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Agenda Item 10

GEF BUSINESS PLAN AND CORPORATE BUDGET FOR FY19

Recommended Council Decision

The Council, having reviewed document GEF/C.54/18, *GEF Business Plan and Corporate Budget for FY19*, takes note of the business plan, and approves a FY19 corporate budget from the GEF Trust Fund of US\$27.971 million, comprised of:

- (a) US\$22.466 million for the GEF Secretariat;
- (b) US\$2.725 million for STAP; and
- (c) US\$2.780 million for the Trustee

The Council also approves a total FY19 administrative budget for the Nagoya Protocol Implementation Fund (NPIF) of US\$20,300, comprised of the following allocations from the NPIF to cover the Secretariat's and Trustee's expenses for NPIF administration and implementation:

- (a) US\$14,500 for the GEF Secretariat; and
- (b) US\$5,800 for the Trustee

The Council also approves a total of US\$0.517 million for the FY19 budget for the Capacity-building Initiative for Transparency (CBIT) Trust Fund, comprised of the following allocations to cover the Secretariat's and Trustee's expenses for CBIT administration and implementation:

- (a) US\$0.485 million for the GEF Secretariat; and
- (b) US\$0.032 million for the Trustee

The Council requests the Secretariat, in consultation with STAP and the Trustee, to present a combined FY20 corporate budget and business plan for discussion at its 2019 spring meeting.

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GEF TRUST FUND ADMINISTRATIVE BUDGET REQUEST, ACTIVITIES AND OUTPUTS

1. This section presents the administrative budget request for FY19 of the Secretariat, the Scientific and Technical Advisory Panel (STAP), and the Trustee under the GEF Trust Fund.¹ As in the past, the budget of the Independent Evaluation Office (IEO) is presented separately. The section also reports on budget execution in the current fiscal year, FY18.

Secretariat FY18 Budget Execution Summary

2. **The Secretariat's FY18 expenses are projected to underrun the FY18 Budget by 2.8%.** Total FY18 expenses are projected² at US\$21.693 million, i.e. US\$0.630 million lower than the FY18 Budget of US\$22.323 million (Table 1). This is explained by the following factors:

Staff costs are projected to be US\$0.679 million, or 4.4%, lower than budgeted. The main reason for the lower than budgeted staff costs is that Secretariat during FY18 had a few staff positions that took longer than expected to fill, in part to enable the positions TOR to be aligned better with emerging GEF-7 priorities.

Variable costs are projected to be US\$0.236 million, or 6.5%, lower than budgeted. This reflects tight administrative budget controls across all variable costs (travel, consultants, outreach, staff training and representation) that will continue in FY19.

Fixed costs are projected to be US\$0.284, or 8.8%, higher than budgeted. This is due mainly to accelerated investments of US\$0.225 million in the new PMIS portal to ensure it is operational at the beginning of GEF-7. This cost is reflected in the line-item on office equipment. In addition, FY18 saw higher than budgeted costs of cross-support from the World Bank, mainly due to higher demand for legal services in connection with the Minamata COP1, and work on a new, stand-alone GEF policy on access to information. Projected office lease expenses for FY18 are within budget.

¹ FY19 is the final year of the GEF-6 administrative budget cycle and the first year of the GEF-7 operational cycle.

² The projection of FY18 actual expenditures include data for actual spending through April 30, 2018, and a projected spending during the remaining weeks of the fiscal year, which ends on June 30, 2018

Table 1. Secretariat FY18 Budget Execution and FY19 Budget Request

	FY18 Budget	FY18 Projected Actual	FY19 Budget Request	FY19 changes to FY18 Budget	
				\$ Mil	%
Total Budget	22.323	21.693	22.466	0.142	0.6%
Staff costs *	15.490	14.811	15.673	0.183	1.2%
Variable costs	3.620	3.384	3.340	-0.281	-7.7%
- Of which travel	1.810	1.720	1.700	-0.111	-6.1%
- Of which outreach	0.900	0.800	0.790	-0.110	-12.2%
- Of which consultants	0.750	0.713	0.700	-0.050	-6.7%
- Of which staff training and representation	0.160	0.152	0.150	-0.010	-6.3%
Fixed costs	3.213	3.497	3.453	0.240	7.5%
- Of which office lease	1.202	1.202	1.430	0.228	18.9%
- Of which office equipment	0.741	0.984	0.774	0.034	4.5%
- Of which WB Cross Support	0.549	0.611	0.549	0.000	0.0%
- Of which Council	0.721	0.700	0.700	-0.021	-2.9%

* Estimated staff costs savings from World Bank Capital Increase Agreement \$0.304 million

Secretariat FY19 Business Priorities

3. **The main priority for FY19 is to get GEF-7 implementation off to a good start.** This will require significant efforts in terms of work program delivery, policy development and implementation, and partnership management and stakeholder engagement. These business priorities are indicated below:³

Work Program Delivery: The Secretariat will put priority to delivery of the GEF-7 programming directions and strategies. A key focus in FY19 will be the roll-out of the programming directions and strategies, including steps to build understanding among partners on operational aspects for delivery.

Policy Development and Implementation: The Secretariat will focus on delivery of the GEF-7 policy recommendations set out in the Replenishment. This includes, among others, enhanced private sector engagement and an updated results architecture, with a view to promoting simplification, clear technical definitions and methodological guidance, enhanced availability and accessibility of data and information, capture and monitoring of relevant socio-economic co-benefits. Priority will also be given to implementing newly adopted policies, including the Policy on Gender Equality (including completion and implementation of Guidelines and Strategy), Stakeholder Engagement (adoption and implementation of new Guidelines), Co-Financing, and Environmental and Social Safeguards (to be presented for consideration by Council).

³ This Business Plan for FY19 is aligned to the GEF-7 Programming Directions and Policy Agenda developed within the ambit of the Replenishment discussions.

Data and System Management. The Secretariat will implement the GEF-7 Policy recommendations on Operational Efficiency and Transparency and Improved Management of Data and Information. This includes activation of the new GEF Portal to more efficiently receive, review and process project proposals, and generate quality reports and dashboard information in real-time, and making active use of IT-based solutions to capture, analyze and share lessons learned and best practice from GEF projects and programs, in collaboration with GEF partners.

Servicing the Conventions, Stakeholder Engagement and Outreach. The Secretariat will continue its engagement with the Conventions to help launch the GEF-7 programming directions, and engage in Convention-related committees and meetings, and as part of its core mandate as financial mechanism in response to guidance from the Conventions. Moreover, the Secretariat will engage with governments and other partners, including through the Country Support Program, to build knowledge about opportunities within the new GEF-7 programming directions. The Secretariat will continue its outreach activities to enhance visibility and awareness about GEF, and in support of GEF-7 launch.

Secretariat FY19 Budget Request

4. **The Secretariat FY19 budget request is US\$22.466 million, equivalent to an increase of 0.6% from the FY18 budget, or US\$0.142 million (see Table 1).** The FY19 request reflects a modest increase in staff costs, using the adjusted World Bank Salary Rate Increase (SRI - see below), a decrease across all variable costs, and an increase in fixed costs mainly for contractually-set office costs. The requested budget would provide the Secretariat with adequate resources to meet its business priorities and responsibilities.

5. **The FY19 budget request continues the Secretariat's strong focus on efficiency,** which has been reinforced in recent years, and responds to the request from Council last year to present a budget which reflects an effort for cost savings. The increase of 0.6% compared to the FY18 approved budget is below inflation based on the U.S. CPI level of 2.5%. It is a tight budget to deliver the high-demand work program in FY19, with the launch of GEF-7 and new priorities from the Replenishment.

6. **In line with the outcome of the Replenishment discussions, the budget request reflects projected savings from the recent measures associated with the Capital Package of the World Bank.** Specifically, the Secretariat salary cost projection incorporates a reduction by the World Bank Board in the annual Salary Rate Increase (SRI) for staff, from 4.9% in FY18, to a new capped average of 2.9% in FY19. This generates a savings of \$0.304 million in salary costs in FY19, or 2%, compared to the World Bank SRI used in FY18. For other efficiency measures in the Capital Package, including corporate procurement, office space, administrative transactions, and travel, precise quantification of savings at this stage is not yet feasible, according to the World Bank Budget, Performance Review and Strategic Planning (BPS) Office. The actual savings will be included when they are realized through concrete measures. The budget request also reflects continued application of efficiency measures from the World Bank Expenditure Review (2015), including in the areas of travel, consultants and transaction processing and office equipment, as described below.

8. **Staff Costs are expected to increase by 1.2%, or US\$0.183, compared to the FY18 approved budget.** As noted above, this increase reflects the World Bank SRI of 2.9%, compared the FY18 rate of 4.9%. This reduced SRI results in a savings of US\$0.304 million.⁴ The FY19 Staff Costs also reflect the Secretariat plan to hire one additional staff to strengthen its private sector engagement capacity.

9. **Variable Costs are expected to decline by 7.7% in FY19 compared to FY18 approved budget, a reduction of about US\$0.281 million.** This reflects continued tight expenditure control measures and efficiencies, as described below. It is projected that variable costs will account for 14.8% of the total Secretariat budget in FY19.

- *Travel costs are expected to decline by US\$0.111 million, equivalent to a decline of 6.1%.* The reduction will be made possible through judicious travel planning regarding Secretariat participation in COPs, other GEF-relevant meetings, and country dialogue. The Secretariat will continue strict adherence to World Bank Expenditure Review efficiency measures, and the additional measures developed during the recent World Bank Capital Package negotiations⁵.
- *Outreach costs are expected to decline by US\$0.110 million, equivalent to a decline of 12.2%.* External outreach includes information and awareness-building activities in both electronic and print media, aimed at the GEF partnership and external audiences. The budgeted funds cover: maintenance of the GEF website and GEF's social media presence; publication production; and related activities. The reduction will be achieved via efficiency gains, including the transition to more digital forms of communication (reducing publication costs).
- *Consultant costs are expected to decline by US\$0.050 million, equivalent to a decline of 6.7%.* Consultants are used to support tasks that require specialized expertise not available among Secretariat staff, including for instance the scoping work to consider an update of GEF Policy on Fiduciary Standards, the IT upgrade to develop the new GEF Portal, and specialized gender, results and private sector work. All consultants

⁴ The Secretariat has been informed by the World Bank that the expected SRI rate in FY20 will be at 4%, compared to the 2.9% set for FY19. We have adjusted our expected costs beginning FY20 accordingly, as noted in the Section on GEF-7 further below.

⁵ All Secretariat travel is conducted in in conformity with World Bank policies and the Expenditure Review efficiency measures adopted in FY15. These include: mandatory review of lower logistical fare options (LLF) on World Bank preferred airlines; advance booking; use of restricted and non-refundable fares; economy class for less than 5 hours and all training; and reduced per diems. Additional measures developed as part of the World Bank Capital Package include tighter oversight of travel policy exceptions; a roll-out of a mandatory global travel credit card to travelling staff to reduce undue payment of hotel taxes; use of an external vendor to negotiate better hotel rates; rebidding the HQ travel agency contract; tighter control over number of participants in global events and conferences; and lower *per diem* allowance for hotel costs.

are hired using World Bank policies and procedures aimed at ensuring efficient contracting and delivery. Consultant fees are set annually by the World Bank⁶.

- *Staff training and Representation is expected to decline by US\$0.010, equivalent to 6.3%. These line-items cover staff development, initiatives to promote efficiency and effectiveness in the workplace, and limited official representation. As in previous years, the Secretariat will achieve savings on training through an internal policy which requests staff to consider first the variety of training services offered at no charge to staff by the World Bank, as host institution.*

10. Fixed Costs are expected to increase by 7.5% in FY19 compared to FY18 approved budget. Fixed costs cover Office Lease, Office Equipment and Systems, Cross-Support from the World Bank, and Council. The increase is US\$0.240 million.

- *Office lease costs increase by US\$0.228 million, equivalent to 18.9%. A large part of this increase, US\$0.160 million or 13.3%, is due to the expiration in FY18 of an annual lease incentive payment from the previous office building. The remaining part of the increase is the contractually-set annual rate adjustment in the lease rate, as negotiated by the World Bank General Services Division (GSD) when the Secretariat and IEO were forced to relocate from the previous location in FY16 due to major demolition and reconstruction of that building⁷. In FY19 and beyond, the Secretariat will seek additional cost savings measures relevant to office space, in line with the recent World Bank Capital Package. During FY18, the Secretariat has squeezed existing space to create new offices, and sub-leased these spaces to its other co-tenant, the Adaptation Fund. The Secretariat also achieves savings with reusable supplies, and occupies a LEED-certified building with highly efficient lighting and lower eco-footprint, to save costs and go green.*
- *Office Equipment and Systems costs increase by US\$0.034 million, equivalent to 4.5%. This line-item covers the costs of computers, telephones, printing and supplies, etc. provided on a charge-back basis by the World Bank, and IT systems including the GEF Portal. For several years, the Secretariat has applied the efficiency measures associated with the World Bank Expenditure Review to achieve savings in this area, including: use of pool printers and reductions in AV equipment in the main offices and for events held at World Bank HQ; use of ID-systems in printers to track*

⁶ Additional measures agreed as part of the World Bank Capital Package include further efforts at savings and cost avoidance in the procurement/negotiation of corporate contracts by better benchmarking, targeting, and tracking of savings at the contract level.

⁷ The negotiations insured that the costs to the GEF of the new lease during four-year GEF-6 budget period were kept below the costs of the lease in the old building during the same period. The terms of the current lease are fixed until January 2021, at which point lease costs will be adjusted to prevailing market price. In the move to the new office, the Secretariat and IEO also re-balanced the share of lease costs. As a result, while the overall office space costs under the GEF Trust Fund have gone down slightly compared to the old office, the relative cost for the Secretariat has increased.

and manage use for greater efficiency; and updated policies on phones and other devices to reduce numbers and costs.

- *Costs of cross-support from the World Bank are kept at the same level as the FY18 budget.* Cross-support from the World Bank is provided on an as-needed basis for IT and legal services, and for support by the Ethics Officer (in the World Bank Office of Ethics and Business Conduct) under the recently adopted *GEF Policy on Ethics and Conflict of Interest for Council Members, Alternates and Advisors*.⁸ In addition, as in FY18, the Secretariat will leverage built-in IT cross-support from the World Bank to support follow-up work relating to the GEF Portal.
- *Council costs are expected to decrease by US\$0.021, equivalent to 2.9%.* Council costs cover the arrangements, venue, logistics needed to host the twice-a-year Council meetings, including travel and accommodation costs for sponsored civil society participants. Cost-saving and efficiency measures continued from FY18 include the use of pooled-printers in the system, elimination of bottled water, and (continued) access to the World Bank meeting space.

STAP FY19 Budget Request, Activities, and Outputs

11. During FY18, in preparation for GEF-7, STAP has provided advice on the following issues:
 - (a) Integration: to solve complex environmental problems
 - (b) Managing Knowledge for a Sustainable Global Future
 - (c) Plastics and the Circular Economy
 - (d) A future food system for healthy human beings and a healthy planet
 - (e) Environmental security
 - (f) Local commons for global benefits
 - (g) Novel entities
 - (h) Innovation.
12. In FY19 STAP will:
 - (a) Continue to screen all full-size projects, and GEF programs using its revised screening guidance, which dovetails with the new PIF, and which will be available via the new project portal;
 - (b) Contribute to the development of the new IPs, and continue to be involved in the IAPs;
 - (c) Continue to engage with the IEO; and

⁸ As per this Policy, implementation is supported by an Ethics Officer drawn from staff at the World Bank Office of Ethics and Business Conduct (EBC). This is reflected in the cross-support line item of the Secretariat budget.

- (d) Continue to work the GEF Secretariat, Agencies and Council to ensure that it provides high quality scientific and technical advice, which is relevant and meets the GEF's needs.

13. STAP is developing its GEF-7 work program, in particular for FY19 and FY20, including consideration of the following topics:

- (a) the science of multi-stakeholder dialogue and transformation in social-ecological systems;
- (b) the application of remote sensing to assess and monitor global environmental change;
- (c) water, land, and livelihoods - resource governance for human security;
- (d) science for better integration of vulnerability reduction and climate adaptation in broader development policies, and develop adaptation metrics across the GEF portfolio;
- (e) advice on climate risk screening for GEF projects;
- (f) development of a global mercury knowledge platform;
- (g) guidance on how to estimate global environmental benefits from chemicals and waste projects;
- (h) land degradation neutrality guidelines for projects; and
- (i) contributions to nutrition security, climate mitigation, and land restoration from aquaculture.

FY19 STAP Budget Request

14. STAP's FY19 budget request is summarized in Table 2 below; this reflects a 1% overall reduction in the total of \$2.753 million projected in June 2017, table 1 of GEF/C.52/06, and is line with the savings commensurate with measures associated with the recently agreed Capital Package at the World Bank where applicable (The table also shows FY18 expenditures, these are estimates because of the differing GEF and UNEP financial years.).

Table 2: FY19 STAP Budget Request

STAP -- Secretariat	FY18 Approved Budget	FY18 Projected Actual	FY19 Budget Request
Staff Costs	1.234	1.234	1.246
Salaries and Benefits, Travel, Training			
Consultant Costs	0.396	0.396	0.400
Fees and Travel			
General Operations Costs	0.293	0.293	0.296
STAP -- Panel Member	0.775	0.775	0.783
Panel Members Honoraria, STAP Meetings, Publications			
TOTAL	2.698	2.698	2.725

Trustee FY19 Budget Request, Activities, and Outputs

15. The World Bank as Trustee provides a range of services, broadly defined in the Instrument, in the following categories: financial and risk management; investment and cash flow management; management of GEF partner relationships and transactions; accounting and reporting; legal services; commitment and disbursement of trust fund resources; systems infrastructure and maintenance; and resource mobilization.

16. According to Annex B of the Instrument for the Establishment of the Restructured Global Environment Facility (in paragraph 8), the “reasonable expenses incurred by the Trustee for the administration of the Fund and for expenses incurred in administratively supporting the Secretariat” are reimbursed annually, on the basis of estimated cost, subject to end-of-year adjustment. At its June 2007 meeting, the GEF Council approved the methodology for reimbursement of the Trustee’s costs and expenses as follows: The Trustee presents its projected budget for the coming fiscal year based on the expected work program and associated staff costs and expenses, and receives an allocation from the GEF trust fund; at the end of each fiscal year, the Trustee reports the actual staff costs and expenses incurred to the Council, and reconciles this amount against the allocation provided.

17. In May 2017, Council approved a core budget estimate of \$2.903 million for FY18 to cover Trustee’s services and the cost of external audit of the GEF Trust Fund. Additionally, a Special Initiatives budget of US\$0.315 million was approved for replenishment discussion. The Trustee estimates that expenses for its core services in FY18 will be US\$2.971 million, reflecting an increase of US\$0.068 or 2.4% compared to the approved budget. The increase was largely on account of investment management fees which negated the efficiency gains in financial and relationship management, accounting and reporting, and legal services. The Trustee incurred an additional amount of US\$0.323 in FY18 for the GEF-7 replenishment discussions. The total FY18 expected actual is US\$3.294 million representing an increase of US\$0.076 or 2.4% compared to the approved FY18 budget.

Trustee FY19 GEF Trust Fund Budget

18. In addition to standard trustee services, the FY19 work program will include the following items:

- (a) Securing approvals of the Replenishment Resolution by the World Bank Executive Directors;
- (b) Implementation of the GEF-7 replenishment resolution, including working with donors to facilitate deposit of Instruments of Commitment, ensuring compliance with replenishment resolution policies;
- (c) On-going negotiations to revise and update the FPA with the existing GEF Agencies;
- (d) Ensure Agency’s compliance under the FPA including periodic financial reports related to GEF financed activities implemented by the Agencies;

- (e) Administrative support to the GEF Secretariat in implementing policies approved by the Council.

19. The Trustee’s core budget estimate for FY19 amounts to US\$2.78 million as shown in Table 3 below. This represents a decrease of US\$0.191million or 7% compared to the FY18 expected actual costs and takes into account the efficiency measures stemming from implementation of policies under the recently approved World Bank Group Capital increase proposal.

Table 3: FY19 Trustee Budget Request for GEF Trust Fund (\$ Million)

GEF Entities and Budget Items	FY18 Approved Budget	FY18 Projection	FY19 Budget Request
Standard Services			
Financial Management and Relationship Management	1.262	1.257	1.203
Investment Management /a	1.249	1.359	1.221
Accounting and Reporting	0.121	0.121	0.121
Legal Services	0.148	0.110	0.110
Sub-total, Standard Services	2.780	2.846	2.655
Audit			
External Audit of Trust Fund	0.123	0.125	0.125
Total Core Budget	2.903	2.971	2.780
Special Initiatives	0.315	0.323	-
Total Costs, including Special Initiatives	3.218	3.294	2.780

/a Investment Management fees are calculated based on a cost of 3.5 basis point against the average annual balance of the portfolio.

GEF-6 Administrative Budget – updated Projection

20. Table 4, below, shows the updated projection for the overall GEF-6 budget execution, including the FY18 projected actuals and FY19 budget requests of the Secretariat, STAP and the Trustee presented above.

Table 4: GEF Trust Fund Corporate Budget Projections for FY16-FY19 (\$ Million)

GEF Entities	FY16 Actual	FY17 Actual	FY18 Projected Actual	FY19 Budget Request	FY16-19 Total	Note: FY18 Approved Budget
Secretariat Core Budget	18.806	20.001	21.693	* 22.466	82.965	22.323
STAP	2.540	2.620	2.698	2.725	10.583	2.698
Trustee Core Budget	3.008	2.853	2.971	2.780	11.612	2.903
Assembly	-	-	1.724	-	1.724	1.724
Trustee - Replenishment	-	0.045	0.323	-	0.367	0.315
Total Corporate Budget	24.354	25.519	29.408	**27.971	107.251	29.963

* Includes WB Capital Package Cost Savings of \$0.304 million in FY19

**Includes \$3.910 million from increased WB Staff Cost Recovery Rate in FY18 and FY19 (\$3.586 for Secretariat and \$0.323 for Trustee).

21. As indicated in Table 4, including the cost of \$3.930 million for the increased World Bank Staff Recovery Rate beginning FY18, the projected four-year GEF-6 corporate administrative costs are US\$107.251 million. Last year Council revised the GEF-6 administrative budget envelope at US\$108.954 million. Due to savings in FY18 and FY19, the current projection of US\$107.251 million stays within this envelope.

GEF-7 Administrative Budget

22. This GEF-7 administrative budget developed within the ambit of the Replenishment (for FY20-23) is shown in Table 5, below.

Table 5: GEF-7 Administrative Budget (\$ Million)

GEF Entities	GEF-7 FY20 - FY23
GEFSEC	103.500
IEO	24.500
Trustee	12.600
STAP	11.300
Total	151.900

23. The Replenishment documents also include a more detailed breakdown of the budgeted amount for the GEF Secretariat of \$103.5 million.⁹

⁹ This breakdown consisted of the following: \$68.4 million for staff costs (including the costs of the increased World Bank recovery rate); \$13.7 million for variable costs (including travel, outreach, consultants, staff training and representation, \$17.8 million for fixed costs (including office lease, office equipment, WB cross-support and Council and Assembly), and \$3.6 million for new GEF-7 priorities, including private sector work, CBIT and system and policy improvements.

24. The Replenishment further indicated the importance of tight management of GEF administrative costs, and encouraged the Secretariat, the Trustee, STAP and IEO to seek savings in their administrative costs commensurate with those from cost saving measures agreed as part of the Capital Package at the World Bank.

25. The GEF entities are fully committed to this action. As described above, the FY19 budget requests presented to Council in this document already reflects savings from the application of these measures.

26. Looking ahead, it is projected that there will be potential additional savings during the GEF-7 years due to application of Capital Package savings measures at the World Bank. As informed by the World Bank, for FY20 and FY21 the SRI at the World Bank will be adjusted to a new SRI (ceiling) of 4.0%.¹⁰ This is a reduction compared to the SRI in 2018 of 4.9%.

27. Assuming this SRI continues into FY22 and FY23, this would generate an anticipated potential savings for the Secretariat in GEF-7 (FY20 to FY23) of approximately \$1.612 million.

28. The GEF entities also are committed to seek and find savings in other areas, in line with the measures agreed as part of the Capital Package, and a continuation of the efficiencies measures associated with the earlier World Bank Expenditure Review. As described above, these are already being incorporated into the FY19 budget request. The Secretariat will report to Council year-by-year on efficiencies and estimated savings, as quantification becomes feasible.

CBIT FY19 TRUST FUND BUDGET REQUEST, ACTIVITIES AND OUTPUTS

29. The GEF Secretariat and Trustee request a total of \$0.517 million from the CBIT Trust Fund to support their respective activities to administer the trust fund for FY19. The separate budget requests and the related background and justifications are presented below and in Table 6.

Table 6: FY19 CBIT Budget Request (US\$ Million)

GEF Entities and Budget Items	FY17 Actual	FY18 Approved Budget	FY18 Projection	FY19 Budget Request
Secretariat - CBIT Administrative Budget	0.327	0.485	0.485	0.485
Trustee CBIT Budget	0.073	0.052	0.048	0.032
Total – CBIT Budget Requests	0.400	0.538	0.533	0.517

¹⁰ See also footnote 4, above. We are informed that part of this figure of 4% is based on the U.S. Consumer Price Index (CPI), currently at about 2.5%. If the U.S. CPI changes, the total would change accordingly.

Secretariat CBIT Activities in FY18

30. During FY18, the GEF Secretariat has carried out significant tasks, such as technical review and clearance of project concepts, stakeholder and donor consultations, interactions with interested countries to provide information on CBIT access, and participation in UNFCCC-related engagements. The Progress Report on the CBIT is presented in a separate document.¹¹ The Council also approved the FY17 budget retroactively in May 2017 at 52nd GEF Council, in addition to the FY18 budget. These costs are shown in more detail in Table 7.

Secretariat CBIT Activities and Budget for FY19

31. During FY19, the GEF Secretariat will continue to support the implementation of the CBIT. A large number of projects is expected to be CEO approved during FY19 and start implementation. The GEF Secretariat is expected to support and manage the CBIT implementation phase to assist countries in the improvement of transparency over time. The Secretariat will continue to work with the GEF Agencies for oversight functions including portfolio monitoring. Regular reporting on the CBIT progress and results to the GEF Council, UNFCCC bodies, coordination with partners, and information sharing will also be continued, with additional focus on implementation progress. To carry out these functions, the GEF Secretariat requests a FY19 budget of \$0.485 million, which will cover staff and consultancy costs and travel. The request takes into account savings from the World Bank Capital Package measures, in particular the FY19 SRI at 2.9%.¹²

32. As sunset provisions, the CBIT Trust Fund will not receive new contributions after the end of the GEF-6 period—unless otherwise decided by Council—and its funds will be used to approve projects, activities, and programmatic frameworks until the end of GEF-6 period, unless otherwise decided by the Council.

Table 7: GEF Secretariat FY18 CBIT Budget Request (\$ Million)

GEF Entities and Budget Items	FY17 Actual	FY18 Approved Budget	FY18 Projected Actual	FY19 Budget Request
Staff Costs (Salaries & Benefits)	0.258	0.400	0.385	0.400
Travel	0.041	0.038	0.040	0.038
Consultant Costs	0.028	0.047	0.060	0.047
Total – CBIT Budget Requests	0.327	0.485	0.485	0.485

¹¹ GEF, [Progress Report on the Capacity-building Initiative for Transparency](#), Council Document GEF/C/54/Inf.9.

¹² For CBIT work, existing GEF Secretariat staff allocate part of their time to work on matters related to CBIT Trust Fund.

Trustee CBIT Activities and Budget for FY19

33. As agreed with the donors under the Trust Fund 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 CBIT.

34. The core elements of the Trustee’s work program during FY18 and FY19 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 CBIT; and (vi) finalization of Financial Procedures Agreements (FPAs) between the Trustee and the Agencies. Table 8 below shows the breakdown of the Trustee fee by services provided to the CBIT.

Table 8. Proposed Trustee Budget for CBIT FY18 (in USD)

GEF Entities and Budget Items	FY17 Actual	FY18 Approved Budget	FY18 Projection	FY19 Budget Request
Financial Management and Relationship Management	47,400	24,470	20,900	13,000
Investment Management /a	5,500	11,000	16,500	16,000
Accounting and Reporting	8,800	6,000	5,600	3,000
Legal Services	11,000	11,000	5,000	-
Total Costs	72,700	52,470	48,000	32,000

/a Investment Management fees are calculated based on a cost of 3.5 basis point against the average annual balance of the portfolio.

35. Based on actual expenditure for the first ten months ending April 30, 2018 and projections for the remaining two months, it is expected that the actual cost for Trustee services for FY18 will be \$48,000, which is \$4,470 or 9% lower than budget. The reduction primarily comes from efficiency gains in the cost of trustee services combined with lower level of activities than projected resulting in savings of \$9,970 offsetting the increase in investment management cost of \$5,500.

36. To cover its expenses for FY19 related to the above work program, the Trustee requests a budget of \$32,000 which represents a decrease of \$16,000 or 33% compared to the FY18 estimated actual cost of \$48,000. The decrease is due to the expected scaling down of activities for CBIT. Based on projected net cash inflows, the projected average CBIT liquidity balance in FY19 will also be slightly lower. The actual investment management costs may vary depending on the actual average liquidity level during FY19.

NAGOYA PROTOCOL IMPLEMENTATION FUND FY19 BUDGET REQUEST, ACTIVITIES AND OUTPUTS

37. The GEF Secretariat and Trustee request a total of \$20,300 from the NPIF to support their respective activities to administer the trust fund. The separate budget requests and the related background and justifications are presented in Table 9.

Table 9: FY19 NPIF Budget Request (in USD)

GEF Entities and Budget Items	FY18 Approved Budget	FY18 Projection	FY19 Budget Request
Secretariat - NPIF Administrative Budget	14,850	14,850	14,500
Trustee NPIF Budget	5,940	6,100	5,800
Total – NPIF Budget Requests	20,790	20,950	20,300

38. Since the inception of the NPIF in the summer of 2011, the GEF CEO has approved a total of 13 NPIF project proposals, totaling \$15.1 million (including Agency fee) and leveraging \$32.4 million in co-financing. These projects have benefited a total of 52 countries in support of Nagoya Protocol ratification and have included: 10 country-based projects (in Argentina, Bhutan, Cameroon, Colombia, Cook Islands, Costa Rica, Fiji, Gabon, Kenya and Panama), two regional projects (one in Central Africa, for the 10 member states of the Central African Forest Commission (COMIFAC), and another in the Pacific region, for the 12 member countries of the Secretariat of the Pacific Regional Environment Programme (SPREP), and one global project (in 21 different countries).

Secretariat NPIF Activities in FY18

39. The 46th GEF Council in May 2014 took note of the GEF Secretariat’s good progress in managing the NPIF. It decided to extend the operation of the NPIF to December 31, 2020 for operational reasons to allow continued project preparation and implementation of projects for which a Project Identification Form (PIF) had already been approved. Because all NPIF funds have been allocated to projects, there have been no new approvals since June 30, 2014. This is also consistent with the GEF Council decision on the NPIF from May 2011, not to approve new PIFs after that date.

40. During FY18, the Secretariat staff have worked closely with the GEF Agencies to ensure adequate support during project execution of the projects under the NPIF. All 13 projects are being executed.

Secretariat NPIF Activities and Budget for FY18

41. The GEF Secretariat will continue to work with the GEF Agencies on portfolio monitoring and reporting, and other necessary oversight functions. The GEF will also continue to report on the projects' progress and results to the GEF Council, to the CBD COP and to the COP-MOP serving as the Meeting of the Parties to the Nagoya Protocol on Access and Benefit Sharing. To cover these minimum functions, and as reflected in Table 9, the GEF Secretariat requests an administrative budget of US\$14,500, all of which will cover staff costs.

Trustee NPIF Activities and Budget for FY19

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

43. The core elements of the Trustee's work program in FY19 include: (i) financial and investment management of resources, (ii) commitments and transfers to the Agencies, (iii) infrastructure and systems support, and (iv) accounting and reporting for the financial and operational activities of the NPIF. Table 10 below shows the breakdown of the Trustee fee by services provided to the NPIF.

Table 10: Proposed Trustee Budget for NPIF FY19 (in USD)

GEF Entities and Budget Items	FY18 Approved Budget	FY18 Projection	FY19 Budget Request
Financial Management and Relationship Management	2,940	2,700	2,800
Investment Management /a	1,000	1,700	1,300
Accounting and Reporting	2,000	1,700	1,700
Legal Services	-	-	-
Total Costs	5,940	6,100	5,800

/a Investment Management fees are calculated based on a cost of 3.5 basis point against the average annual balance of the portfolio.

44. Based on the first ten-month period ended April 30, 2018 and projections for the remaining two months, the FY18 actual costs for Trustee services are expected to be \$6,100, which is \$160 or 3% higher than the approved budget of \$5,940. The increase is due largely to higher investment management fees. In FY18, NPIF liquidity balance averaged \$4.7 million, which was higher than the projection of \$4.1 million.

45. To cover its expenses for FY19, the Trustee requests a budget of \$5,800 which represents an overall decrease of \$300 or 5% compared to the FY18 estimated actual cost of \$6,100 due to lower investment management fees. The projected liquidity average in FY19 is expected to be lower than the FY18 average due to the anticipated higher level of disbursements. The actual investment management costs may vary depending on the actual average liquidity level during FY19.

ANNEX I: SELECTED SECRETARIAT DELIVERABLES

Box 1 below highlights the core work responsibilities of the Secretariat, for which budget resources are needed and requested.

Box 1: Selected Secretariat Deliverables

- Delivery of the Work Program; Programming GEF-7:** delivery of the Work Program by the Secretariat requires review, consideration and comment on hundreds of project proposals from GEF agencies, in accordance with GEF programming strategy, policies and priorities. It also involves significant upstream engagements with countries, agencies and stakeholders before the review stage is reached. Data illustrating the nature of this work, measured by transactions in the review process, is below (from GEF-6). The data totals for FY18 to date show Projects at 165, total amount at 599.3.

Project review process¹³

Projects and amount	FY15	FY16	FY17	FY18
Projects	176	176	215	165
Total amount (\$ Mil)	1,013.3	881.0	842.1	599.3

- Servicing the Conventions:** this involves multiple engagements in fulfillment of GEF's core role as a financial mechanism for five Conventions (with the recent entry-into-force of the Minamata Convention). The Secretariat reports regularly to the Conventions and GEF Council on its work to support the Conventions. In FY18, for example, there are more than 30 meetings for the UNFCCC, CBD, UNCCD, the Stockholm Convention and the Minamata Convention, including three COPS, meetings of subsidiary bodies and working groups under the Conventions, consultations and related preparatory meetings, and meetings on MEA coordination, including with the Green Climate Fund. The GEF is also called by donors to provide input and support to other agreements, including the Montreal Protocol, the UNFF and the ongoing negotiations around BBNJ (Biodiversity Beyond National Jurisdiction).
- Servicing Council and the Assembly:** this is the continuing substantive work to deliver on Council decisions, policies and priorities, as well as organizational, logistical and other work to convene the meetings and events. As an illustration, between October 2015 and November 2017, an average of about 15 major decision documents per year were developed for and approved by Council, including five new policies, together with numerous information documents and reports. These include the recently adopted Policies on Gender Equality and Stakeholder Engagement, which will require significant implementation actions to be successful.
- Servicing 18 Agencies, Enhancing Operational Efficiency:** the Secretariat convenes and coordinates active engagements with the GEF Agencies and other partners to support

¹³ The project number is the total number of unique PMIS project entries per calendar year (EAs, FSPs, MSPs, etc.) submitted to the Secretariat, and their total US\$ value. Data for FY18 is as of May 2018.

programming and policy implementation, and to maintain and enhance the operational efficiency of GEF’s work. By the conclusion of the Pilot Accreditation of GEF Project Agencies in June 2015, GEF Agencies expanded from 10 to 18. The work with this expanded group of Agencies includes review of project proposals, strategic dialogue on programming and policy, Agency retreats, periodic familiarization workshops for new Agencies, frequent consultations in the development of new GEF policies, programming directions and modalities, and cooperative actions to enhance project-cycle and operational efficiency.

- Partnership, Stakeholder and Private Sector Engagement, and Governance:** this includes engagement with the CSO Network and other members of civil society, indigenous peoples and communities, including through the Indigenous Peoples Advisory Group, the private sector, and others, in line with relevant GEF policies and the provisions in the GEF Instrument calling for transparency and consultations throughout GEF project work and operations. At the request of council members and donors, the Secretariat is also ramping up its engagement with the Green Climate Fund (GCF) on a variety of fronts ranging from efforts to increase complementarity to mainstream operational procedures across the two funds. This requires significant staff time along with travel and mission costs. As part of this work, Secretariat staff coordinates and implements the GEF Country Support Program, which convenes Expanded Constituency Workshops (ECW) and other events. These sessions build capacity and support for GEF programming and policy implementation, and strengthen engagement of civil society and recipient country in the partnership. They engage well over 1,000 participants each year.

Moreover, strategic outreach and communication provides information, transparency and greater awareness of GEF programs, operations, and policies. Over the last four years, publications, videos, articles, and other traditional communication products have resulted in a steady growth of stories and media mentions about the GEF, from 521 in FY14 to over 7000 in FY17. Further impact has been achieved through an increased investment in the GEF’s online efforts. On average, GEF has provided information to over 350,000 online users annually and raised awareness on GEF work and environmental issues among many more via GEF’s and partner’s social media channels.

Events per year – GEF Country Support Program (CSP)

Event	2015	2016	2017
ECW	13	13	13
Constituency meetings	21	21	17
National Dialogues (including NPFE)	14	4	1
Pre- Council Meetings	2	2	2
Introduction Seminars	1	1	1

ANNEX II: SPECIAL INITIATIVES

1. The discussion below reports on activities conducted in FY18 under Special Initiatives approved by Council. Table 11 provides a summary of the originally approved amount in the Special Initiative account, estimated FY18 expenses in the respective accounts, where incurred, and the available balance remaining under these initiatives through end-March 2018. The text which follows provides additional information on the establishment and purpose of each Special Initiative, and on the amount of funds (if any) used in FY18 for the purposes indicated.

Table 11: Special Initiatives

Special Initiative Name	Available at July 1, 2014 (Beginning of GEF-6)	Expenses FY14-FY17	Estimated FY18 Expenses	Estimated Available Balance for FY19
Performance Based Allocation System*	1.356	1.134	0.009	0.213
GEF Management Information System*	0.464	0.282	0.096	0.086
Results Based Management	0.408	0.395	-	0.013
Rio+20 Special Initiative	0.210	0.120	-	0.090
Total	\$ 2.438	\$ 1.930	\$ 0.105	\$ 0.402

* Repurposed for IT upgrade since FY14

Management Information System

2. In November 2005, the Council approved \$700,000 to develop a management information system to enable the GEF and its partners to improve effectiveness across all areas of GEF business operations. As indicated to Council in its Business Plan and Budget document in May 2015 (GEF/C.48/05), the Secretariat is drawing on the available balance of this Special Initiative to help implement the actions mentioned in the main paper to upgrade the GEF's IT platform, together with resources from the previous initiative and the core budget. During FY18, US\$96,060 was drawn from this account to support the development of the new GEF Portal (see main paper, above).

Performance Based Allocation System

3. Between FY04 and FY07, the GEF Council approved a total of \$1,356,000 to support either the development of a performance-based allocation system (which developed into the RAF) or to refine the RAF, including its potential application to other focal areas. As indicated to Council in its Business Plan and Budget document in May 2015 (GEF/C.48/05), the Secretariat is drawing on the available balance of this Special Initiative to support its overall IT upgrade, as described in the Business Plan, as part of further improvements to performance-based approaches to allocation of resources and programming. In FY18, the amount of US\$9,140 has been drawn from this special initiative to support the development of the GEF Portal in FY18 (see main text).

Results-based Management

4. In June 2006 (FY2007 budget) and June 2009 (FY10 budget), the GEF Council approved two special initiatives to further strengthen the GEF's capacity for RBM and learning through specific activities and studies. As indicated to Council in its Business Plan and Budget document in May 2015 (GEF/C.48/05), the Secretariat is drawing on this account to support further strengthening of RBM.

Rio+20 – Special Initiative

5. In May 2011, the GEF Council approved \$210,000 to support activities by the GEF Secretariat related to the GEF's participation in the Rio+20 Summit held in Rio de Janeiro in June 2012, including related publications. Since June 2012, the Secretariat has used funding from this special initiative to support follow-on work from the Rio+20 Conference, including staff travel to meetings relating to the SDGs and post-2015 sustainable development agenda.

ANNEX III: TRUSTEE -- FY18 REVIEW OF ACTIVITIES AND ACHIEVEMENTS

1. The World Bank as Trustee provides a range of services, broadly defined in the Instrument, in the following categories: financial and risk management; investment and cash flow management; management of GEF partner relationships and transactions; accounting and reporting; legal services; commitment and disbursement of trust fund resources; systems infrastructure and maintenance; and resource mobilization.

2. In addition to these services, additional activities supported by the Trustee in FY18 included: implementation of the GEF-6 Replenishment resolution, including working with donors to facilitate deposit of Instruments of Commitment, addressing donor inquiries regarding GEF-6 cash outlays, credits and discounts; enhancements to the internal control related to the preparation of financial statements; work with the Secretariat on policy initiatives, implementation of several Council approved policies in the context of streamlining procedures; negotiation of Financial Procedures Agreements (FPA) with the new GEF Agencies, revisions to FPA with the existing GEF Agencies, logistical arrangements and Co-Chairing of replenishment meetings, preparation of papers and studies, development of financial scenarios, exploring options for FX management including hedging, consultations with donors, and drafting the GEF-7 Replenishment Resolution.

FY18 Projected vs. Estimated Actual

3. Based on the first ten-month period ended April 30, 2018 and projections for the remaining two months, the estimated actual expenditure for FY18 for Trustee's core services is \$2.97 million, reflecting an increase of \$68,419 or 2.4% compared to the approved budget. The increase was mainly due to the increase in investment management costs which offset the decreases in financial and relationship management, accounting and reporting, and legal services costs. Expenses under Special Initiative for GEF-7 replenishment is higher by \$7,500 than budgeted primarily due to additional efforts related to exploring options for FX management. Including expenses for the GEF-7 replenishment discussions, the total FY18 expected actual is \$3.29 million, \$75,919 or 2.4% higher than the approved FY18 budget.

4. Liquidity levels are influenced by donor contributions and cash drawdown by Agencies. 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 FY18 resulted in increased liquidity of the GEF from a projected average of \$3.25 billion to \$3.54 billion, thereby increasing investment management costs.

FY17 Actual expenses

5. The actual amount of Trustee expenses incurred for FY17 was \$2.9 million including the cost of audit. This is consistent with the expected actual expenditure that was reported in the Council meeting in May 2017.