



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

GEF/LDCF.SCCF.14/07/Rev.01

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June 20, 2013
Washington, D.C.

Agenda Item 9

**ADMINISTRATIVE BUDGET FOR THE LEAST DEVELOPED COUNTRIES
FUND AND THE SPECIAL CLIMATE CHANGE FUND
FOR FY 14
(JULY 1, 2013 – JUNE 30, 2014)**

Recommended Council Decision

The LDCF/SCCF Council, having reviewed document GEF/LDCF.SCCF.14/07 *Administrative Budget for the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF)*, approved the proposed budget for the GEF Secretariat, STAP, the Trustee and the GEF Evaluation Office, as follows:

(1) \$ 990,720 (GEF Secretariat), \$115,000 (STAP), \$279,000 (Trustee), and \$40,000 (GEF Evaluation Office) from the LDCF; and

(2) \$490,168 (GEF Secretariat), \$115,000 (STAP), \$161,000 (Trustee), and \$30,000 (GEF Evaluation Office) from the SCCF.

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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 2013 (FY13) 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 FY14 (July 1, 2013 - June 30, 2014). The GEF Evaluation Office has prepared a separate document (LDCF.SCCF.14/ME/01) presenting a request for a budget for FY14 to cover the Office's costs 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; 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. 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.
4. The approved FY13 administrative budget for the GEF Secretariat was in the amount of \$660,531 and \$421,119 for the LDCF and the SCCF, respectively. The FY13 budget included financing for staff, consultants, travel, publications and outreach, meetings, and general costs necessary for the operations of these funds.

FY13 Current Status

5. **Budget Under-run.** The FY13 actual expenditure (projected) currently¹ stands at \$642,031 for LDCF (with a difference of -2.8 percent with respect to FY13 approved) and \$400,190 for SCCF (-4.97 percent with respect to FY13 approved). The overall under-run is namely due to the loss of one LDCF/SCCF staff member during the second half of the year, to lower actual general operations costs than had been projected in the previous fiscal year.

Budget Proposal for FY14

6. The overall budget request for FY14 amounts to \$990,720 for the LDCF and \$490,168 for the SCCF. This budget presents an increase of 49.9 percent for the LDCF, and 16.4 percent for the SCCF. The increase is requested in order to appropriately respond to the demand of the growing adaptation program, and to ensure that the quality can be sustained for managing an adaptation portfolio that has grown substantially. The figures in this budget request also reflect

¹ As of March 31, 2013

adjustments, where necessary, to account for a general cost increase at 3 percent. The budget amount per category and fund are presented in Table 1. The justification for the increase is based on the following:

- (i) The last time the LDCF/SCCF Council was asked to approve a real budget increase was in June 2010, for FY11.
- (ii) In FY11 the LDCF and the SCCF received a dramatic increase in pledges. Overall, since the beginning of FY11, pledges to the LDCF and the SCCF have grown by around 220 percent and 300 percent respectively.
- (iii) Since FY11 the number of project approvals has increased by 141 percent for the LDCF and 157 percent for the SCCF.
- (iv) All of this has led to a greater burden on the staff not only in terms of reviews, but also tracking, analyzing, reporting, and communicating. The amount of work is expected to further increase, as there is a lag between the rapid growth in the availability of resources and the resulting increase in the responsibilities related to the management of the project portfolio. For example, the Annual Monitoring Report prepared this year included the analysis of almost three times the number of Project Implementation Reports (PIRs) reviewed in FY11.

7. In addition, the LDCF and the SCCF are already highly cost-efficient. An increase in the administrative budget is therefore necessary to keep the balance of quality and efficiency of programming. Specifically:

- (i) While the LDCF FY14 budget would represent a 50 percent increase with respect to the budget approved for FY13, the resulting budget would represent approximately 0.5 percent of the total LDCF programming for FY13. By comparison, in FY11, the budget represented 1.4 percent of the total LDCF programming for that year.
- (ii) While the SCCF FY14 budget would represent a 16 percent increase, it would represent just below 1 percent of total SCCF programming for FY13. By comparison, in FY11, the budget represented 1.3 percent of the total SCCF programming for that year.

Table 1: GEF Secretariat – LDCF and SCCF FY13 Administrative Costs and FY14 Budget Request

Expense Category	L D C F			S C C F		
	FY13 Approved Budget	FY13 Actual (Projected)	FY14 Budget Request	FY13 Approved Budget	FY13 Actual (Projected)	FY14 Budget Request
	US\$	US\$	US\$	US\$	US\$	US\$
Standard Services						
<u>Staff Costs (Salaries and Benefits)</u>	406,815	403,121	626,815	271,556	257,727	271,556
<u>Consultants</u>	20,250	14,450	20,250	20,250	14,450	20,250
<u>Travel</u>	80,000 a/	76,243	100,000 a/	50,000 a/	49,064	66,000 a/
<u>Publications and Outreach</u>	50,000	49,098	130,000	25,000	24,968	75,000
<u>General Operations Costs</u>	93,511	89,164	100,401	47,357	47,025	50,197
<u>Costs of meetings</u>	9,955	9,955	13,254	6,956	6,956	7,165
GRAND TOTAL	660,531	642,031	990,720	421,119	400,190	490,168

a/ Includes RBM learning missions.

8. Staff Costs: An amount of \$626,815 is included in the FY14 budget request to cover staff costs under the LDCF and \$271,556 under the SCCF. This reflects two new positions proposed to be funded under the LDCF.

9. Consultant Costs: An amount of \$20,250 is requested from each trust fund to cover short term consultant costs. This represents a zero increase with respect to FY13 budget approved.

10. Travel: In the budget request for FY14, a total of \$100,000 and \$66,000 are requested for travel in FY14 under the LDCF and SCCF, respectively, including the RBM learning missions. This request reflects the increase in staff, and the growing demand from the UNFCCC COP.

11. Publications and Outreach: The request for \$130,000 for the LDCF and \$75,000 for the SCCF reflects the need support an outreach effort to publicize the growing body of knowledge, including results and outcomes, of the maturing adaptation portfolio.

12. General Operations Costs and Costs of Meetings: The general operations costs request is slightly higher vis-à-vis levels approved for FY13 due to an expected increase in cost of premises, compared to the previous year. The request for the cost of meetings for LDCF and SCCF is higher with respect to FY13-approved levels, consistent with an ongoing and anticipated intensified outreach effort and associated costs. The requested amounts for the costs of meetings also reflect a 3 percent expected increase in cost due to inflation.

Secretariat Special Initiatives

13. The status of expenditures 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 2: National Adaptation Plans of Action Workshops -- Adaptation Activities
Special Initiative (LDCF)**

NAPA Workshops Current Status of Expenitures	Amount US\$
<u>Approved Budget</u>	600,000
<u>Actual Expenditure to-date</u>	600,000
BALANCE	0

LDCF AND SCCF STAP BUDGET

Responsibilities of STAP

14. In September 2012, STAP began to pursue the mandate of review and analysis of LDCF/SCCF investments in adaptation, as provided in GEF/LDCF.SCCF.10/5/Rev.2, particularly given the experimental nature of many of these undertakings. Professor Anand Prabhakar Patwardhan (School of Public Policy, University College Maryland) leads these responsibilities as the Adaptation Panel member.

15. During FY13, STAP initiated a review of actions pertaining to the National Adaptation Plan (NAP) process mandated by the UNFCCC. The objective of the review is to identify the scientific and technical inputs required for the NAP process, and to develop advice on how the GEF could support the various elements of the NAPs. The review focuses on medium to long-term adaptation needs, and mainstreaming adaptation in the relevant planning and decision making processes. The technical review will be completed by October 2013, and will possibly form the basis for defining concrete actions for supporting long-term adaptation through the NAP process by the GEF.

16. The STAP participated actively in the GEF-6 strategy process, through the Technical Advisory Groups, and through close interaction with the GEF Secretariat. The STAP inputs focused on the scientific and technical rationale for the strategic objectives and outcomes in the LDCF/SCCF strategy.

17. Additionally, STAP initiated screening of all LDCF/SCCF full-sized proposals. In doing so, STAP provides advice to the GEF system on ways to strengthen the adaptation benefits, the scientific reasoning of the additional cost for adaptation, and the overall scientific validity of the proposed interventions. On a selective basis and at the invitation of Agencies, STAP also may provide advice on project, or program, development.

STAP Budget – FY 14

18. In FY14, STAP will continue providing strategic advice to the LDCF/SCCF. This includes addressing the following activities: i) analyze the scientific and technical aspects relevant to strengthening the NAP process, as well as identify actions for long-term adaptation relevant to the NAP process; ii) strengthen adaptation benefits in multi-trust fund projects based on existing guidelines for LDCF/SCCF projects; and iii) develop appropriate indicators for long-term adaptation, and link them to monitoring and evaluation frameworks.

19. The proposed STAP Budget for FY14 is outlined in Tables 3 and 4 below. The Chair wishes to emphasize that the work of STAP overall has increased substantially over the past two years – without a concomitant increase in the resources available to STAP beyond inflation. Every effort is made to achieve greater efficiencies and reduce costs wherever possible. In addition, it is necessary to address Council guidance and Trustee requirements to apportion costs to the correct Trust Funds. The primary justification for the proposed increase in FY14 is due to the fact that a reasonable share of overall STAP Secretariat staff time costs and overheads have not been reflected in previous STAP Budgets for LDCF/SCCF. The current proposed budget

apportions the costs according to the best available estimates between GEF and LDCF/SCCF Trust Funds.

Table 3: Proposed FY14 STAP Budget (LDCF Trust Fund)

<i>FY12 Budget US\$m</i>	<i>FY12 Actual US\$m</i>	STAP -- Secretariat Expense Category	<i>FY13 Budget US\$m</i>	<i>FY13 Estimated US\$m</i>	<i>FY14 Request US\$m</i>
<u>0.002</u>	<u>0.000</u>	<u>Staff Costs</u>	<u>0.005</u>	<u>0.000</u>	<u>0.041</u>
0.000	0.000	Salaries and Benefits	0.000	0.000	0.037
0.002	0.000	Travel	0.005	0.000	0.004
0.000	0.000	Training	0.000	0.000	0.000
<u>0.038</u>	<u>0.007</u>	<u>Consultant Costs</u>	<u>0.030</u>	<u>0.030</u>	<u>0.028</u>
		Fees (long-term)	0.000	0.000	0.000
0.033	0.007	Fees (short-term)	0.025	0.025	0.023
0.005		Travel	0.005	0.005	0.005
-	-	-	-	-	-
<u>0.000</u>	<u>0.000</u>	<u>General Operations Costs</u>	<u>0.000</u>	<u>0.000</u>	<u>0.009</u>
0.000	0.000	Office Space, Equipment, and Supplies	0.000	0.000	0.005
0.000	0.000	Communications and Internal Computing	0.000	0.000	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>0.040</u>	<u>0.007</u>	<u>SUB-TOTAL</u>	<u>0.035</u>	<u>0.030</u>	<u>0.077</u>
		STAP -- Members			
		Expense Category			
0.033	0.020	Honoraria & Logistical/Secretarial Support	0.025	0.025	0.024
0.000	0.000	MOUs with Expert Institutions	0.010	0.000	0.000
0.000	0.000	STAP Meetings	0.003	0.003	0.010
0.005	0.000	STAP Publications	0.005	0.000	0.004
<u>0.038</u>	<u>0.020</u>	<u>SUB-TOTAL</u>	<u>0.043</u>	<u>0.028</u>	<u>0.038</u>
<u>0.078</u>	<u>0.027</u>	<u>TOTAL</u>	<u>0.078</u>	<u>0.058</u>	<u>0.115</u>

Table 4: Proposed FY14 STAP Budget (SCCF Trust Fund)

<i>FY12 Budget US\$m</i>	<i>FY12 Actual US\$m</i>	STAP -- Secretariat Expense Category	<i>FY13 Budget US\$m</i>	<i>FY13 Estimated US\$m</i>	<i>FY14 Request US\$m</i>
<u>0.002</u>	<u>0.000</u>	<u>Staff Costs</u>	<u>0.005</u>	<u>0.000</u>	<u>0.041</u>
		Salaries and Benefits		0.000	0.037
0.002		Travel	0.005	0.000	0.004
		Training		0.000	0.000
<u>0.038</u>	<u>0.007</u>	<u>Consultant Costs</u>	<u>0.030</u>	<u>0.030</u>	<u>0.028</u>
		Fees (long-term)		0.000	0.000
0.033	0.007	Fees (short-term)	0.025	0.025	0.023
0.005		Travel	0.005	0.005	0.005
-	-	-	-	-	-
<u>0.000</u>	<u>0.000</u>	<u>General Operations Costs</u>	<u>0.000</u>	<u>0.000</u>	<u>0.009</u>
		Office Space, Equipment, and Supplies		0.000	0.005
		Communications and Internal Computing		0.000	0.001
		Corporate Services		0.000	0.003
		Representation and Hospitality		0.000	0.000
<u>0.040</u>	<u>0.007</u>	<u>SUB-TOTAL</u>	<u>0.035</u>	<u>0.030</u>	<u>0.077</u>
		STAP -- Members			
		Expense Category			
0.033	0.020	Honoraria & Logistical/Secretarial Support	0.025	0.025	0.024
		MOUs with Expert Institutions	0.010	0.000	0.000
		STAP Meetings	0.003	0.003	0.010
0.005		STAP Publications	0.005	0.000	0.004
<u>0.038</u>	<u>0.020</u>	<u>SUB-TOTAL</u>	<u>0.043</u>	<u>0.028</u>	<u>0.038</u>
-	-	-	-	-	-
<u>0.078</u>	<u>0.027</u>	<u>TOTAL</u>	<u>0.078</u>	<u>0.058</u>	<u>0.115</u>

LDCF AND SCCF TRUSTEE ADMINISTRATIVE FEES

Least Developed Countries Fund

20. As agreed with donors under the Trust Fund 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.

21. The core elements of the Trustee's work program in FY14 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 Agencies. Table 5 below shows the breakdown of the Trustee fee by services provided to the LDCF.

22. Based on actual expenditures incurred in the first nine months of FY13 and projections for the remaining three months, it is expected that the actual cost for Trustee services for FY13 will be \$268,900, which is \$14,100 higher than the approved budget of \$254,800. The increase is primarily due to higher investment management costs, which 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 FY13 resulted in increased liquidity of the LDCF from a projected average of \$399 million to \$443 million, attributing to the increase in investment management cost.

23. Based on Council's approval, in FY13 the Trustee transferred an amount of \$100,000 toward the Special Initiative regarding GEF IT platform. Details of the project status and development are provided as part of the GEF Trustee report (Annex-2).

24. To cover its expenses for FY14 related to the above work program, the Trustee requests a budget of \$279,000. This represents an overall increase of \$10,100 compared to the FY13 estimated actual cost of \$268,900. The increase in financial management and legal services costs is attributable to additional staff time needed to finalize FPAs and to implement the streamlining procedures approved by the Council in FY12 – notably higher transaction volume brought about by fee tranching. In addition, it is anticipated that additional contributions during FY14 would increase the projected average LDCF liquidity balance to \$450 million resulting in an increased investment management cost. The actual investment management costs may vary depending on the actual liquidity level at the end of FY14.

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

LDCF: Budgetary Requirements for Services Provided by the Trustee			
FY 14			
(in \$US)			
Trustee Services	FY 13 Approved	FY 13 Expected Actual	FY 14 Proposed Budget
Financial Management and Relationship Management	52,900	52,800	54,000
Investment Management /a	150,800	168,000	173,000
Accounting and Reporting	25,200	24,800	25,000
Legal Services	25,900	23,300	27,000
Sub-total, Standard Services	254,800	268,900	279,000
Special Initiative /b	100,000	100,000	-
Total Costs	354,800	368,900	279,000
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio. b/ Represents LDCF's share of the World Bank's IT system development to facilitate GEF's participation in the integrated platform for Financial Intermediary Funds.			

Special Climate Change Fund

25. As agreed with donors under the Trust Fund 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.

26. The core elements of the Trustee's work program for FY14 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 Implementing Agencies and Executing Agencies. Table 6 below shows the breakdown of the Trustee fee by services provided to the SCCF.

27. Based on actual expenditures incurred in the first nine months of FY13 and projections for the remaining three months, the FY13 actual costs for Trustee services are expected to be

\$159,200, which is \$1,200 higher than the approved budget of \$158,000. 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 FY13 resulted in increased liquidity balance of the SCCF from a projected average of \$130 million to \$140 million, thereby increasing investment management cost.

28. Based on Council's approval, in FY13 the Trustee transferred an amount of \$50,000 toward the Special Initiative regarding GEF IT platform. Details of the project status and development are provided as part of the GEF Trustee report (Annex 2).

29. To cover its expenses for FY14 related to the SCCF work program, the Trustee requests a budget of \$161,000. This represents an increase of \$1,800 from the FY13 estimated actual cost of \$159,200. The increase is mainly due to higher financial management costs stemming from higher volume of transactions brought on by fee tranching, and higher legal services related to the finalization of FPAs.

Table 6: SCCF: Budgetary Requirements for Services Provided by the Trustee

SCCF: Budgetary Requirements for Services Provided by the Trustee			
FY 14 (in \$US)			
Trustee Services	FY 13 Approved	FY 13 Expected Actual	FY14 Proposed Budget
Financial Management and Relationship Management	56,000	52,800	55,000
Investment Management /a	49,700	53,800	53,000
Accounting and Reporting	26,300	26,300	26,000
Legal Services	26,000	26,300	27,000
Sub-total, Standard Services	158,000	159,200	161,000
Special Initiative /b	50,000	50,000	-
Total Costs, including Special Initiative	208,000	209,200	161,000
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio. b/ Represents SCCF's share of the World Bank's IT system development to facilitate GEF's participation in the integrated platform for Financial Intermediary Funds.			

LDCF AND SCCF EVALUATION OFFICE BUDGET

30. The FY14 work plan and budget to be provided by the GEF Evaluation Office request is detailed in the FY14 Work Plan and Budget for the Evaluation Office under LDCF and SCCF (LDCF.SCCF.14/ME/1). The Evaluation Office requests \$70,000 for FY14 to cover the cost of implementing the proposed evaluation work plan.

Consolidated FY14 Budget

31. The total consolidated budget for the Secretariat, STAP, Trustee and GEF Evaluation Office is \$1,424,720 from the LDCF and \$796,168 from the SCCF as summarized in Table 7.

Table 7: Consolidated FY14 Budget Request

	LDCF	SCCF	Total
	US\$	US\$	US\$
<u>GEF Secretariat</u>	990,720	490,168	1,480,888
<u>STAP</u>	115,000	115,000	230,000
<u>Trustee</u>	279,000	161,000	440,000
<u>GEF Evaluation Office</u>	40,000	30,000	70,000
Total	1,424,720	796,168	2,220,888