

Green Climate Fund

**Administrative Budget of the
Green Climate Fund (for the
period from 1 November 2012 to
31 December 2013)**

GCF/B.02-12/06/Rev.01

19 October 2012

Meeting of the Board

18-20 October 2012

Songdo, Republic of Korea

Agenda item 9

Recommended action of the Board

It is recommended that the Board:

- (a) Adopts the decisions set out in Annex I;
- (b) Encourages any country that may wish to do so to make financial contributions in support of the work of the Green Climate Fund.

Administrative Budget of the Green Climate Fund (for the period from 1 November 2012 to 31 December 2013)

I. Introduction

1. The activities of the Board, Interim Secretariat and Interim Trustee are supported through an administrative budget approved by the Board. This budget is approved against the funds available in the Green Climate Fund Trust Fund (GCFTF) established by the Interim Trustee.
2. This document proposes the administrative budget for the period from 1 November 2012 to 31 December 2013 to support the operations of:
 - (a) the Board;
 - (b) the Interim Secretariat; and
 - (c) the Interim Trustee.
3. When the Board met at its first meeting in Geneva, Switzerland, from 23 to 25 August 2012, sufficient resources were not available in the GCFTF to cover the estimated administrative expenses of the Board, Interim Secretariat and Interim Trustee for the full fiscal year, 1 July 2012–30 June 2013. At that stage, the Board approved budgets for administrative expenses covering the shorter period 1 July 2012–31 October 2012. This constrained the ability of the Interim Secretariat to build sufficient capacity to support the Board beyond 31 October 2012.
4. Paragraph 8 below and the quarterly financial report as at 30 September 2012 (document GCF/02-12/Inf.02) outline that unallocated funds currently available in the GCFTF total US\$ 2.10 million. This level of resourcing is insufficient to fund the proposed administrative budget for the period from 1 November 2012 to 31 December 2013 as set out in this document (Table 2). It is proposed that the Board approves the budget with the clear provision that cash transfers would only be made by the Interim Trustee if funds are available for transfer from the GCFTF. The Interim Secretariat would only incur obligations against contributions received. This would allow the Interim Secretariat to recruit suitably qualified personnel for the coming 14 months, which is considered critical to supporting the Board in carrying out the work envisaged in its work plan (document GCF/B.02-12/03). A number of donor pledges have been formally made and contribution agreements signed. Therefore, additional resources are expected, as set out in paragraph 8 below.

1.1 Status of financial resources

1.1.1 Pledges and contributions

5. As at 30 September 2012:
 - (a) US\$ equivalent 6.07 million had been pledged to the Fund by seven contributor countries;
 - (b) Approximately US\$ equivalent 3.54 million in contribution agreements had been signed with four contributor countries; and
 - (c) US\$ equivalent 2.89 million in cash receipts from three donor countries had been received into the GCFTF.

6. The details of pledges and contributions to the Fund as at 30 September 2012 are contained in Annex II.

1.1.2 Existing funding approvals

7. Administrative funding approvals amounting to US\$ 2.12 million were approved by the Board at its first meeting to support the operations of the Board, Interim Secretariat and Interim Trustee for the period from 1 January 2012 to 31 October 2012 (document GCF/B.01-12/08/Rev.02). Of this:

- (a) US\$ 1.32 million was to be met from resources remaining from contributions made to the UNFCCC secretariat in support of the work of the Transitional Committee for the design of the Green Climate Fund, with the consent of the relevant contributors (this funding was used to meet the expenses of the Interim Secretariat, particularly those spent through the UNFCCC secretariat); and
- (b) US\$ 0.80 million was met from cash receipts from contributors into the GCFTF.

1.1.3 Financial resources available for further funding approvals

8. Potential financial resources available in the GCFTF for further funding approvals by the Board are therefore:

- (a) US\$ 2.10 million in unallocated cash receipts in the GCFTF;
- (b) US\$ 2.75 million (estimated) when including unallocated cash receipts in the GCFTF *plus* an estimated US\$ 0.65 million in remaining contributions associated with signed contribution agreements but not yet received into the GCFTF; or
- (c) US\$ 5.28 million (estimated) when including unallocated cash receipts in the GCFTF *plus* an estimate of remaining contributions associated with signed contribution agreements but not yet received into the GCFTF *plus* an estimate of US\$ 2.53 million in remaining pledges for which contribution agreements have not yet been signed.

Table 1: Status of financial resources as at 30 September 2012 (in thousands of US\$)

	Inception to September 30, 2012	% of Total
<u>Pledges and Contributions</u>		
Contributions	3,544	58%
Pledges	2,529	42%
Total Pledges and Contributions	6,073	100%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	2,898	48%
Investment Income earned	2	0%
Total Resources Received	2,899	48%
<u>Resources not yet received</u>		
Contributions not yet received	646	11%
Pledges	2,529	42%
Total resources not yet received	3,175	52%
Total Potential Resources (A)	6,074	100%
<u>Cumulative Funding Decisions</u>		
Operational Expenses	798	100%
Total Funding Decisions Net of Cancellations (B)	798	100%
Total Potential Resources Net of Funding Decisions (A) - (B)	5,276	
<u>Funds Available</u>		
Funds Held in Trust with no restrictions	2,699	
Approved Amounts Pending Cash Transfer	598	
Total Funds Available to Support GCF Board Funding Decisions	2,101	

*Due to rounding, figures presented may not add up to total/s provided

1.2 Proposed administrative budget

9. The work plan of the Board, detailed in document GCF/B.02-12/03, aims at developing the basic architecture of the Fund, covering the business model, strategy, policy, finance, operations and monitoring and evaluation in the period between November 2012 and December 2013. The work plan covers the establishment of the independent Secretariat and the transition from the Interim Secretariat, as outlined in document GCF/B.02-12/07.

10. The proposed administrative Fund budget outlined in Table 2 is derived from an assessment of activities to be undertaken by the Board during this period, with the support of the Interim Secretariat and the Interim Trustee.

**Table 2: Proposed administrative Fund budget for the period
1 November 2012 - 31 December 2013 (in US\$)**

	Actual expenditures 1 Jan. 2012 - 30 Jun. 2012 (6 months)	Approved budget 1 Jul. 2012 - 31 Oct. 2012 (4 months) ¹	Proposed budget 1 Nov. 2012 - 31 Dec. 2013 (14 months)
1. Board (see Table 3 for details)			
1.1 Board meetings	-	408,000	954,000
1.2 Board committees, panels and working groups	-	60,000	382,000
Sub-total: Board	-	468,000	1,336,000
2. Interim Secretariat (see Table 5 for details)			
2.1 Salaries, wages and consultancies	428,959	472,000	3,845,000
2.2 Travel	112,730	110,000	315,000
2.3 General operating and information technology costs	39,234	96,000	1,175,000
Sub-total: Interim Secretariat	580,923	678,000	5,335,000
3. Executive Director	-	-	121,000
4. Interim Trustee (see Table 5 for details)	274,296	115,000	689,000
GRAND TOTAL	855,219	1,261,000	7,481,000

II. Detail underlying the proposed administrative budget

2.1 Board

11. The costs of the Board included in the proposed administrative budget in Table 2 and detailed in Table 3 below are largely related to expenditures associated with the logistic arrangements for, and travel to, Board meetings and inter-sessional meetings of Board committees, panels and working groups.

12. It is assumed that there is no host country for the Board meetings and committee, panel and working group meetings, and that all costs associated with the meetings are to be covered by the budget and that the same level of services would be provided as for previous meetings, using a standard cost of US\$ 150,000 for each Board meeting and a cost of US\$ 20,000 for each committee, panel or working group meeting, assuming there will be ten. This would cover the full range of services, including rental of venue, logistical and information technology (IT) equipment, conference and information services support, security and local staff.

¹ Due to the short timeframe for this budget, it is not useful to report estimated actual expenditures during this period. Future budgets for the Fund will report on estimated actual expenditures for the most recent approved budget.

**Table 3: Board: Proposed administrative budget
for the period 1 November 2012-31 December 2013 (in US\$)**

	Actual expenditures 1 Jan. 2012 - 30 Jun. 2012 (6 months)	Approved budget 1 Jul. 2012 - 31 Oct. 2012 (4 months)	Proposed budget 1 Nov. 2012 - 31 Dec. 2013 (14 months)
1.1 Board meetings			
<i>Number of meetings</i>	-	2	3
1.1.1 Board representatives travel	-	408,000	504,000 ²
1.1.2 Venue and logistics	-	-	450,000 ³
Sub-total: Board meetings	-	408,000	954,000
1.2 Board committees, panels and working groups			
<i>Number of meetings</i>	-	3	10
1.2.1 Board representatives travel	-	60,000	182,000 ⁴
1.2.2 Venue and logistics	-	-	200,000 ⁵
Sub-total: Board committees, panels and working groups	-	60,000	382,000
GRAND TOTAL: BOARD	-	468,000	1,336,000

2.2 Interim Secretariat

13. The Interim Secretariat costs included in the proposed administrative budget in Table 2 and detailed in Table 4 below are largely driven by the costs of staff and consultancies required to support the work plan of the Board. Also included is an allocation of US\$ 200,000 relating to the recruitment of an Executive Director (see document GCF/B.02-12/08 for information regarding this cost), the cost of staff travel to support Board meetings and committee, panel and working group meetings and general operating costs.

14. The costs of Interim Secretariat staff and consultancies included in the proposed administrative budget assume additional expertise and capacity would be brought in to support the work plan of the Board, in accordance with Chapter V of document GCF/B.02-12/03. A staggered approach to recruitment has been assumed in the proposed budget, with four positions to be filled as of 1 November 2012, another one to be filled on 1 January 2013, further six positions on 1 February 2013 and the remaining four on 1 April 2013.

15. A total of up to 15 staff is aimed for recruitment at the Interim Secretariat, and is budgeted at US\$ 1,987,000.

² Twelve members and 12 alternate members at an average cost of US\$ 7,000 each per meeting.

³ Assuming an average cost of US\$ 150,000 per meeting.

⁴ Assuming up to 26 trips made by members and/or alternate members at an average cost of US\$ 7,000 each per trip.

⁵ Assuming up to 10 committee meetings, panels and/or working groups are organized at an average cost of US\$ 20,000 per meeting.

16. It is proposed that the Board provides the Interim Secretariat with flexibility in filling the positions by allowing it to use the most appropriate and efficient of the following three options:

- (a) Issuing fixed terms contracts up to December 2013;
- (b) Seconding staff on a reimbursable basis from existing institutions; and
- (c) Hiring staff through a long-term consultancy contract.

In hiring any staff, the Interim Secretariat would follow a competitive recruitment process based on merit and qualifications.

17. The proposed administrative budget assumes the Interim Secretariat will also draw on a combination of the following staffing arrangements:

- (a) Further staff assignments from the UNFCCC and GEF secretariats;
- (b) Additional cross-support from the UNFCCC and GEF secretariats on a cost-recovery basis in the areas of management and oversight, logistical support, resource administration, advice on strategy and policy development and legal advice.
- (c) Reimbursable secondments of experts from relevant institutions; and
- (d) Consultants (short-term or for extended periods). It is anticipated that around 280 weeks of consultant time will be required over the next 14 months to supplement Interim Secretariat staff and provide specialist advice on areas such as: establishment of the independent Secretariat; design of country programming approaches and access modalities; design of the private sector facility; development of fiduciary standards and safeguards; and operational policies and procedures.

Executive Director

18. Provision is made in the proposed budget of US\$ 121,000 for 6 months for the Executive Director.

**Table 4: Interim Secretariat: Proposed administrative budget for the period
1 November 2012-31 December 2013 (in US\$)**

	Actual expenditures 1 Jan. 2012 – 30 Jun. 2012 (6 months)	Approved budget 1 Jul. 2012 - 31 Oct. 2012 (4 months)	Proposed budget 1 Nov. 2012 - 31 Dec. 2013 (14 months)
2.1 Salaries, wages and consultancies			
2.1.1 Full-time staff	174,080	134,000	1,987,000 ⁶
2.1.2 UNFCCC secretariat staff cross-support	64,823	78,000	498,000 ⁷
2.1.3 GEF secretariat staff cross-support	154,908	110,000	460,000 ⁸
2.1.4 Consultancies	35,148	150,000	700,000 ⁹
2.1.5 Executive Director recruitment	-	-	200,000 ¹⁰
Sub-total: Salaries, wages and consultancies	428,959	472,000	3,845,000
2.2 Travel			
2.2.1 Board meetings and consultations	112,730	110,000	315,000 ¹¹
Sub-total: Travel	112,730	110,000	315,000
2.3 General operating and IT costs			
2.3.1 Office space, equipment and supplies	39,234	30,000	284,000
2.3.4 Communications and printing		6,000	75,000 ¹²
2.3.5 Information technology		60,000	816,000 ¹³
Sub-total: General operating and IT costs	39,234	96,000	1,175,000
GRAND TOTAL: INTERIM SECRETARIAT	580,923	678,000	5,335,000

2.3 Interim Trustee

19. The Interim Trustee costs included in the proposed administrative budget in Table 2 and detailed in Table 5 below cover the estimated costs and expenses of the International Bank for

⁶ This assumes up to 15 full-time staff with different entry-on-duty dates. Current UNFCCC standard salary costs have been applied.

⁷ This assumes up to one full-time and one part-time staff member with additional requirements factored in for general administrative support from the secretariat in the areas of human resources, finance and budget, travel, procurement and general services.

⁸ This assumes up to 80 staff weeks of GEF secretariat staff support.

⁹ Two hundred and eighty weeks of consultants' time is anticipated to provide specialist advice on areas such as legal, organizational and financial issues associated with the establishment of the independent Secretariat; design of country programming approaches and access modalities; design of the private sector facility; development of fiduciary standards and safeguards; and operational policies and procedures.

¹⁰ This includes recruitment costs for the post of Executive Director, including the services of an executive search firm and associated costs relating to the Selection Committee (including travel of Committee members, Secretariat staff and candidates).

¹¹ This assumes approximately 45 weeks of travel, including daily subsistence allowance (DSA), of staff of the Interim Secretariat and cross-support staff. It has been estimated to cover the travel of 5 staff to three Board meetings, 3 staff to up to 10 Board panels, committees and working group meetings, 2 staff to up to 5 UNFCCC-related meetings, stakeholder consultation exercises and other Fund-related events.

¹² Communication costs include the general update and maintenance of the Fund's website, as well as publications and outreach material that may be requested by the Board.

¹³ Information technology costs cover two phases: business needs assessment; separation and relocation planning; and related IT investments.

Reconstruction and Development (the World Bank) for the Fund's Interim Trustee services. The World Bank operates on a fiscal year basis (1 July 2012–30 June 2013); however, the estimated costs and expenses to 31 December 2013 are presented consistent with the budget timeframe. The estimated costs and expenses for the 14-month period from 1 November 2012 to 31 December 2013 presented below are subject to adjustment based on revision of the costs and expenses incurred by the World Bank in the provision of such services. The estimated costs and expenses for the four-month period to 31 October 2012 are presented as approved by the Board.

**Table 5: Interim Trustee: Proposed administrative budget
1 November 2012-31 December 2013 (in US\$)**

	Actual expenditures 1 Jan. 2012 - 30 Jun. 2012 (6 months)	Approved budget 1 Jul. 2012- 31 Oct. 2012 (4 months)	Proposed budget 1 Nov. 2012 - 31 Dec. 2013 (14 months)
3.1 Financial and programme management¹⁴			
3.1.1 Staff costs and expenses	160,783		379,000
3.1.2 Travel ¹⁵	43,398		21,000
Sub-total: Financial and programme management	204,181	70,000	400,000
3.2 Investment management¹⁶	0	0	11,000
3.3 Accounting and reporting¹⁷			
3.3.1 Staff costs and expenses	27,975		76,000
Sub-total: Accounting and reporting	27,975	5,000	76,000
3.4 Legal services¹⁸			
3.4.1 Staff costs and expenses	42,140		151,000
3.4.2 Travel ¹⁹	0		21,000
Sub-total: Legal services	42,140	40,000	172,000
3.5 Information technology systems²⁰	0	0	30,000
TOTAL: INTERIM TRUSTEE	274,296	115,000	689,000

Note: Interim Trustee staff costs and expenses include all indirect costs and overhead expenses.

¹⁴ These items cover: establishment of processes and procedures relating to financial transactions; development and implementation of procedures for recording allocations and commitments; management of the contribution receipt process, including all banking, foreign exchange, payment requests and acknowledgements; executing cash transfers; and regular financial reporting.

¹⁵ Assumes participation in up to three meetings per year by one Interim Trustee representative. It is estimated that each trip would cost US\$ 7,000. Actual costs will depend on meeting locations.

¹⁶ Calculated at 3.5 basis points (0.035 %) of the average annual undisbursed balance in the GCFTF, assumed at US\$ 25 million beginning November 2012.

¹⁷ This item includes maintenance of appropriate records and accounts to identify contributions and other receipts and GCFTF liabilities, preparation of financial statements and arrangement of an annual audit. If the Board requires preparation of independent financial statements and additional external audit, a cost estimate will be provided.

¹⁸ These items include preparing contribution agreements/arrangements with contributors and other agreements and arrangements as required, including with the Fund and its implementing entities and review of Fund documents as they impact the role of the Interim Trustee.

¹⁹ Assumes participation in up to three meetings per year by one Interim Trustee lawyer. It is estimated that each trip would cost US\$ 7,000. Actual costs will depend on meeting locations.

²⁰ Enhancements required to existing Interim Trustee financial information technology systems; does not include new accounting or financial systems development.

Annex I: Draft decisions of the Board

The Board, having reviewed document GCF/B.02-12/06/Rev.01, and making a record of:

- Funds available for disbursement of \$2.7 million as of October 19, 2012;
 - Previous pledges anticipated to be paid in of \$2.5 million;
 - New pledges made at the meeting of \$1.5 million; and
 - Strong commitments to additional pledges made.
- (a) Approves, from resources available or to be made available in the Green Climate Fund Trust Fund (GCFTF), the administrative budget of the Fund for the period from 1 November 2012 to 31 December 2013 of US\$ 7,481,000, as set out in Table 2 of document GCF/B.02-12/06/Rev.1;
- (b) Authorizes the Interim Trustee to make cash transfers from the GCFTF to the UNFCCC and GEF secretariats as the Interim Secretariat, and to the World Bank, as the Interim Trustee, in accordance with the administrative budget of the Fund approved by the Board, subject to adjustment based upon revised costs and expenditures to be incurred. In the event the Interim Trustee determines that the amount of available resources in the GCFTF will be insufficient to cover the total estimated budgets specified in (a) above, the Board authorizes the Interim Trustee to make cash transfers to the Interim Secretariat and the Interim Trustee up to the pro rata amount of available resources in the GCFTF to cover such total estimated budget as determined by the Interim Trustee;
- (c) Authorizes the Interim Secretariat to recruit staff for the period from 1 November 2012 to 31 December 2013, in accordance with the administrative budget of the Fund approved by the Board and subject to availability of resources, by:
- (i) Issuing fixed term contracts up to December 2013;
 - (ii) Further staff assignments from the UNFCCC and GEF secretariats;
 - (iii) Reimbursable secondments of experts from relevant institutions; and/or
 - (iv) Hiring consultants for extended periods of time.
- (d) Takes note of the supplementary information presented in the document, including on the status of financial resources in the GCFTF.

Annex II: Status of pledges and contributions as at 30 September 2012**Contributions as at 30 September 2012 (in thousands of US\$)**

<u>Green Climate Fund TF</u>							<u>UNFCCC TF</u>	
all figures in '000s as at 30 September 2012								
Contributor	Currency	Pledge in Currency of Contribution	Pledge in USDeq.	Effective (or signed) Contribution	Receipts in Currency of Contribution	Receipts in USD eq. a/	Receipts in USD eq. a/ b/	Total Receipts in USD eq. a/
Australia	AUD	500	513	500	500	513	-	513
Denmark	DKK	5,000	867	-	-	-	254	254
Finland	EUR	500	646	500	-	-	-	-
Germany	EUR	785	1,014	-	-	-	282	282
Korea	KRW	2,350,000	2,099	2,350,000	2,350,000	2,099	-	2,099
Netherlands	USD	286	286	286	286	286	-	286
Norway							337	337
Spain							92	92
Switzerland							80	80
United States							275	275
United Kingdom	GBP	400	648	-	-	-	-	-
Total			6,073			2,898	1,319	4,216
a/ Represents actual USD receipts.								
b/ Amounts approved by donors for use for GCF, as reported by UNFCCC Secretariat								