



**GREEN
CLIMATE
FUND**

Meeting of the Board
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Administrative Budget of the Green Climate Fund for 2017

Summary

This document proposes the administrative budget for the period 2017 to support the operations of the Green Climate Fund (GCF):

The proposed administrative budget for the period from 1 January 2017 to 31 December 2017, is USD 45,666,356. Of this amount USD 3,125,835 million in staff costs was already approved under Board decision B.05/20;

The Board is requested to approve an additional allocation of USD 42,540,521 making the total allocation for 2017 to be USD 45,666,356.

I. Introduction

1. The activities of the Board, the Secretariat, and the services provided by the Interim Trustee are supported through an administrative budget approved by the Board against the funds available in the Green Climate Fund Trust Fund (GCF Trust Fund) established by the Interim Trustee.
2. This document proposes the administrative budget for the period 2017 to support the operations of the Green Climate Fund (GCF) during this period by:
 - (a) The Board;
 - (b) The Secretariat; and
 - (c) The Interim Trustee.

II. Possible action by the Board

3. It is recommended that the Board:
 - (a) Take note of the information presented in document GCF/B.15/21 titled “Administrative Budget of the Green Climate Fund for 2017”;
 - (b) Adopt the draft decision presented in annex I to this document.

III. Proposed 2017 administrative budget of the Green Climate Fund

4. The proposed administrative budget for 2017 outlines the anticipated costs of the Board, the Secretariat, and the Interim Trustee.
5. The 2017 budget has been developed in collaboration with relevant divisions and offices of the Secretariat, and has been based on their activities for 2017, and estimates provided by the interim trustee. The budget has also been reviewed by the Budget Committee and incorporates their feedback.

3.1 Summary 2017 Draft Budget

6. In total the proposed 2017 administrative budget is USD 45.7 million as set out in table 1. This represents a total increase of USD 10.3 million or 29 per cent over the approved 2016 budget for the Board, the Secretariat and the Interim Trustee.
7. Approximately 78 per cent (USD 8.1 million) of the proposed increase relates to the cost of the additional positions¹, approved by the Board at B.13 for 2017. The remaining amount of USD 2.2 million comprises a decrease of USD 0.5 million for Board expenditures, and increases of USD 2.4 million for the Secretariat budget (mainly external professional services) and USD 0.25 million for the interim trustee. Details are set out below.

¹ The budget assumes that approximately 80 staff will be on board by the end of 2016; approximately 117 by mid 2017; and 140 by the end of 2017.

Table 1. Proposed administrative budget for the period 2017 (in United States dollars)

		2016 Approved at B.12	Draft 2017 budget	Increase/ (Decrease) in 2017 draft budget over approved 2016	% change
1	Board	3,908,140 ^a	3,454,105	(454,035)	(12%)
2	Secretariat	30,560,722	41,086,011	10,525,290	34%
3	Interim trustees	875,800	1,126,240	250,440	29%
	Grand total (1+2+3)	35,344,662	45,666,356	10,321,695	29%

^a The 2016 Board budget for comparative purposes excludes the budget of USD 800,053 for the independent units. The 2017 draft budget for the independent units are presented separately for Board approval.

3.2 Board

8. The costs relating to the Board, detailed in table 2, cover expenditures associated with:
9. logistical arrangements for and travel to Board meetings;
10. Co-Chair and Board representative travel on GCF related missions;
11. inter-sessional meetings of Board committees, panels and working groups; including the costs of the Accreditation Panel (AP) and the Technical Advisory Panel (TAP); and

Table 2. Board: Proposed administrative budget for the period 2016 (in United States dollars)

		2016 Approved at B.13	2017 budget	Increase/ (Decrease) in 2017 draft budget over approved 2016	% change
1.1	Board meetings				
1.1.1	Board representative travel ^a	1,056,000	1,087,680	31,680	3%
1.1.2	Secretariat staff travel ^b	260,000	267,800	7,800	3%
1.2.3	Venue and logistics	380,000	391,400	11,400	3%
	Sub-total: Board meetings	1,696,000	1,746,880	50,880	3%
1.2	Co-Chair and Board representative travel				
1.2.1	Co-Chair and Board representative travel	22,500	23,175	675	3%
	Sub-total: Co-Chair and Board representative travel	22,500	23,175	675	3%
1.3	Board committees, panels and working groups				
1.3.1	Board representative travel ^c	317,000	326,510	9,510	3%
1.3.2	Venue and logistics	10,000	10,300	300	3%



1.3.3	Compensation of Board panels: Accreditation Panel	588,000	605,640	17,640	3%
1.3.4	Compensation of Board panels: Technical Advisory Panel ^d	720,000	741,600	21,600	3%
	Recruitment of consultant company - Heads of Accountability Units ^e	254,640	-	(254,640)	(100%)
	Recruitment of the Executive Director	300,000	-	(300,000)	(100%)
	Sub-total: Board committees, panels and working groups	2,189,640	1,684,050	(505,590)	(23%)
	Grand total (1+2+3)	3,908,140	3,454,105	(454,035)	(12%)

^a 12 Board members, 12 alternate members and 24 advisers to attend each per meeting.

^b Assuming 40 Secretariat staff members for the Board meeting held away from the headquarters of the GCF.

^c Assumes six members of the AP and TAP travelling to three Board meetings per year in addition to 3 one week missions for pre-Board technical session; two AP members making six site visits; and three Private Sector Advisory Group (PSAG) meeting.

^d Assumes six panel members working an average of 10 days per month

^e Assumes six panel members working an average of 12.5 days per month

^f Assumption is made for the purpose of budgeting and does not preempt Board decisions on either the number or venue of meetings in 2017.

12. In aggregate, the proposed budget for the Board in 2017 shows a decrease of USD 0.45 million or 12 per cent over the 2016 approved budget. This represents a decrease of USD 0.55 million required in 2016 for the recruitment of the Executive Director and the Head of the Accountability Units but not needed in 2017. In addition, an increase of 3%, amounting to USD 0.1 million, is proposed for other line items over the 2016 budget. The proposed increase of 3% is in line with standard budget practice.

13. The costs associated with the meetings logistics have been budgeted on the assumption that there will be three Board meetings in 2017 together with an informal meeting and that three of the four meetings will be held at the Fund's Headquarters, with the other meeting held outside of Headquarters ^f.

14. The costs associated with Board committees, panels and working groups are budgeted in line with the 2016 expected costs. In addition, AP members will again be expected to undertake site visits in 2017. As in 2016, virtual meetings will be the preferred mode of operation.

15. The draft 2017 budget of the Independent Units will be presented separately to the Board for approval.

3.3 Secretariat

16. The proposed budget for the Secretariat is set out in table 3. It includes the costs for staff, consultancies, travel and operational/contractual services required to support the expected work plan of the GCF for 2017.

Table 3. Secretariat: Proposed administrative budget for the period 2017 (in United States dollars)

		Approved at B.12	Draft 2017 budget	Increase/ (Decrease) in 2017 draft budget over approved 2016	% change
2.1	Salaries and consultants				
2.1.1	Full-time staff	15,711,457	23,766,501	8,055,044	51%
2.1.3	Consultancies	4,038,910	3,866,920	(171,990)	(4%)
	Sub-total	19,750,367	27,633,421	7,883,054	40%
2.2	Travel				
2.2.1	Travel	1,569,500	1,946,450	376,950	24%
	Sub-total	1,569,500	1,946,450	376,950	24%
2.3	Contractual services, general operating, information technology costs				
2.3.1	Office utility costs	300,000	360,000	60,000	20%
2.3.2	Contractual services	4,117,000	5,936,400	1,819,400	44%
2.3.3	Other Operating costs	475,000	500,000	25,000	5%
2.3.4	Communication and printing	315,000	315,000	-	0%
2.3.5	Information and communication technology	3,183,855	3,502,241	318,386	10%
2.3.6	Depreciation	850,000	892,500	42,500	5%
	Sub-total: Contractual services, general operating, information technology costs	9,240,855	11,506,141	2,265,286	25%
	Grand total (1+2+3)	30,560,722	41,086,011	10,525,290	34%

17. **Staffing:** Decision B.12/27 noted that “the current workload is being carried out by a complement of 56 regular Secretariat staff and approximately 33 long term consultants and acknowledges that this situation is unsustainable and should be addressed as a priority”.

18. It further noted the need to increase the number of regular staff in the Secretariat to an approximately total of 100 by the end of 2016 and to further increase to a total of approximately 140 by the end of 2017, taking into account the ability of the Secretariat to recruit and absorb the increasing staff numbers, following the appropriate processes. Further details on staffing are provided in the Board paper GCF/B.15/14 titled ‘Staffing of the Secretariat’.

19. The staffing budget has been prepared on the assumption that approximately 80 staff will be on board by the end of 2016; approximately 117 by mid-2017; and 140 staff will be on board by year end. This has resulted in an increase of USD 8.1 million or 51 percent in the budget for staffing costs for 2017 over the 2016 budget.

20. The Board, by its decision B.05/20, approved the budget covering staff salaries and emoluments for the three-year contract period as follows:

- a) For 2015: USD 12,042,101;
 - b) For 2016: USD 12,403,364; and
 - c) For 2017: USD 3,125,835.
21. The total salaries budget requested for 2017 is USD 23,766,501, of which USD 3,125,835 has already been approved, as noted above. An additional amount of USD 20,640,666 will therefore be required to cover the difference between the amount already approved and the proposed budget for staff.
22. **Consultancy costs** comprise the hiring of individual consultants. Professional service firms who provide consultancy services are budgeted under the line item contractual services. Individual consultancies are made up of full time consultants based in Songdo (staff consultants) for periods of three months upwards and consultants who provide services remotely on a call basis.
23. Consultants are budgeted at USD 3.8 million of which staff consultants comprise USD 2.6 million and remote consultants USD 1.2 million. Staff consultants in 2017 are required for two reasons; firstly to provide continuity when new full time staff are recruited so as to provide a smooth transition and secondly to provide a staff function where the staff positions have yet to be filled. As the Secretariat becomes fully staffed we would expect a large decrease in the number of staff consultants at the Secretariat leading to a significant reduction in budget in future years.
24. Time sheet consultants are required to provide additional expertise in technical areas where the relevant division does not propose to hire staff itself.
25. In total consultancy costs decrease by USD 0.2 million or 4 percent on the 2016 budget. As noted above it is anticipated that as the Secretariat further staffs up that these costs will continue to decrease in future years.
26. **Travel:** Staff travel is budgeted at USD 1.9 million. The increase of USD 0.38 million or 24 percent over the 2016 budget reflects the fact that staff will be required to undertake missions for outreach and awareness-raising as needed in countries and partner institutions and also takes into account the large increase in the staffing levels in 2017. At the same time it takes into account the increasing awareness within the GCF Secretariat for staff to conduct business through virtual meetings wherever possible.
27. **Utility costs** are estimated at USD 0.4 million. These comprise utility costs for the headquarters seven floors which will be occupied by GCF in 2017. The reason for the increase is that the GCF will occupy an extra two floors in G Tower in 2017 to accommodate the additional staff.
28. **Contractual services** are budgeted at USD 5.9 million. This represents the cost of contracting consultancy firms to supplement the substantive work programme of the Secretariat in 2017.
29. USD 2.1 million of the requested USD 5.9 million are for 2017 projects which will not be recurring in future years. These include the Development of Risk Policies/Rating Methodology; Advice on Strengthening the Internal Capacity of the Secretariat; human resource professional recruitment firms; development of Co-financing Schemes; research on the Establishment of the Replenishment Process; Review of Contribution Policy;
30. Approximately USD 1.6 million are for projects which were approved in the 2016 budget but not implemented in 2016. These are the development of day to day manuals and guidelines for operations and risk; and the costs to support the establishment of costs of entities to establish a pilot programme to support micro-, small-, and medium- sized enterprises (MSMEs),

and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation;

31. As the capacity of the Secretariat increases we would expect further decreases in future years as the some of the outsourced work can be done in house.
32. The main components and outputs by operating division are as follows:
 - (a) The Country Program Division budget includes an amount for USD 1.0 million for professional services to assess applications for accreditation, to prepare an annual report on the global state on readiness for climate finance; and to support analytics and compilation of reports for country and entity programs.
 - (b) The USD 1.4 million budgeted under Office of the General Counsel comprises an amount of USD 1 million for external legal due diligence, review and drafting of Funded Activity Agreements and related project documentation (subscription agreements, deeds of incorporation, shareholders agreements, etc), advice on local laws and the issuance of legal opinions. These services will as a rule need to be rendered after the Board has approved a Funding Proposal. In addition, USD 0.4 million is requested for legal advice on institutional matters (both international and Korean law firms) where the Secretariat does not have the in-house expertise and for translation services.
 - (c) The Private Sector Facility budget includes an amount of US\$ 0.6 million for the provision of technical advisory services. PSF will launch RFP Programmes in 2017 to establish a pilot programme to support micro-, small-, and medium- sized enterprises (MSMEs), and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation. The division will need to strengthen its internal capacity to launch, implement and review the CNs/FPs received under these programmes.
 - (d) The M&A budget includes an amount of USD 0.4 million for the provision of technical advisory services. The increasing amount of funding proposals, CNs, EDAs, PPFs will require additional capacities to conduct second level due diligence, technical and compliance reviews. The M&A division foresees receiving support from specialized firms for conducting part of the review process allowing the division to manage a larger number of proposals for more specialized areas which may not be covered by the professional profile of the new staff that will be joining the team during the next three-six months
 - (e) The Office of Risk Management budget includes an amount of USD 1.3 million for the development of comprehensive risk policies/rating methodology and for other consulting services requiring a third party opinion.
 - (f) Division Support Services/CFO includes an amount of USD 1.2 million for a range of services which includes: Advice on strengthening the internal capacity of the Secretariat; human resource professional recruitment firms; development of Co-financing Schemes; Research on the Establishment of the Replenishment Process; Review of Contribution Policy; and audit services.
33. **Other operating costs:** Miscellaneous costs such as office supplies, bank charges, insurance, in-house workshops, etc. amounting to USD 0.5 million has been proposed.
34. **Communication:** The communications work in 2017 will focus on two overarching goals: firstly to raise awareness and encourage, support and promote collaboration among key stakeholders of the GCF, and secondly to use communications to achieve the objectives of the GCF. In line with the Board Decision B.13/25 (e) a proposal on Secretariat staffing for communications and outreach is still in the process of being drafted and will be presented to the

Board once it has been reviewed by the Budget Committee. The 2017 budget for communications is being held at the 2016 level.

35. **Information and communication technology (ICT):** The 2017 budget is based on best practices for organizations operating in the Public Sector. For example, a metric derived from the Gartner benchmark estimates average ICT costs for organizations operating in the Public Sector. Gartner’s applicable ICT budget benchmark for national/international governmental organizations such as the GCF is 11.7 per cent of corporate total. For 2017, the IT systems budget, excluding staffing costs, is USD 3.5 million together with a depreciation charge of USD 0.85 million.

36. The primary focus will be to continue the implementation of systems (set out below) previously begun in 2016. The most important projects are:

- An investment management portfolio system;
- Monitoring and Evaluation management system
- Readiness and partnering systems & tools;
- A Contributions and Cash Management system;
- A Risk and Quality management system; and
- Document management tool.

37. **Depreciation:** Includes the annual depreciation costs for systems developed in 2015 and 2016:

- (a) Software and hardware;
- (b) Board room equipment; and
- (c) Computer equipment.

3.4 Interim Trustee

38. The administrative budget for the Interim Trustee in table 4 includes the estimated costs and expenses of the International Bank for Reconstruction and Development (the World Bank) for the Interim Trustee services of the GCF as estimated by the Interim Trustee. Actual costs for 2017 will depend on the level of services required.

Table 4. Interim Trustee: Estimated costs and expenses for the period 2017 (in United States dollars)

INTERIM TRUSTEE BUDGET 2017				Increase/ (Decrease) in 2017 draft budget over approved 2016	% change
		2016 budget	2017 budget		
3.1	Financial and program management				
3.1.1	Staff costs and expenses	304,800	320,040	15,240	5%
3.1.2	Travel	48,400	48,400	-	0%
	Sub-total: Financial and program management	353,200	368,440	15,240	4%



3.2	Investment Management	262,500	595,000	332,500	127%
3.3	Accounting and reporting				
3.3.1	Staff costs and expenses	55,000	33,000	(22,000)	(40%)
3.3.2	External Audit	50,000		(50,000)	(100%)
	Sub-total: Accounting and reporting	105,000	33,000	(72,000)	(69%)
3.4	Legal services				
3.4.1	Staff costs and expenses	106,700	95,700	(11,000)	(10%)
3.4.2	Travel	48,400	34,100	(14,300)	(30%)
	Sub-total: Legal services	155,100	129,800	(25,300)	(16%)
	Grand total (1+2+3)	875,800	1,126,240	250,440	29%

39. **Financial and program management:** These items cover: processes and procedures relating to all aspects of financial transactions; management and processing of contributions, including negotiation and execution with contributors, all banking, foreign exchange, payment requests and acknowledgements; executing cash transfers to recipients; regular financial reporting and activities related to preparation of financial statements and external audit. It also includes responding to day-to-day enquiries from Secretariat, Contributors and other Green Climate Fund constituencies and stakeholders, and ad hoc advisory services to the Secretariat on specific issues, as requested. The level of effort required for these items is expected to remain at or slightly above that required in 2016. The increase is in line with staff salary increases.

40. **Investment management:** The World Bank Group charges a flat fee of 3.5 basis points (0.035%) of the estimated average annual undisbursed balance in the GCF Trust Fund for investment management services for trust funds. For the purpose of the budget estimate only the interim trustee has used the GCF Secretariat's assumed average balance of USD 1.7 billion for CY2017. This represents a significant increase over the estimated average balance for 2016 (USD 750 million estimated at time of budget preparation; however 2016 average to date has been approx. USD 1.3 billion). The actual fee will depend on the actual average balances in the GCF Trust Fund during 2017, which may be higher or lower than this estimate.

41. **Accounting and reporting:** This item includes maintenance of appropriate records and accounts to identify contributions and other receipts and GCF Trust Fund liabilities. The decrease in budget reflects the decision by the GCF not to request separate audited financial statements for the GCF trust fund. **Legal services:** These items include the preparation of contribution agreements/arrangements with contributors and other agreements and arrangements as required, including with the GCF, and review of documents of the GCF given their impact on the role of the Interim Trustee. The expectation in 2017 is that there will be a decrease in legal services from the interim trustee.

Annex I: Draft decision of the Board

The Board, having reviewed document GCF/B.15/21 titled “Administrative Budget of the Green Climate Fund for 2017”:

- (a) Notes, that for the period 1 January 2017 to 31 December 2017, USD 3,125,835 in staff costs was approved by Board decision B.05/20; and
- (b) Approves an additional administrative budget of the Green Climate Fund for the period from 1 January 2017 to 31 December 2017 in the amount of USD 42,540,521 making the total approved administrative budget for CY 2017 to be USD 45,666,356



Annex II: Administrative Budget of the Green Climate Fund for 2017

Administrative Budget of the Green Climate Fund for 2016		
		Approved budget 2017
1	Board	
1.1	Board meetings	1,746,880
1.2	Co-Chair and Board representative travel	23,175
1.3	Board committees, panels and working groups	1,684,050
	Sub-total: Board	3,454,105
2	Secretariat	
2.1	Salaries and consultants	27,633,421
2.2	Travel	1,946,450
2.3	Contractual services, general operating, information technology costs	11,506,141
	Sub-total: Secretariat	41,086,011
3	Interim Trustee	1,126,240
	Grand total	45,666,356