

(2) \$508,923 (GEF Secretariat), \$121,000 (STAP), \$167,000 (Trustee), and \$27,000 (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 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 2014 (FY14) 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 FY15 (July 1, 2014 - June 30, 2015). The GEF Evaluation Office has prepared a separate document (LDCF.SCCF.16/ME/01) presenting a request for a budget for FY15 to cover the Office's costs to implement the proposed evaluation work plan.

KEY DEVELOPMENTS DURING FY14

3. FY14 was characterized by the following key developments and accomplishments:
 - (a) Programming of \$279.52 million of LDCF/SCCF project and program approvals, leveraging co-financing of approximately \$1.02 billion. This programming amount includes \$18.54 million in LDCF/SCCF resources in multi-trust fund projects and programmatic approaches as of mid-April, and a final work program of \$4.37 million being presented to Council for its consideration.¹
 - (b) Completion of the *GEF Programming Strategy on Adaptation to Climate Change for the Least Developed Countries Fund and the Special Climate Change Fund*, covering 2014-2018, which is being presented to the Council as Council Document GEF/LDCF.SCCF.16/06.
 - (c) Closer cooperation and use of STAP services in the program (e.g. project screening and selection).
 - (d) Completion of the Fifth Overall Performance Study of the GEF (OPS-5)² which included adaptation, as well as the completion of the first Annual Evaluation Report for the LDCF and SCCF.

Business Plan FY15

4. Following the GEF Programming Strategy on Adaptation to Climate Change for the LDCF and SCCF, and in line with GEF-6 Programming and Strategic documents, including the

¹ See Council Document GEF/LDCF.SCCF.16/05

² OPS-5 is available at: <http://www.thegef.org/gef/OPS5>

GEF2020, the following are some of the areas of the GEF Adaptation Program which are expected to receive increased attention in FY15:

- (a) Strategic Resource Programming, recognizing the value added of the GEF role in serving several multilateral environmental agreements, and the potential to achieve adaptation, and other GEF objectives in a catalytic way.
- (b) Results-based Management and Knowledge Management. The Secretariat will collaborate with Agencies, IEO, and STAP to improve the utility and efficiency of RBM and KM systems, as elaborated in the GEF Business Plan for FY15. In addition, the need for consolidating, analyzing, and sharing the knowledge gained so far through the GEF adaptation experience will continue to be addressed in FY15.
- (c) In line with its new Strategy, the LDCF/SCCF Program will be extending support to and seeking complementarities with the GEF's Strategies and areas of focus, including on the issues of enhancing gender mainstreaming, enhancing engagement with the private sector, extending support to GEF agencies, including the newly accredited, and other matters.

LDCF AND SCCF ADMINISTRATIVE COSTS FOR THE GEF SECRETARIAT

FY14 Current Status

5. The approved FY14 administrative budget for the GEF Secretariat was in the amount of \$990,720 and \$490,168 for the LDCF and the SCCF, respectively. The FY14 budget included financing for staff, consultants, travel, publications and outreach, meetings, and general costs necessary for the operations of these funds.

6. *Budget Under-run.* The FY14 actual expenditure (projected) currently³ stands at \$802,139 for LDCF (with a difference of -19.03 percent with respect to FY14 approved) and \$430,167 for SCCF (-12.24 percent with respect to FY14 approved). The overall under-run is mainly due to the loss of one LDCF/SCCF staff member during the second half of the year, partially offset by management cross-support, as well as less significant under-runs in other budget categories. In particular, the actual cost of publications and outreach were lower than estimated due to a cost savings on a key product which was delivered significantly under budget.

Budget Request for FY15

7. The GEF Secretariat is responsible for oversight of formulation of operational policies and programming strategies of the LDCF and SCCF; 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

³ As of February 28, 2014

to the LDCF/SCCF Council and the Climate Convention. The team working specifically on the LDCF and the SCCF is also responsible for the organization, preparation and management of the LDCF/SCCF Council meetings.

8. The overall budget request for FY15 amounts to \$1,020,132 for the LDCF and \$508,923 for the SCCF. This budget presents a 2.97% and 3.83% increases for the LDCF and the SCCF, respectively. These small increases are in line with the anticipated needs in terms of staff resources from other areas of the GEF in order to successfully operationalize the programs under the strategy.

9. Staff Costs: An amount of \$645,619 is included in the FY15 budget request to cover staff costs under the LDCF and \$279,703 under the SCCF, which, as noted in the previous paragraph, reflects the anticipated need for cross-support in launching the new LDCF/SCCF strategy.

10. Consultant Costs: An amount of \$50,585 is requested from the LDCF and \$40,858 from the SCCF to cover consultant costs. This increase with respect to FY14 budget approved is proposed in order to ensure adequate support in FY15 which is expected to see increased demands from UNFCCC COP, as well as GEF agencies with the launching of the new LDCF/SCCF strategy.

11. Travel: In the budget request for FY15, a total of \$110,000 and \$76,000 are requested for travel in FY15 under the LDCF and SCCF, respectively, including the RBM learning missions. This increase is proposed in order to better 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 and provision of support to the expanding GEF partnership in FY15.

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 FY14.

Table 1: GEF Secretariat – LDCF and SCCF FY14 Administrative Costs and FY15 Budget Request

Expense Category	L D C F			S C C F		
	FY14 Approved Budget	FY14 Actual (Projected)	FY15 Budget Request	FY14 Approved Budget	FY14 Actual (Projected)	FY15 Budget Request
	US\$	US\$	US\$	US\$	US\$	US\$
Standard Services						
<u>Staff Costs (Salaries and Benefits)</u>	626,815	481,834	645,619	271,556	246,873	279,703
<u>Consultants</u>	20,250	20,150	50,858	20,250	18,000	40,858
<u>Travel</u>	100,000 a/	95,106	110,000 a/	66,000 a/	62,710	76,000 a/
<u>Publications and Outreach</u>	130,000	102,245	100,000	75,000	46,780	55,000
<u>General Operations Costs</u>	100,401	89,550	100,401	50,197	48,639	50,197
<u>Costs of meetings</u>	13,254	13,254	13,254	7,165	7,165	7,165
GRAND TOTAL	990,720	802,139	1,020,132	490,168	430,167	508,923

a/ Includes RBM learning missions.

LDCF AND SCCF STAP BUDGET

Responsibilities of STAP

14. Starting in FY15, and throughout GEF-6, STAP will play an increasingly important strategic role in supporting the GEF Program. STAP will build on existing experience to help ensure that GEF activities are evidence-based, and that projects and programs continue to benefit from the best available science. Drawing on guidance from the CEO and Council, over the next four years STAP will shift towards a much more focused and integrative strategic work program primarily *across* focal areas – reflecting in particular the sustainable development and earth system challenges highlighted in the GEF 6 Program and previous analysis by the Panel (GEF/R.6/Inf.03). STAP will use its convening power to further sharpen its role as a two-way interface with the broader scientific community in support of the GEF. The budget request 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. These activities will improve GEF project impact today, design more effective multi-focal projects going forward, and explore prospective areas beyond GEF-6.

FY 15 STAP Budget Request

15. STAP's expected FY14 expenditures and requested FY15 corporate budget are summarized in the Table 3 below. STAP work program activities for FY 14 have been implemented within the approved budget. STAP wishes to stress that FY 14 expenditures are estimates at this time.

Table 2: FY15 STAP Budget Request (LDCF Trust Fund)

<i>FY13 Budget \$m</i>	<i>FY13 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY14 Budget \$m</i>	<i>FY14 Estimated \$m</i>	<i>FY15 Request \$m</i>
<u>0.005</u>	<u>0.000</u>	<u>Staff Costs</u>	<u>0.041</u>	<u>0.041</u>	<u>0.042</u>
0.000	0.000	Salaries and Benefits	0.037	0.037	0.038
0.005	0.000	Travel	0.004	0.004	0.004
0.000	0.000	Training	0.000	0.000	0.000
<u>0.030</u>	<u>0.007</u>	<u>Consultant Costs</u>	<u>0.028</u>	<u>0.028</u>	<u>0.029</u>
0.025	0.000	Fees (long-term)	0.023	0.023	0.024
0.000	0.000	Fees (short-term)	0.000	0.000	0.000
0.005	0.007	Travel	0.005	0.005	0.005
-	-	-	-	-	-
<u>0.000</u>	<u>0.000</u>	<u>General Operations Costs</u>	<u>0.009</u>	<u>0.009</u>	<u>0.008</u>
0.000	0.000	Office Space, Equipment, and Supplies	0.005	0.005	0.005
0.000	0.000	Communications and Internal Computing	0.004	0.004	0.001
0.000	0.000	Corporate Services	0.000	0.000	0.003
0.000	0.000	Representation and Hospitality	0.000	0.000	0.000
<u>0.035</u>	<u>0.007</u>	<u>SUB-TOTAL</u>	<u>0.077</u>	<u>0.077</u>	<u>0.079</u>
		STAP -- Members Expense Category			
0.025	0.000	Honoraria & Logistical/Secretarial Support	0.024	0.024	0.026
0.010	0.008	MOUs with Expert Institutions	0.000	0.000	0.000
0.004	0.000	STAP Meetings	0.010	0.010	0.013
0.004	0.000	STAP Publications	0.004	0.004	0.004
<u>0.043</u>	<u>0.008</u>	<u>SUB-TOTAL</u>	<u>0.038</u>	<u>0.038</u>	<u>0.042</u>
<u>0.078</u>	<u>0.015</u>	<u>TOTAL</u>	<u>0.115</u>	<u>0.115</u>	<u>0.121</u>

Table 3: FY15 STAP Budget Request (SCCF Trust Fund)

<i>FY13 Budget \$m</i>	<i>FY13 Actual \$m</i>	STAP -- Secretariat Expense Category	<i>FY14 Budget \$m</i>	<i>FY14 Estimated \$m</i>	<i>FY15 Request \$m</i>
<u>0.005</u>	<u>0.000</u>	Staff Costs	<u>0.041</u>	<u>0.041</u>	<u>0.042</u>
0.000	0.000	Salaries and Benefits	0.037	0.037	0.038
0.005	0.000	Travel	0.004	0.004	0.004
0.000	0.000	Training	0.000	0.000	0.000
<u>0.030</u>	<u>0.000</u>	Consultant Costs	<u>0.028</u>	<u>0.028</u>	<u>0.029</u>
0.025	0.000	Fees (long-term)	0.023	0.023	0.024
0.000	0.000	Fees (short-term)	0.000	0.000	0.000
0.005	0.000	Travel	0.005	0.005	0.005
-	-	-	-	-	-
<u>0.000</u>	<u>0.000</u>	General Operations Costs	<u>0.009</u>	<u>0.009</u>	<u>0.008</u>
0.000	0.000	Office Space, Equipment, and Supplies	0.005	0.005	0.005
0.000	0.000	Communications and Internal Computing	0.004	0.004	0.001
0.000	0.000	Corporate Services	0.000	0.000	0.003
0.000	0.000	Representation and Hospitality	0.000	0.000	0.000
<u>0.035</u>	<u>0.000</u>	SUB-TOTAL	<u>0.077</u>	<u>0.077</u>	<u>0.079</u>
		STAP -- Members Expense Category			
0.025	0.000	Honoraria & Logistical/Secretarial Support	0.024	0.024	0.026
0.010	0.008	MOUs with Expert Institutions	0.000	0.000	0.000
0.004	0.000	STAP Meetings	0.010	0.010	0.013
0.004	0.000	STAP Publications	0.004	0.004	0.004
<u>0.043</u>	<u>0.008</u>	SUB-TOTAL	<u>0.038</u>	<u>0.038</u>	<u>0.042</u>
<u>0.078</u>	<u>0.008</u>	TOTAL	<u>0.115</u>	<u>0.115</u>	<u>0.121</u>

LDCF AND SCCF FY15 ADMINISTRATIVE FEES FOR THE TRUSTEE

FY15 Trustee Budget Request: LDCF

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 FY15 include: (i) management of donor contributions; (ii) financial and investment management of resources; (iii) commitments and cash transfers to the GEF 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, 2014 and projections for the remaining three months, it is expected that the actual cost for Trustee services for FY14 will be \$327,000, which is \$48,000 higher than the approved budget of \$279,000. The efficiency gains in financial management; accounting and legal services were offset by steep increase in investment management costs as a result of more than expected level of liquidity (fund balance) in LDCF.

19. Liquidity levels are influenced by donor contributions and cash drawdown by Agencies. The cash inflow projections used for FY14 budget estimation did not include approximately \$200 million of new pledges from donors that came in after finalization of FY14 budget. 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 FY14 resulted in increased liquidity of the LDCF from a projected average of \$443 million to \$613 million.

20. To cover its expenses for FY15 related to the above work program, the Trustee requests a budget of \$323,700. This is \$3,300 lower than the estimated actual cost in FY14. Based on projected cash outflows the projected average LDCF liquidity balance will be lower to \$590 million resulting in a lower investment management cost. The actual investment management costs may vary depending on the actual liquidity level at the end of FY15.

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

FY 15 (in USD)			
Trustee Services	FY 14 Approved	FY 14 Expected Actual	FY 15 Proposed Budget Total
Financial Management and Relationship Management	54,000	51,600	51,900
Investment Management /a	173,000	232,300	228,200
Accounting and Reporting	25,000	21,100	21,300
Legal Services	27,000	22,000	22,300
Sub-total, Standard Services	279,000	327,000	323,700
Special Initiative /b	-	-	-
Total Costs	279,000	327,000	323,700
<i>a/</i> Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio.			

FY15 Trustee Budget Request: SCCF

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 FY15 for the SCCF include: (i) management of donor contributions; (ii) financial and investment management of resources; (iii) commitments and cash transfers to the GEF 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, 2014 and projections for the remaining three months, the FY14 actual costs for Trustee services are expected to be \$167,100, which is \$6,100 higher than the approved budget of \$161,000. 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 FY14 resulted in increased liquidity balance of the SCCF from a projected average of \$130 million to \$174 million, thereby increasing investment management cost.

24. To cover its expenses for FY15 related to the SCCF work program, the Trustee requests a budget of \$167,000. This is consistent with the FY14 estimated actual cost of \$167,100.

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

FY 15 (in USD)			
Trustee Services	FY 14 Approved	FY 14 Expected Actual	FY 15 Proposed Budget Total
Financial Management and Relationship Management	55,000	54,000	54,000
Investment Management <i>/a</i>	53,000	66,900	67,000
Accounting and Reporting	26,000	21,900	22,000
Legal Services	27,000	24,300	24,000
Sub-total, Standard Services	161,000	167,100	167,000
Special Initiative	-	-	-
Total Costs, including Special Initiative	161,000	167,100	167,000
<i>a/</i> 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

27. The FY15 work plan and budget to be provided by the GEF IEO request is detailed in the *FY15 Work Plan and Budget for the Evaluation Office under LDCF and SCCF* (LDCF.SCCF.16/ME/01). The GEF IEO requests \$64,000 for FY15 to cover the cost of implementing the proposed evaluation work plan.

CONSOLIDATED FY15 BUDGET

28. The total consolidated budget for the Secretariat, STAP, Trustee and GEF IEO is \$1,501,832 from the LDCF and \$823,923 from the SCCF as summarized in Table 6.

Table 6: Consolidated FY15 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>	323,700	167,000	490,700
<u>GEF IEO</u>	37,000	27,000	64,000
Total	1,501,832	823,923	2,325,755