

Green Climate Fund



Administrative Budget of the Fund for 2014



GCF/B.05/21

30 September 2013

Meeting of the Board

8-10 October 2013

Paris, France

Agenda item 15

Recommended action by the Board

It is recommended that the Board:

- (a) Takes note of the information presented in document GCF/B.05/21 *Administrative Budget of the Fund for 2014*; and
- (b) Adopts the draft decision presented in Annex I to this document.

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Administrative Budget of the Fund for 2014

I. Introduction

1. The activities of the Board, the Fund and the 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 (GCF Trust Fund) established by the Interim Trustee.
2. This document proposes the administrative budget for the period from 1 January to 31 December 2014 to support the operations of:
 - (a) The Board;
 - (b) The Secretariat; and
 - (c) The Interim Trustee.
3. The document provides basic assumptions and particular unit costs, and should be read in conjunction with the document on the proposed initial structure and staffing of the Secretariat, presented in document GCF/B.05/10.
4. The administrative budget proposed in this document is also derived from an assessment of activities to be undertaken by the Board during this period, as discussed in document GCF/B.05/20, as well as the related work programmes of the Secretariat and the Interim Trustee.

1.1 Status of resources

5. As at 30 June 2013:
 - (a) Pledges and contributions to the GCF Trust Fund amounted to US\$-equivalent 9 million. Of this amount, US\$-equivalent 7.55 million was deposited by 10 contributors;
 - (b) The Interim Trustee had transferred a total of US\$ 5.52 million to cover the administrative costs of the Board, Interim Secretariat (i.e. United Nations Framework Convention on Climate Change (UNFCCC) and Global Environment Facility (GEF) secretariats), and the Interim Trustee; and
 - (c) Outstanding pledges amounted to US\$ 1.44 million, from Norway and Sweden (Funds from Sweden were received after the 30 June 2013 reporting date).
6. Further information on pledges and contributions, cumulative resources and funds available is presented in the report of the Interim Trustee (document GCF/B.05/Inf.04).

II. Proposed administrative budget for 2014

7. The proposed administrative budget outlines in detail the costs of the Board, the Secretariat and the Interim Trustee for 2014.

2.1 Board

8. The costs of the Board detailed in Table 1 are largely related to expenditures associated with the logistical arrangements for, and travel to, Board meetings and inter-sessional meetings of Board committees, panels and working groups.

9. In accordance with decision B.04/18, the proposed administrative budget reflects the travel costs associated with attendance of Board meetings by one designated adviser per eligible developing country Board member and alternate member, to be provided from the administrative budget of the Fund.

10. All costs associated with meetings are to be covered by the administrative budget of the Fund using the following standard costs: US\$ 150,000 for each Board meeting held abroad; US\$ 10,000 for each Board meeting held at the Funds' headquarters; and US\$ 20,000 for each committee, panel or working group meeting held in person. This would cover the full range of services, including rental of venue, logistic and information technology equipment, conference and information services support, security, local staff, etc.

**Table 1: Board: Proposed administrative budget for the period
1 January to 31 December 2014 (in US\$)**

	Proposed budget 1 January - 31 December 2014
1.1 Board meetings	
<i>Number of meetings</i>	3
1.1.1 Board representatives travel	792,000 ^a
1.1.2 Secretariat staff travel	90,000 ^b
1.1.3 Venue and logistics	170,000 ^c
<i>Sub-total: Board meetings</i>	1,052,000
1.2 Co-Chair and Board representative travel	
1.2.1 Co-Chair and Board representative travel	22,500 ^d
<i>Sub-total: Co-Chair and Board representative travel</i>	22,500
1.3 Board committees, panels and working groups	
<i>Number of meetings</i>	4
1.3.1 Board representatives travel	90,000 ^e
1.3.2 Venue and logistics	80,000 ^f
<i>Sub-total: Board committees, panels and working groups</i>	170,000
Grand total: Board	1,244,500

^a Twelve members, and twelve alternate members, at an average cost of US\$ 7,500 each per meeting; 24 advisers at an average cost of US\$ 3,500 each per meeting.

^b Assuming twelve Secretariat staff at an average cost of US\$ 7,500 per meeting of the Board held away from the Fund's headquarters.

^c Assuming an average cost of US\$ 150,000 per meeting for meetings held away from the Fund's headquarters and two meetings of the Board held at the Fund's headquarters at an average cost of US\$ 10,000.

^d Assumes three Co-Chair and Board representatives at an average cost of US\$ 7,500 each.

^e Assumes three funded participants for one committee, panel and working group meeting at an average of every three months, at an average cost of US\$ 7,500 each.

^f Assuming one committee, panel and working group meeting at an average of every three months, at an average cost of US\$ 20,000 per meeting.

2.2 Secretariat

11. The Secretariat costs detailed in Table 2 include the costs of staff, consultancies, travel and operational/contractual services required to support the 2014 work plan of the Secretariat.

12. As presented in document GCF/B.05/10, it is planned to recruit up to 38 specialist staff and up to ten general support staff/assistants in 2014. This will require a full-time staff budget allocation of US\$ 8,744,960. As a result of the phased recruitment approach – with 13 posts filled by the end of February 2014, 15 specialist posts filled by the end of April 2014 and the remaining ten specialist posts filled by the end of June 2014 – the staff salaries presented in Table 2 are pro-rated to reflect an average of 9 months in 2014.

Table 2: Secretariat: Proposed administrative budget for the period 1 January to 31 December 2014 (in US\$)

	Proposed budget 1 January – 31 December 2014
2.1 Salaries, wages and consultancies	
2.1.1 Full-time staff	8,744,960 ^a
2.1.2 Temporary staff support	556,706 ^b
2.1.3 Consultancies	1,575,000 ^c
2.1.4 Travel of interview candidates and expert interview appraisers	217,500 ^d
2.1.5 Relocation benefits and allowances	712,500 ^e
<i>Sub-total: Salaries, wages and consultancies</i>	11,806,666
2.2 Travel	
2.2.1 Staff travel	450,000 ^f
<i>Sub-total: Travel</i>	450,000
2.3 Contractual services, general operating and information technology	
2.3.1 Office utility costs	144,000 ^g
2.3.2 Contractual services	2,000,000 ^h
2.3.3 External administrative service support	1,630,000 ⁱ
2.3.4 Communication and printing	250,000 ^j
2.3.5 Information and communication technology	850,000 ^k
<i>Sub-total: Contractual services, general operating, information technology</i>	4,874,000
Grand total: Secretariat	17,130,666

^a In response to decision B.04/03, paragraph (a) (ii), the Asian Development Bank's (ADB) salaries and benefits were applied as benchmarks. The initial core management and staff would include up to: five Directors (IS7-9); 31 mid- to senior-level specialist posts (IS4-IS6); two entry level posts (IS1-IS3); 10 support staff; and the Executive Director.

^b Temporary staff support, on average three months.

^c It is anticipated that 350 weeks of consultants' time will be required to provide specialist advice on areas such as readiness and preparatory support, access modalities and accreditation, initial resource mobilization, outreach activities, Private Sector Facility support, general logistic support, information technology expertise, etc. Furthermore, the cost of expert interview appraisers will be covered through this proposed budget.

^d In order to facilitate recruitment of the initial staff of the Secretariat in 2014, in-person interviews will be held at the Fund's headquarters in Songdo, Republic of Korea, for three candidates for each of ten posts, at an average cost of US\$ 3,750 each. Two expert interview appraisers will take part in the interview panels, accounting for seven trips at an average cost of US\$ 7,500 each. The interviews for all remaining posts will be facilitated via video or teleconference to minimize travel costs.

^e Assumes one-way travel of 38 appointed specialist staff to their duty station, at an average cost of US\$ 3,750 each, assumes 38 one-time relocation grants at an average cost of US\$ 15,000 each.

^f This assumes approximately five staff travelling per month at an average cost of US\$ 7,500 each.

^g Office utility cost for the Fund's headquarters of US\$ 3,000 per month, per floor, initially occupying four floors in 2014.

^h Contractual services to include contracting of consultancy firms to supplement the substantive work programme of the Secretariat in 2014, including recruitment, readiness, accreditation, etc.

ⁱ External administrative support services, to include payroll, accounting, travel agent, etc.

^j Communication costs include the general update and maintenance of the Fund's website, as well as publications and outreach material.

^k Information and communication technology (ICT) costs include ICT-related investments, such as implementing ICT infrastructures, purchase of licenses, IT maintenance costs, etc.

13. In order to attract international expert staff to work for the Fund, it will be necessary for the Secretariat to be able to issue three-year contracts. As legal commitments have to be made for this purpose, it is essential to ensure that appropriate resources are available in the GCF Trust Fund to provide for such contracts. Thus, the Board is requested to approve, in addition to the staff budget allocation for 2014, the budget cost of staff salaries and emoluments for the three-year contract period, as follows:

- (a) 2015: US\$ 12,042,101;¹
- (b) 2016: US\$ 12,403,364;²
- (c) 2017: US\$ 3,125,835.³

14. Approval of budget for any additional staff to be recruited will be sought in subsequent administrative budget documents.

15. The Secretariat seeks the support of Governments to make, to the extent feasible, additional contributions to the GCF Trust Fund – covering the amounts listed under (a) to (c) above, in addition to the budget allocation for 2014. Contributions may be made payable over a three-year period in three annual instalments, in cash or by deposit of non-negotiable, non-interest bearing promissory notes or similar obligations encashable by the Trustee of the Fund at par upon demand. The details of payment and instalments would be subject to agreements with contributors.

2.3 Interim Trustee

16. The administrative budget proposed by the Interim Trustee in Table 3 covers the estimated costs and expenses of the International Bank for Reconstruction and Development (the World Bank) for the Fund's Interim Trustee services. The World Bank operates on a fiscal year basis (1 July 2013–30 June 2014); however, the estimated costs and expenses to 31 December 2014 are presented, consistent with the budget timeframe. This estimate for the period from 1 January to 31 December 2014 (presented below) is subject to revision pending decisions by the Board relating to the business model framework and other matters which could impact the services to be provided by the World Bank as the Interim Trustee. The costs incurred by the Interim Trustee will also depend on the arrangements with the Secretariat and other factors.

¹ Includes an annual inflation adjustment of three per cent.

² Includes an annual inflation adjustment of three per cent.

³ Assuming initial staff contracts were issued beginning to mid-2014, all contracts would expire beginning to mid-2017.

**Table 3: Interim Trustee: Proposed administrative budget for the period
1 January to 31 December 2014 (in US\$)**

	<u>Proposed budget</u> 1 January – 31 December 2014
3.1 Financial and programme management	
3.1.1 Staff costs and expenses	230,400 ^a
3.1.2 Travel	30,000 ^b
<i>Sub-total: Financial and programme management</i>	260,400
3.2 Investment management	35,000^c
3.3 Accounting and reporting	
3.3.1 Staff costs and expenses	31,300 ^d
<i>Sub-total: Accounting and reporting</i>	31,300
3.4 Legal services	
3.4.1 Staff costs and expenses	85,700 ^e
3.4.2 Travel	30,000 ^f
<i>Sub-total: Legal services</i>	115,700
3.5 Information technology systems^g	-
Grand total: Interim Trustee	442,400

^a 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.

^b Assumes travel of one Interim Trustee representative at an average cost of US\$ 7,500 per meeting of the Board and one mission at the request of the Fund on Fund related business.

^c Calculated at 3.5 basis points (0.035%) of the average annual undisbursed balance in the GCF Trust Fund, assumed at US\$ 100 million in calendar year 2014.

^d This item includes maintenance of appropriate records and accounts to identify contributions and other receipts and GCF Trust Fund liabilities.

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

^f Assumes travel of one Interim Trustee lawyer at an average cost of US\$ 7,500 per meeting of the Board and one mission at the request of the Fund on Fund related business.

^g To be assessed after the business model framework has been finalized.

Note: Interim Trustee staff costs and expenses include all indirect costs and overhead expenses. Estimated amounts are rounded to nearest US\$ 100; totals may not add due to rounding.

III. Summary of proposed administrative budget of the Fund for 2014

17. Given the current status of contributions and pledges made to the GCF Trust Fund as reported by the Interim Trustee in document GCF/B.05/Inf.04 against the projected expenditures up to 31 December 2013, as presented in document GCF/B.05/Inf.03, it is expected that the available funds as of January 2014 would amount to US\$ 2.3 million. This level of resourcing is insufficient to fund the proposed administrative budget for the period 1 January to 31 December 2014 as set out in this document (Table 4). Thus, additional contributions and pledges of US\$ 16.6 million will be needed.

18. 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 GCF Trust Fund. The Secretariat would only incur obligations against contributions received.

19. The proposed administrative Fund budget outlined in Table 4 is derived from an assessment of activities to be undertaken by the Board, the Secretariat and the Interim Trustee in this period.

**Table 4: Proposed administrative Fund budget for the period 1 January to 31 December 2014
(in US\$)**

	<u>Proposed budget</u> 1 January – 31 December 2014
1. Board (see Table 1 for details)	1,244,500
2. Secretariat (see Table 2 for details)	17,130,666
3. Interim Trustee (see Table 3 for details)	442,400
Grand total	18,817,566

20. In addition, a forecast of staff-related costs in 2015–2017 is provided for approval, as it constitutes a commitment by the Fund to the initial term of staff contracts until mid-2017.

Annex: Draft decision of the Board

The Board, having reviewed document GCF/B.05/21 *Administrative Budget of the Fund for 2014*:

- (a) Approves, from the resources available or to be made available in the GCF Trust Fund, the administrative budget of the Fund for the period from 1 January 2014 to 31 December 2014 of US\$ 18,939,366, as set out in Table 4 of document GCF/B.05/21;
 - (b) Approves, from the resources available or to be made available in the GCF Trust Fund, the budget cost of staff salaries and emoluments for the three-year contract period as follows:
 - (i) For 2015: US\$ 12,042,101;
 - (ii) For 2016: US\$ 12,403,364; and
 - (iii) For 2017: US\$ 3,125,835.
 - (c) Authorizes the Interim Trustee to make cash transfers from the GCF Trust Fund to the 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 that the Interim Trustee determines that the amount of available resources in the GCF Trust Fund is insufficient to cover the total estimated budgets specified in (a) and (b), the Board authorizes the Interim Trustee to make cash transfers to the Secretariat and the Interim Trustee up to the pro rata amount of available resources in the GCF Trust Fund to cover the total estimated budget as determined by the Interim Trustee;
 - (d) Notes that the Secretariat will submit proposals for the full administrative budget of the Fund for 2015, 2016 and 2017 in due course.
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