

Green Climate Fund

Revised administrative budget of the Interim Secretariat and the Interim Trustee (for the period up to 31 October 2012)

GCF/B.01-12/08/Rev.02

25 August 2012

Meeting of the Board

23-25 August 2012

Geneva, Switzerland

Agenda item 9



Recommended decision of the Board

The Board:

- (a) Approves the administrative budget to cover the expenditures incurred during the period up to 30 June 2012, as presented in document GCF/B.01-12/08/Rev.02;*
- (b) Approves the administrative budget proposed for the period 1 July to 31 October 2012, in the amounts set forth in Table 1 of document GCF/B.01-12/08/Rev.02;*
- (c) Decides that the full costs of travel and daily subsistence allowance¹ of the Board members and alternate members from eligible developing countries² to attend Board meetings, or any ancillary meetings decided by the Board, will be provided from the budget of the Fund;*
- (d) Authorizes the International Bank for Reconstruction and Development (the World Bank) as the Interim Trustee for the Green Climate Fund to make cash transfers from the Green Climate Fund Trust Fund for the Interim Secretariat through the UNFCCC and the GEF secretariats, and to the World Bank as the Interim Trustee, up to the total amounts specified in Table 1, subject to the availability of resources in the Green Climate Fund Trust Fund and adjustment based upon revised costs and expenditures to be incurred;*
- (e) Takes note of the funds provided by Denmark, Germany, Norway, Spain, Switzerland and the United States of America in agreeing to carry-over the unspent balance from contributions originally made to support the work of the Transitional Committee and of pledges made by Denmark and Germany for contributions to the administrative budget;*
- (f) Requests the Interim Secretariat and the Interim Trustee to present to it at its next meeting the refined administrative budget in a revised format.*

¹ The rules applicable to travel of United Nations staff will be followed until the Board adopts the travel policy for the Fund and its officials.

² UNFCCC rules for determining eligibility of developing countries for availing the support for travel will be applied until the Board adopts the travel policy for the Fund.

Executive summary

The Board, having reviewed document GCF/B.01-12/08/Rev.02 *Revised administrative budget of the Interim Secretariat and the Interim Trustee (for the period up to 31 October 2012)* approves the administrative budget as proposed;

Requests the Interim Secretariat to ensure that it has the necessary human resources and facilities to support the Board in implementing its work plan, subject to availability of resources;

Authorizes the International Bank for Reconstruction and Development (the World Bank) as the Interim Trustee for the Green Climate Fund to make cash transfers for the Interim Secretariat through the UNFCCC and the GEF secretariats, and to the World Bank as the Interim Trustee, up to the total amounts specified in Table 1, subject to the availability of resources in the Green Climate Fund Trust Fund and adjustment based upon revised costs and expenditures to be incurred.

Table 1: Contributions and expenditures (1 January-31 October 2012)

All amounts in USD			Source of funds	
			Transitional Committee carry-over (with the UNFCCC secretariat)	Green Climate Fund Trust Fund (with the Interim Trustee)
1. Cumulative contributions			1,318,859	798,800
2. Total expenditures incurred up to 30 June 2012		855,219		
2.a. Interim Secretariat	580,923		380,923	200,000
2.b. Interim Trustee	274,296			274,296
3. Estimated expenditures: 1 July 2012-31 October 2012		1,261,936		
3.a. Interim Secretariat	1,146,936		937,936	209,000
3.b. Interim Trustee	115,000			115,000
4. Total (2+3)		2,117,155	1,318,859	798,296
5. Funds available (1-4)			0	504

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Revised administrative budget of the Interim Secretariat and the Interim Trustee (for the period up to 31 October 2012)

I. Introduction

1. According to decision 3/CP.17 of the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC), the Interim Secretariat is requested to provide technical, administrative and logistical support to the Board until the independent Secretariat of the Green Climate Fund is established.
2. Decision 1/CP.16 invites the World Bank to serve as the Interim Trustee for the Fund.
3. Arrangements for the Interim Secretariat and the Interim Trustee are presented in documents GCF/B.01-12/05 and 07, respectively.

II. Budget and expenditures of the Interim Secretariat and the Board

2.1 Expenditures incurred during the start-up phase (1 January–30 June 2012)

4. The start-up phase, encompassing the establishment and initial operations of the Interim Secretariat, covered the first six months of 2012. The budget needs and subsequent expenditures incurred were assessed on the basis of the expected amount of work needed to support the Board before and during its first, and partly also its second meeting. As neither of these Board meetings took place during this time, expenditures were less than what was initially envisaged.
5. Activities during the start-up phase included the groundwork in terms of the administrative and facility arrangements necessary for the full operation phase. The Interim Secretariat has been working since January 2012 on the preparations for the first meeting of the Board, driven by the objective of supporting the Board in making fast progress in operationalizing the Fund.
6. While the first Board meeting will be mainly organizational in nature, it is anticipated that the Board will agree on the substantive work plan for the Board covering the period up to 30 June 2013. The second meeting of the Board would then aim at concluding a decision on the selection of the host country for the Fund and start deliberations on the strategies, policies, guidelines and procedures, guided by the provisions of the Governing Instrument. Given the time required to make the necessary arrangements, including for staffing, the expenditures incurred during the start-up phase included some preparatory activities so that the Interim Secretariat could respond expeditiously and effectively to Board requests for substantive support.

2.1.1 Deliverables in the start-up phase

7. In preparation for the first Board meeting, the Interim Secretariat prepared the following documents that address both substantive and administrative matters:

- (a) Additional rules of procedure of the Board;
- (b) Arrangements for observer participation in the Board meetings;
- (c) Work plan of the Board;
- (d) Arrangements for the Interim Secretariat;
- (e) Selection of the head of the Interim Secretariat;
- (f) Administrative budget of the Interim Secretariat and the Interim Trustee;
- (g) Selection of the host country of the Fund; and
- (h) Roles and responsibilities of the Board.

8. In addition, the Interim Secretariat has been working with the World Bank on the trustee arrangements for the Fund. It undertook consultations with civil society and the private sector representatives on the arrangements for observer participation and with experts from United Nations agencies, multilateral development banks and international and other financial institutions on the scope of the work required to operationalize the Fund.

9. Furthermore, it has been making the logistical and administrative arrangements for convening and conducting the first and preparations for the second Board meetings. This included the design and content development of a website and the publication of the Governing Instrument for the Fund. The dedicated website <GCFund.net> provides some basic information about the Fund to the general public and has been used to disseminate formal documentation to Governments, experts and other stakeholders.

2.1.2 Staffing arrangements for, and expenditures incurred during, the start-up phase

10. The Interim Secretariat needs to be staffed with experts having adequate and relevant expertise to respond to Board requests in an expedited manner and help the Board to implement its work plan. Initial staffing arrangements for the Interim Secretariat were made by the UNFCCC and GEF secretariats, which assigned staff on a full or part-time basis. The assigned staff focused on the preparations for the first and second Board meetings, using substantive, administrative and logistical support through additional staff from the UNFCCC and GEF secretariats.

11. In addition, the Interim Secretariat hired consultants to provide short-term assistance for some of the preparatory and planning work. This enabled the Interim Secretariat to draw upon specialized legal and technical expertise in preparing the draft work plan and in initiating the work on terms of reference of staff and consultants to be hired to support the full operation phase. Furthermore, the Interim Secretariat organized a limited number of informal consultations with leading experts and key stakeholders to ensure that the work done is of the highest quality.

Table 2: Expenditures incurred during the start-up phase of the Interim Secretariat (1 January–30 June 2012)

Activities	Estimated amount (USD)
Arrangements for substantive preparations of the first Board meeting <ul style="list-style-type: none"> ○ Initial staffing of the Interim Secretariat: full- and part-time ○ Cross-support from the UNFCCC and GEF secretariats ○ Consultants 	428,959
Costs of staff travel and relating to expert consultations and stakeholder meetings	112,730
General services, communications and printing	39,234
Total	580,923

12. Annex I presents in more detail the expenditures incurred by the Interim Secretariat during the initial six months of operations (January–June 2012).

2.2 Estimated budget for the period 1 July 2012–31 October 2012

13. An estimated budget is presented below for the four months covering the period 1 July 2012–31 October 2012.

2.2.1 Main deliverables

14. During this period, the Interim Secretariat will support the Board's second meeting in Songdo, Republic of Korea, by preparing documents for the following agenda items:

- (a) Summary of activities of the Co-Chairs;
- (b) Summary of activities of the Interim Secretariat;
- (c) Additional rules of procedure (including accreditation of observers and arrangements for active observers);
- (d) Selection of the host country of the Fund;
- (e) Arrangements for establishing the independent Secretariat, including the selection of the Executive Director;
- (f) Arrangements for the Interim Trustee;
- (g) Long-term work plan of the Board (addressing work and providing background on the business model, strategic priorities, private sector facility, direct access and other matters) with the view to fully operationalizing the Fund;
- (h) Administrative budget of the Interim Secretariat and the Interim Trustee;
- (i) Status of resources of the Fund;
- (j) Report to the COP.

15. The Interim Secretariat will also provide logistical support to the second meeting and liaise with the host country of the meeting on the appropriate arrangements to be made. It will also arrange for meetings of the committee established to evaluate the offers for hosting the Fund and support its work.

Table 3: Estimated budget for the period 1 July 2012–31 October 2012

Activities	Estimated amount (USD)
Preparation of policy documents for the second Board meeting	367,000
Costs of organizing Board and other meetings	578,000
Administrative and support costs	201,000
Total	1,146,000

16. Annex II provides more detailed information on the estimated budget for the four month-period of activities of the Interim Secretariat and the Board.

III. Interim Trustee cost incurred (up to 30 June 2012) and estimated (1 July–31 October 2012)

17. This section presents the costs incurred up to 30 June 2012 and estimate of costs and expenses of the International Bank for Reconstruction and Development (the World Bank) for services to be provided to the Fund as Interim Trustee, for the four month period from 1 July 2012 until 31 October 2012. This amount is an estimate of the fees, costs and expenses, based on the design of the Fund as outlined in decision 3/CP.17 and the Governing Instrument.

18. The estimated budget for the period 1 July–31 October 2012 amounts to USD 115,000. This is based on a pro-rata amount of the costs and expenses estimated for the full fiscal year and will be subject to adjustment based on the revision of the costs and expenses incurred by the Bank in the provision of such services up to that date.

19. The costs and expenses incurred for the provision of the Interim Trustee services to the Fund for the period up to 30 June 2012 amounted to USD 274,296. Deliverables during this period included:

- (i) Approval by the World Bank's Executive Directors of establishment the Green Climate Fund Trust Fund as a Financial Intermediary Fund (FIF) at the World Bank;
- (ii) Establishment of the Green Climate Fund Trust Fund, capable of receiving contributions, holding and investing them, and transferring them at the instruction of the Board;
- (iii) Preparation of the document *Arrangements for the Interim Trustee* outlining the proposed Interim Trustee services, for approval by the Board;
- (iv) Preparation of draft Standard Provisions for Contribution Agreements, and legal agreement for the transfer of funds relating to the Interim Secretariat, for approval by the Board;

- (v) Draft Contribution Agreements provided to Parties that had contacted the Interim Secretariat to express an interest in contributing to the Green Climate Fund Trust Fund;
- (vi) Execution of Contribution Agreements with two contributors to receive funds to the Green Climate Fund Trust Fund;
- (vii) Preparation of the legal agreement for the transfer of funds to the UNFCCC secretariat for costs relating to the Interim Secretariat and the first transfer of funds made to GEF secretariat for same;
- (viii) Preparation of the first Green Climate Fund Trust Fund Financial Status Report; and
- (ix) Preparation of the budget estimates for the Interim Trustee.

Table 4: Interim Trustee costs and expenses up to 30 June 2012, and estimate for 1 July-31 October 2012

Service ¹	Set-up (up to 30 June 2012)	1 July 2012-31 October 2012
Financial and programme management	204,181	70,000
Investment management ²	0	0
Accounting and reporting	27,975	5,000
Legal services	42,140	40,000
Information technology systems ³	0	0
Total	274,296	115,000
<u>Notes:</u>		
¹ Estimates have been rounded up to the nearest \$'000.		
² Investment management amount assumes a negligible average balance during the period.		
³ To be determined based on the Fund design.		

20. The Interim Trustee costs include all indirect costs, overhead expenses and travel.
- (a) **Financial and programme management:** This will cover costs for:
- (i) Establishment of the Green Climate Fund Trust Fund as a Financial Intermediary Fund at the Bank able to receive contributions and disburse funds according to Board instructions;
 - (ii) Establishment of Interim Trustee processes and procedures relating to financial transactions;
 - (iii) Development and implementation of procedures for recording allocations and commitments by the Board;
 - (iv) Management of the contribution receipt process, including all banking, foreign exchange, payment requests and acknowledgements, etc;
 - (v) Executing cash transfers; and

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- (vi) Regular financial reporting.
- (b) **Investment management:** Investment management of undisbursed balances in the Trust Fund is carried out by the Bank's Treasury Department according to Bank policies and procedures for investment management. Fees for this service are calculated based on a fixed cost of 3.5 basis points (0.035 %) of the average annual undisbursed balance in the Trust Fund (i.e. contributions, investment income and other receipts, less cash transfers out of the Trust Fund). For the purpose of estimating an investment management fee up to 31 October 2012, it is assumed the average undisbursed balance will be negligible. It is acknowledged that the average undisbursed balance is unknown at this point, will depend on amounts from contributors, and reflects information received by the Bank suggesting that a pledging session is expected in mid-2013. Actual investment management fees will depend on the actual undisbursed balances in the Trust Fund;
- (c) **Accounting and reporting:** Costs are based on the management of the accounting model for the Green Climate Fund Trust Fund; maintenance of appropriate records and accounts to identify contributions and other receipts and Green Climate Fund Trust Fund liabilities, preparation of financial statements, and arrangement of an annual audit. It is expected that the Green Climate Fund Trust Fund will be included in the Bank's Single Audit. As the Board has yet to finalize audit requirements, the accounting cost estimate will be subject to adjustment once the requirements are finalized. If preparation of independent financial statements and an additional external audit will be required, there will be additional costs;
- (d) **Legal services:** These will cover the costs of preparing contribution arrangements with contributors and other agreements and arrangements as required, including with the Fund and implementing agencies; and legal review of Fund governance documents as they impact the role of the Bank as Interim Trustee;
- (e) **Information technology systems:** Estimated costs include necessary enhancements to existing Bank financial information technology systems but do not include new accounting or financial systems development. These additional requirements will need to be assessed at a later date based on Fund's requirements;
- (f) **Travel costs:** Travel costs are included in the estimates contained in a) and d) above, and assume participation in the first two Board meetings by: 1) up to two Interim Trustee representatives handling financial and programme management, investment management, accounting and reporting services; and 2) one Interim Trustee representative providing legal services.

Annex I: Expenditures incurred by the Interim Secretariat in the period 1 January–30 June 2012

PERSONNEL	USD
<u>Full-time staff assigned</u>	
Senior Manager, Policy Specialist, Programme Assistant	174,080
<i>Subtotal (full-time staff assigned)</i>	<i>174,080</i>
<u>UNFCCC secretariat support staff assigned</u>	
Includes administrative officer, documents and process management, and central administrative support in the areas of travel, human resources, finance and budget and procurement and general services	64,823
<i>Subtotal (UNFCCC secretariat support staff assigned)</i>	<i>64,823</i>
<u>GEF secretariat staff assigned</u>	
Head of operations and business strategy (12.5%)	154,908
Team leader, climate change (12.5%)	
Senior advisor (12.5%)	
Operations officer (20%)	
Finance officer (5%)	
Climate change programme manager (5%)	
<i>Subtotal (GEF secretariat staff assigned)</i>	<i>154,908</i>
<i>Consultants, including fee and travel costs</i>	35,148
<i>Subtotal (Consultants, including fee and travel costs)</i>	<i>35,148</i>
Subtotal (Personnel)	428,959
<u>COST OF TRAVEL AND CONSULTATIONS</u>	
Interim Secretariat staff and cross-support staff travel and cost of consultations with experts and stakeholders	112,730
Subtotal (Cost of travel and consultations)	112,730
<u>GENERAL SERVICES, COMMUNICATIONS AND PRINTING</u>	
Office space, equipment, supplies, website set-up, printing of brochures	39,234
Subtotal (General services, communications and printing)	39,234
GRAND TOTAL	580,923

Annex II: Estimated budget of the Interim Secretariat for the period 1 July 2012–31 October 2012

PERSONNEL	USD
<u>Full-time staff assigned¹</u>	
Senior manager	62,000
Policy specialist	45,000
Programme assistant	27,000
<i>Subtotal (full-time staff assigned)</i>	<i>134,000</i>
<u>UNFCCC secretariat support staff assigned²</u>	
Administrative officer (100%)	45,000
Documentation and process management officer (33%)	15,000
Conference and logistical support assistant (33%)	9,000
Travel and human resources support assistant (33%)	9,000
<i>Subtotal (UNFCCC secretariat support staff assigned)</i>	<i>78,000</i>
<u>GEF secretariat staff assigned³</u>	
Head of operations and business strategy (25%)	40,000
Team leader, climate change (25%)	40,000
Operations officer (25%)	22,000
Finance officer (10%)	8,000
<i>Subtotal (GEF secretariat staff assigned)</i>	<i>110,000</i>
Consultants⁴	150,000
<i>Subtotal (Consultants)</i>	<i>150,000</i>
Subtotal (Personnel)	472,000
TRAVEL AND DSA	
Interim Secretariat staff and cross-support staff	110,000
Eligible Board members (12 + 12 alternates) – two meetings	408,000
Inter-sessional committees and panel meetings	60,000
Subtotal (Travel and DSA)	578,000
GENERAL SERVICES AND LOGISTICS	
Office space, equipment and supplies	30,000
Communications	6,000
Information technology	60,000
Subtotal (General services)	96,000
GRAND TOTAL	1,146,000

¹ UNFCCC standard salary costs have been used.

² UNFCCC standard salary costs have been used.

³ GEF standard salary costs have been used, which includes the basic salary plus overhead costs.

⁴ 300 consultancy days at an average cost of USD 500 per day.