



Global Environment Facility

GEF/LDCF.SCCF.6/5
May 26, 2009

LDCF/SCCF Council Meeting
June 24, 2009

Agenda Item 6

ADMINISTRATIVE BUDGET FOR THE LEAST DEVELOPED COUNTRIES FUND (LDCF) AND THE SPECIAL CLIMATE CHANGE FUND (SCCF)

Recommended Council Decision

The LDCF/SCCF, having reviewed the document GEF/LDCF.SCCF.6/5, *Administrative Budget for the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF)*, approves the proposed budgets for the Secretariat and the Trustee:

- (a) A budget of USD 656,952 from the LDCF; and
- (b) A budget of USD 535,962 from the SCCF

1 The Least Developed Countries Fund for Climate Change (LDCF) and the Special Climate Change Fund (SCCF) were established by the GEF in accordance with the decisions of the United Nations Framework Convention on Climate Change (UNFCCC). In establishing the funds, the Council agreed that the operations and administrative costs incurred in connection with managing both the LDCF and the SCCF be kept separate from the GEF Trust Fund.

2 This paper proposes an administrative budget to cover the costs of the Secretariat and the Trustee in managing the LDCF and the SCCF for FY10.

ADMINISTRATIVE COSTS FOR THE GEF SECRETARIAT

3 The GEF Secretariat is responsible for oversight of formulation of operational policies and programming strategies of the LDCF and SCCF funds; review and processing of project proposals for CEO or Council approval; management of the portfolio of LDCF and SCCF projects; coordination with the GEF Agencies, the Trustee and the Convention Secretariat; and reporting to the Council and the Convention.

4 In June 2008, the Council approved a one year administrative budget for the SCCF and the LDCF. The budget included financing staff, consultants, travel and general operating costs necessary for the operations of these funds. It was agreed that the administrative budget, would be financed fifty percent by the LDCF and fifty percent by the SCCF. In December 2006, the LDCF/SCCF Council revised the budget to include the costs of convening the LDCF/SCCF Council meetings.

5 GEF staff responsibilities include the preparation of policy papers to respond to Convention guidance to be submitted to the Council and operational guidelines for the Agencies; development of a strategic approach to the LDCF/SCCF adaptation portfolio; extensive upstream consultations with Agencies and stakeholders on how to design and develop adaptation projects under the new funds; review of projects proposals submitted for financing from the funds; and evolving work on indicators and a monitoring (and evaluation) system. The workload associated with these funds continues to increase, and the FY10 budget includes a request for an additional professional to facilitate the work of the LDCF.

6 To cover its administrative expenses for FY10, the Secretariat requests USD 522,552 from the LDCF and USD 358,462 from the SCCF in the FY10 budget. This is a small increase over the FY09 budget (USD 180,978 for the LDCF and USD 27,188 for the SCCF).

The following tables show a breakdown of these costs.

Table 1: LDCF FY09 Administrative costs for the Secretariat			
Expense Category	FY09 Approved Budget	FY09 Expected Actual	FY10 Budget Request
	\$	\$	\$
Standard Services			
<u>Staff Costs (Salaries and Benefits)</u>			
50% 2 Senior Professionals	190,550	81,249	196,267
100% Professional	0	0	153,480
25% Professional	36,050	34,689	37,132
25% ACS	17,381	0	17,902
<u>Travel</u>	36,050	26,465	37,132
(3.5 trips @ \$10,300 trip)			
<u>Consultants</u>	7,725	2,415	25,207
<u>General Operations Costs</u>	47,638	21,659	49,067
Office Space, Equipment, and Supplies			
<u>Cost of meetings</u>	6,180	6,653	6,365
Total	341,574	173,130	522,552

Table 2: SCCF FY09 Administrative costs for the Secretariat			
Expense Category	FY09 Approved Budget	FY09 Expected Actual	FY10 Budget Request
	\$	\$	\$
Standard Services			
<u>Staff Costs (Salaries and Benefits)</u>			
50% 2 Senior Professionals	190,550	81,249	196,267
25% Professional	36,050	34,689	37,132
25% ACS	17,381	0	17,902
<u>Travel</u>	25,750	21,293	26,523
(2.5 trips @ \$10,300 trip)			
<u>Consultants</u>	7,725	2,415	25,207
<u>General Operations Costs</u>	47,638	21,659	49,067
Office Space, Equipment, and Supplies			
<u>Cost of meetings</u>	6,180	6,653	6,365
Total	331,274	167,958	358,462

LDCF AND SCCF: TRUSTEE ADMINISTRATIVE FEES

Least Developed Countries Fund

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

9 The Trustee's estimates for FY09 are currently expected to be USD 122,925, representing an increase of USD 4,125 from the FY09 approved budget of USD 118,800. The primary reason for this increase is the higher investment management costs due to higher average fund balances. These costs vary depending on the average fund balance, as the Bank's Treasury charges 3.5 basis points on the average balance. The FY09 approved budget was derived from a projected average fund balance of USD 86.0 million; however, the estimated FY09 average fund balance is now USD 114.0 million—representing an increase of USD 30.0 million from the original projection.

10 The increase in the cost of the investment management fee was partially offset by lower costs for legal expenses due to the delay of two FY09 deliverables into FY10: (1) the preparation of: Financial Procedures Agreements (FPAs) between the Trustee and the Agencies; and (2) the development of an electronic messaging system to share financial and transaction information between the Agencies and the Trustee.

11 The FPAs for the LDCF are largely based on the FPAs for the GEF Trust Fund. As the Trustee is still negotiating with the Agencies to finalize the FPAs for the GEF Trust Fund, the Trustee and Agencies have necessarily had to wait for the completion of the GEF Trust Fund FPAs before beginning the process of completing the FPAs for the LDCF. Once these FPAs have been finalized, the Trustee anticipates that the LDCF FPAs can be finalized relatively quickly.

12 The delay in the development and rollout of an electronic messaging system between the Trustee and the Agencies relates to the delay in obtaining the necessary licensing for the software. The Trustee has now submitted the purchase order for the license and expects to receive both the license and the software by the end of June 2009.

13 To cover its administrative expenses for FY10, the Trustee requests USD 134,400. This reflects a 10% overall increase from the FY09 approved budget.

14 Core elements of the Trustee work program over the coming year includes: (i) management of donor contributions; (ii) financial and investment management of resources; (iii) commitments and disbursements to the Agencies; (iv) infrastructure and systems support; (v) accounting and reporting for the financial and operational activities of the LDCF; (vi) finalization of FPAs between the Trustee and the Agencies; and (vii) development of an electronic messaging system to share financial and transaction information between the Agencies and the Trustee. Table 1 below shows the breakdown of the Trustee fee by services provided for the LDCF.

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

LDCF: Budgetary Requirements for Services Provided by the Trustee FY10 (in USD)			
Trustee Services	FY09 Approved	FY09 Expected Actual	FY10 Proposed Budget (Total)
Financial Management and Relationship Management	46,713	50,225	50,000
Investment Management a/ Accounting and Reporting	30,000	39,900	40,600
Legal Services	20,697	21,800	20,300
	21,390	11,000	23,500
Total Costs	118,800	122,925	134,400
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio; the projected average portfolio size for FY09, originally projected at USD 86 million, is now expected to be USD 114 million for FY09. The projected average portfolio size for FY10 is USD 116 million.			

Special Climate Change Fund

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

16 The Trustee's estimates for FY09 are currently expected to be USD 162,048, representing a decrease of USD 16,452 (about 9%) from the FY09 approved budget of USD 178,500. The reason for this decrease is the delay of two FY09 deliverables to FY10: (1) the preparation of the FPAs between the Trustee and the Agencies; and (2) the development of an electronic messaging system to share financial and transaction information between the Agencies and the Trustee.

17 The FPAs for the SCCF are largely based on the FPAs for the GEF Trust Fund. As with the LDCF, once these FPAs have been finalized, the Trustee anticipates that the SCCF FPAs can be finalized relatively quickly.

18 As with the LDCF, the delay in the development and rollout of an electronic messaging system between the Trustee and the Agencies relates to the delay in obtaining the necessary licensing for the software. The Trustee has now submitted the purchase order for the license and expects to receive both the license and the software by the end of June 2009.

19 To cover its administrative expenses for FY10, the Trustee requests USD 177,500. This reflects a slight decrease (1%) from the FY09 approved budget. The Trustee appraises the Council that the External Audit fee for FY10 for the SCCF is expected to be approximately \$30,000, and is included in the FY10 request.

20 Core elements of the Trustee work program over the next year for the SCCF include the following: (i) management of donor contributions; (ii) financial and investment management of resources; (iii) commitments and disbursements to the Implementing Agencies; (iv) infrastructure and systems support; (v) accounting and reporting for the financial and operational activities of the SCCF; (vi) preparation of unaudited financial statements and provision for their audit; and (vii) preparation and finalization of FPAs between the Trustee and the Implementing Agencies and Executing Agencies; and (viii) development of an electronic messaging system to share financial and transaction information between the Implementing Agencies and the Trustee. Table 2 below shows the breakdown of the Trustee fee by services provided for the SCCF.

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

SCCF: Budgetary Requirements for Services Provided by the Trustee FY10 (in USD)			
Trustee Services	FY09 Approved	FY09 Expected Actual	FY10 Proposed Budget (Total)
Financial Management and Relationship Management	56,987	50,148	50,000
Investment Management a/	25,200	30,600	31,500
Accounting and Reporting	42,597	42,300	45,000
Legal Services	23,716	9,000	21,000
External Audit	30,000	30,000	30,000
Total Costs	178,500	162,048	177,500
a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio; the projected average portfolio size for FY09, originally projected at USD 72 million, is now expected to be USD 87 million for FY09. The projected average portfolio size for FY10 is USD 90 million.			