



**GREEN
CLIMATE
FUND**

Meeting of the Board
2 – 5 November 2015
Livingstone, Republic of Zambia
Provisional Agenda Item 24*

GCF/B.11/12
16 October 2015

Administrative budget of the Green Climate Fund for 2016- 2018

Summary

This document proposes the administrative budget for the period 2016–2018 to support the operations of the Green Climate Fund (GCF):

The balance available to support funding decisions for the GCF Board is USD 911 million, of which USD 244 million equivalent has been received in cash and USD 667 million equivalent in the form of promissory notes.

The proposed administrative budget for the period from 1 January 2016 to 31 December 2016, is USD 33,557,227. Of this amount USD 12,403,364 in staff costs was approved under Board decision B.05/20;

The Board is requested to approve an additional allocation of USD 21,153,863 making the total allocation for 2016 to be USD 33,557,227.

* The agenda item number will be determined when the final sequence of items in the provisional agenda is confirmed by the Co-Chairs.

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. This budget is approved against the funds available in the Green Climate Fund Trust Fund (GCF Trust Fund) established by the Interim Trustee. In line with best practice, the Secretariat is presenting a three-year rolling administrative budget more appropriate for a fund, which will be fully operational from 2016.

2. This document proposes the administrative budget for the period 2016 and the indicative amounts for the period 2017–2018 for information, 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. Status of resources

3. As at 30 September 2015:

- (a) Total signed contributions amounted to USD 5.76 billion equivalent, of which USD 307 million equivalent had been received as cash and USD 667 million equivalent in the form of promissory notes.¹ An amount of USD 0.4 million representing cumulative investment income since the establishment of the GCF had also been received. In addition, cumulative fee income received from the accreditation process amounted to USD 1.3 million, representing 57 applications;²
- (b) The cumulative funding decisions net of cancellations made by the Board amounted to USD 65.1 million; and
- (c) The balance available to support funding decisions for the GCF Board is USD 911 million, of which USD 244 million equivalent has been received in cash and USD 667 million equivalent in the form of promissory notes.

III. Possible action by the Board

4. It is recommended that the Board:

- (a) Take note of the information presented in document GCF/B.11/12 titled “Administrative Budget of the Green Climate Fund for 2016-2018”;
- (b) Adopt the draft decision presented in annex I to this document.

IV. Proposed administrative budget of the Green Climate Fund 2016–2018

5. The proposed administrative budget for 2016 and indicative amounts for 2017–2018 gives a detailed outline of the individual costs of the Board, the Secretariat, and the Interim Trustee.

¹ Further details can be found in the Green Climate Fund Trust Fund Financial Report at 30 September 2015

² This amount is not reported as received into the GCF Trust Fund as it was paid to the GCF Secretariat directly

6. The 2016 budget has been developed following interactions with the relevant divisions and offices of the Secretariat, and has been based on their mandated activities for 2016, and estimates provided by the interim trustee. The 2017 and 2018 budgets are an extension of the 2016 budget, integrating additional staffing needs and other costs. At this stage, the 2017 and 2018 budgets are indicative and will require further updates in due course, prior to execution. Interim Trustee costs for 2017 and 2018 will depend on the level of services required, including transition to a permanent trustee in early 2018.

4.1 Board

7. The costs relating to the Board detailed in table 1 cover expenditures associated with the logistical arrangements for and travel to Board meetings and inter-sessional meetings of Board committees, panels and working groups; the costs of two Board panels, the Accreditation Panel (AP) and the Technical Advisory Panel (TAP); and the costs of the Accountability Units.

8. In aggregate, the proposed budget for 2016 shows an increase of USD 1.4 million over projected expenditures for 2015. This is largely due to a new budget of USD 0.8 million for the accountability units, an increase of USD 0.4 million for Board committees, panels and working groups, including TAP activities for which costs are now included for a full year and an additional USD 0.2 million for Board meetings.

9. The costs associated with the meetings logistics, which are covered by the administrative budget of the GCF, have been budgeted on the assumption that two of the three Board meetings will be held at the Fund's Headquarters, with the third meeting held outside of Headquarters.

10. The costs associated with Board committees, panels and working groups are budgeted on the assumption that there will be more travel required for the Board committees and Panels than in 2015, with AP members expected to undertake more site visits in 2016. As in 2015, virtual meetings will be the preferred mode of operation.

11. The administrative budget proposed for the Accountability Units comprised the budget for the Independent Integrity Unit, Independent Evaluation Unit and Independent Redress Mechanism. It is assumed that the Heads of the three units will be in place from 1 June 2016 each with one team assistant in terms of staffing. A small operational budget for travel and professional services has been included.

Table 1. Board: Proposed administrative budget for the period 2016–2018 (in United States dollars)

		2015 Projected	2016 budget	2017 budget	2018 budget
1.1	Board meetings				
1.1.1	Board representative travel	758 211	792 000 ^a	815 760	840 233
1.1.2	Secretariat staff travel	90 000	260 000 ^b	260 000	260 000
1.2.3	Venue and logistics	270 783	270 000	278 100	286 443
	Sub-total: Board meetings	1 118 994	1 322 000	1 353 860	1 386 676
1.2	Co-Chair and Board representative travel				
1.2.1	Co-Chair and Board representative travel	22 500	22 500	23 175	23 870
	Sub-total: Co-Chair and Board representative travel	22 500	22 500	23 175	23 870



		2015 Projected	2016 Projected	2017 Projected	2018 Projected
1.3	Board committees, panels and working groups				
1.3.1	Board representative travel	92 940	317 000 ^c	317 000	317 000
1.3.2	Venue and logistics	25 270	10 000	10 300	10 609
	Compensation of Board panels: Accreditation Panel	488 000	588 000 ^d	588 000	588 000
1.3.3	Compensation of Board panels: Technical Advisory Panel	150 000	576 000 ^d	576 000	576 000
1.3.4	Recruitment of consultant company - Heads of Accountability Units	300 000			
	Sub-total: Board committees, panels and working groups	1 056 210	1 491 000	1 491 300	1 491 609
1.4	Accountability Units				
1.4.1	Salaries and consultants	-	665 053	1 098 158	1 178 048
1.4.2	Travel	-	45 000	49 500	54 450
1.4.3	Professional services	-	90 000	108 000	129 600
	Sub-total: Accountability Units	-	800 053	1 255 658	1 362 098
	Grand total	2 197 704	3 635 553	4 123 993	4 264 253

^a Twelve members, 12 alternate members and 24 advisers to attend each per meeting. The 2017 and 2018 budgets assume a three per cent cost increase.

^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 one Private Sector Advisory Group (PSAG) meeting.

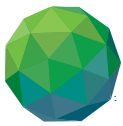
^d Assuming six panel members working an average of 10 days per month

4.2 Secretariat

12. The proposed budget for the Secretariat is set out in table 2. It includes the costs for staff, consultancies, travel and operational/contractual services required to support the expected work plan of the GCF for 2016. It also includes indicative budgets for 2017 and 2018, factoring in additional staffing requirements and other needs.

13. **Background:** Beginning in 2016, adequate project cycle support will be required as the GCF becomes operational to support a large increase in activities. This evolving role has an impact on the resources needed to successfully carry out the revised day-to-day activities of the Secretariat and is reflected in the requested budget increase. Key assumptions include:

- (a) The amount of funding to be committed by the GCF is likely to be in the region of USD 1.2 – 1.4 billion in 2016, increasing to USD 2- 2.5 billion in 2017;
- (b) The number of funding proposals to be received and reviewed in 2016 is likely to be in the region of 120 rising to 180 in 2017. This is deemed necessary to ensure that, approximately 40 fully-developed proposals are presented to the Board in 2016 and 50 in 2017. This is a substantial increase from 37 proposals reviewed and 9 submitted to the Board in 2015;
- (c) As the first set of funding decisions are considered in B.11, there is an urgent need to build a portfolio management function. This will entail increasing capacity in terms of staffing, IT systems as well as the development of day-to-day manuals;



- (d) In addition to stepping up operations, the capacity of the Office of the Secretary to the Board (OSB), the Office of the General Counsel (OGC) and the Division of Support Services (CFO/DSS) must also be increased to provide an adequate service; and
- (e) In addition to enable the Secretariat to engage in a meaningful way with national designated authorities (NDA) and accredited entities (AE), in-house expertise must be strengthened in various thematic areas.
14. **Personnel costs: Full time staff:** The total number of staff positions approved by the Board as of September 2015 is 56. The proposed budget expects these 56 approved positions and the Executive Director to be in place in 2016. The Secretariat is also set to request an additional 42 positions in 2016. The rationale for the requested additional positions is set out in document GCF/B.11/11 “Update of Structure and Staffing of the Secretariat”. This proposed budget includes the 42 additional positions requested.
15. **Portfolio Development & Investment (PDI):** The key assumptions underlying the budget for PDI and the rationale for the increase in staffing are as follows:
- (a) The secretariat is expected to review 200 to 300 hundred concept notes for completeness, and elaborate approximately 120 funding proposals in 2016;
- (b) Following the completeness and second level due diligence reviews, it is projected that approximately 40 funding proposals will be submitted for approval by the Board in 2016. These will comprise 10 -13 proposals at each Board meeting; and
- (c) The total value of submitted proposals is estimated at USD 1.2 to 1.4 billion, for example, USD 350–450 million per Board meeting for 2016.
16. When a funding proposal is submitted, it undergoes a standardized review process consisting of four stages:
- (a) Completeness check;
- (b) Second-level due diligence;
- (c) Independent TAP assessment; and
- (d) Preparation and submission of full funding proposal package to the Board.
17. Through the completeness check and the second-level due diligence assessment, the PDI team identifies gaps in the funding proposal and requests the necessary clarifications from the AE. The AE then refines the proposal on the basis of the Secretariat’s feedback until it is sufficiently advanced for the next stage. Upon completion of the TAP review, the PDI team will then compile the assessment and advice on the proposal, and the assessment findings from the second-level due diligence as it prepares for funding proposal package submission to the Board.
18. The four-step review of the funding proposals requires regular input exchange/ communication and relationship management with the AEs and NDAs, as needed. The process requires extensive coordination and regular consultations with a team of experts responsible for assessing the consistency of the proposals with relevant policies of the GCF, for example environmental and social safeguards, monitoring and evaluation, risk, legal considerations, and fiduciary standards. The funding proposals received to date vary significantly in their quality at entry. Many of the funding proposals are incomplete or insufficiently advanced and require significant interaction with AEs to further develop the proposals. Following the revision of the funding proposals by the AEs, several stages of review may follow before the proposal may be submitted for further consideration by the TAP and the Board.
19. **Portfolio Management & Operations (PMO):** The first set of approved projects is expected by the end of 2015 and, as noted in the Board paper GCF/B.11/11 document titled “Update on Structure and Staffing of the Secretariat” a new PMO division will be necessary. In

the coming years, as more projects/programmes enter the implementation phase, the establishment of a strong PMO team will be crucial in terms of monitoring both the performance of projects/programmes and the compliance of the approved projects/programmes with the policies of the GCF, for example, environmental and social safeguards, monitoring and evaluation, risk, legal considerations, and fiduciary standards.

20. For monitoring and evaluation, the estimated number of project/programme reports for analysis and compilation is 10 in 2016, 30 in 2017, and more than one hundred in 2018.

21. The following activities are necessary to establish the monitoring and evaluation processes and procedures in the GCF in 2016:

- (a) Completion of the monitoring and evaluation online toolkit;
- (b) Completion of the indicator methodologies;
- (c) Completion of the monitoring and evaluation training package;
- (d) Design of a portfolio management and knowledge management system for the GCF;
- (e) Continued analysis of semi-annual performance reports of projects and programmes; and
- (f) Continued preparation of annual reports. As such, it is essential to strengthen the monitoring and evaluation team.

22. **Country dialogue & readiness preparatory work:** To date, a total of 136 NDA/focal points have been nominated. The network they form is a key factor of success for the GCF and significant interaction is expected with the Secretariat. To date, more than 80 have requested readiness and preparatory support. The 2016 budget includes an estimate of the minimum staffing capacities needed to meet this demand and implement the key principle of country ownership.

23. The Country Programming Division (CPD) has identified an increasing need for regular dialogue with NDAs and focal points. Consulting NDAs for project ideas, concept notes and funding proposals submitted to the GCF, managing the implementation of readiness grants after approval (two new readiness grants every week), and organizing NDA visits (40 visits a year) are examples of high-demand and resource-intensive activities. To ensure that countries get the support they need, a strengthening of internal capacities has been proposed, as set out in the Board update on staffing.

24. **Accreditation:** The main activities undertaken in 2015 were the assessment and review of applications. It is expected to remain steady in terms of the number of entities accredited every year. This totals at least 30 entities per year, half of them being direct access. As in 2015, all direct access entities will receive some form of support before and after their accreditation. At present, more than 80 entities have submitted an application for accreditation.

25. Capacity will be added to manage the post-accreditation process, for example, finalization of the AMA, monitoring of compliance and performance, mid-term review, upgrades, etc.

26. **Personnel costs: consultancy costs** are budgeted at USD 4.0 million. It is anticipated that consultants will still be required to provide additional specialist advice in a number of areas across the Secretariat.

Table 2. Secretariat: Proposed administrative budget for the period 2016--2018 (in United States dollars)

Secretariat Budget 2016-2018					
		2015 Projected	2016 budget	2017 budget	2018 budget
2.1	Salaries and consultants				
2.1.1	Full-time staff	7 683 633	14 848 064	20 592 076	24 404 377
2.1.2	Temporary support staff	250 000			
2.1.3	Consultancies	3 649 682	4 038 910	4 210 910	4 386 910
2.1.4	Travel of interview candidates and expert interview appraisers	72 000	167 400	64 800	64 800
2.1.5	Relocation benefits and allowances	350 000	744 000	288 000	288 000
	Sub-total	12 005 315	19 798 374	25 155 786	29 144 087
2.2	Travel				
2.2.1	Travel	975 500	1 269 500	1 320 280	1 373 091
	Sub-total	975 500	1 269 500	1 320 280	1 373 091
2.3	Contractual services, general operating, information technology costs				
2.3.1	Office utility costs	150 000	300 000	341 250	418 031
2.3.2	Contractual services	1 550 040	4 117 000	1 925 400	1 975 400
2.3.3	Other Operating costs	-	275 000	284 000	294 800
2.3.4	Communication and printing	272 608	215 000	215 000	215 000
2.3.5	Information and communication technology	1 700 000	2 221 000	2 332 050	2 448 653
2.3.6	Depreciation		850 000	900 000	1 000 000
	Sub-total: contractual services, general operating, information technology costs	3 672 648	7 978 000	5 997 700	6 351 884
	Grand total	16 653 463	29 045 874	32 473 766	36 869 062

27. 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.

28. The total salaries and consultants budget requested for 2016 is USD 19,798,374, of which USD 12,403,364 has already been approved. An additional amount of USD 7,395,010 will therefore be required to cover the difference between the amount already approved and the proposed budget for staff and consultants.

29. **Travel:** Staff travel is budgeted at USD 1.3 million. The increase reflects the fact that staff will be required to undertake missions for outreach and awareness-raising as needed in countries and partner institutions.

30. **Utility costs** are estimated at USD 0.3 million. These comprise utility costs for the headquarters of the GCF at USD 4,700 per month, per floor, initially occupying four floors in 2016 and an additional two floors for eight months of 2016.

31. **Contractual services** are budgeted at USD 4.1 million. This represents the cost of contracting consultancy firms to supplement the substantive work programme of the Secretariat in 2016. The main components are as follows:
- (a) The development of necessary day-to-day manuals and guidelines for operations & risk, which are required to ensure consistent assessments and compliance with standard risk procedures;
 - (b) The 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;
 - (c) A professional firm to assist the AP in the review of applications from entities applying for accreditation;
 - (d) Legal services for legal advice where the Secretariat does not have the in-house expertise; and
 - (e) Other professional services, including the further development and monitoring of the online system portals and the development of an M&E toolkit and methodologies, audit services and other ad hoc professional services.
32. **Other operating costs:** Including miscellaneous costs such as office supplies, bank charges, insurance, in-house workshops, etc.
33. **Communication:** The communications work in 2016 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.
34. **Information and communication technology (ICT):** The 2016 budget is largely based on a metric derived from the Gartner benchmark. This is a cross-sector benchmark to estimate 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 2016, the IT systems budget is USD 2.2 million with a depreciation charge of USD 0.85 million.
35. The primary focus will be to continue the implementation of systems (set out below) previously begun in 2015. The most important projects are:
- (a) An investment management portfolio system including;
 - (i) Monitoring and Evaluation management system
 - (b) Readiness and partnering systems & tools;
 - (c) A Contributions and Cash Management system;
 - (d) A Risk and Quality management system; and
 - (e) Document management tool.
36. **Depreciation:** Includes the annual depreciation costs for systems developed in 2015 and to be developed in 2016 including:
- (a) Software;
 - (b) Board room equipment; and
 - (c) Some ICT initial set up costs which were capitalised.

4.3 Interim Trustee

37. The administrative budget for 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 Interim Trustee services of the GCF. The World Bank operates on a fiscal year basis (1 July–30 June), however, the estimated costs and expenses to 31 December 2015 are presented in line with the Fund's calendar year budget timeframe. The 2017 and 2018 indicative costs have been prepared by the Secretariat based on current estimated costs. Interim Trustee costs for 2017 and 2018 will depend on the level of services required, including transition to a permanent trustee in early 2018.

Table 3. Interim Trustee: Estimated costs and expenses for the period 2016--2018 (in United States dollars)

Interim Trustee Budget 2016-2018					
		2015 Projected	2016 Budget	2017^a Budget	2018^a Budget
3.1	Financial and programme management				
3.1.1	Staff costs and expenses	297 600	304 800	320 040	336 042
3.1.2	Travel	49 000	48 400	50 820	53 361
	Sub-total: Financial and programme management	346 600	353 200	370 860	389 403
3.2	Investment Management	70 000	262 500	350 000	525 000
3.3	Accounting and reporting				
3.3.1	Staff costs and expenses	41 100	55 000	57 750	60 638
3.3.2	External Audit ^b	105 000	50 000	52 500	55 125
	Sub-total: Accounting and reporting	146 100	105 000	110 250	115 763
3.4	Legal services				
3.4.1	Staff costs and expenses	104 000	106 700	112 035	117 637
3.4.2	Travel	49 000	48 400	50 820	53 361
	Sub-total: legal services	153 000	155 100	162 855	170 998
	Grand total	715 700	875 800	993 965	1 201 164

^{a/} Interim trustee estimates for 2017 and 2018 are indicative only, based on estimates made by the Secretariat, and included for comparison purposes only.

^{b/} External Audit is a new service that may be requested.

38. **Financial and programme 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.

39. **Investment management:** Calculated at 3.5 basis points (0.035 per cent) of the estimated average annual undisbursed balance in the GCF Trust Fund. For the purpose of the budget estimate only the interim trustee has used the GCF Secretariat's assumed average balance of USD 750 million for CY2016. The actual fee will depend on the actual average balances in the GCF Trust Fund, which may be higher or lower than this estimate.

40. **Accounting and reporting:** This item includes maintenance of appropriate records and accounts to identify contributions and other receipts and GCF Trust Fund liabilities.
41. Externally audited annual financial statements for the GCF Trust Fund may be requested by the GCF Secretariat. The estimated fee payable to the World Bank's external auditors, in respect of an external audit in CY15 covering the period from inception of the GCFTF up to end-2015, if requested, is USD 105,000. This amount will be transferred from the GCFTF during CY15 and reconciled in CY16 based on the actual cost. The estimated fee for external audits in 2016, covering the period up to 31 December 2016, is USD 50,000.
42. **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.

V. Benchmark as set by comparator organizations

43. The Secretariat has reviewed comparable budgets in other international organizations to set a benchmark against which the Board could evaluate the reasonableness of the budget request.
44. Using the ratio of annual operating expenditures as a percentage of annual total commitments the GCF 2016 budget request is 2 per cent against a range of 8-18 per cent for other comparable organizations.
45. In terms of staffing the GCF total of 98 (including the additional requested 42 positions) compares to a range of 91 – 600 staff.
46. On the basis of these two metrics the requested budget is considered to be reasonable.

Table 4. Budget comparison*

Ratio	Global Fund	Gavi	GEF	GCF (P)
Annual operating expenditures/Annual commitments	8%	9%	18%	2%
Staffing Number	600	204	91	98

*The information for comparator organizations is taken from their respective web sites and are for FY 2013.

VI. Summary of proposed administrative budget of the Green Climate Fund 2016-2018

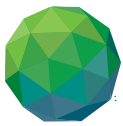
47. The total proposed administrative budget of the GCF in 2016 is USD 33.6 million, as set out in table 4. The total available funding in the trust fund, as noted in paragraph 3c), is USD 244 million cash equivalent.
48. The proposed administrative budget of the GCF outlined in table 5 is derived from an assessment of activities to be undertaken by the Board, the Secretariat and the Interim Trustee in this period.

Table 5. Proposed administrative budget of the Green Climate Fund for the period 2016–2018

2016 - 2018 Administrative Budget					
		2015 Projected	2016	2017	2018
1	Board	2 197 704	3 635 553	4 123 993	4 264 253
2	Secretariat	16 653 462	29 045 874	32 473 766	36 869 062
3	Interim trustee	715 700	875 800	993 965	1 201 164
	Grand total	19 566 866	33 557 227	37 591 724	42 334 479

Annex I: Draft decision of the Board

1. The Board, having reviewed document GCF/B.11/12 titled “Administrative Budget of the Green Climate Fund for 2016-2018”:
 - (a) Notes, that of the proposed administrative budget of the Green Climate Fund, for the period from 1 January 2016 to 31 December 2016, of USD 33,557,227, as set out in annex II of document GCF/B.11/12, that USD 12,403,364 of this amount in staff costs was approved under Board decision B.05/20;
 - (b) Approves an additional administrative budget of the Green Climate Fund for the period from 1 January 2016 to 31 December 2016 in the amount of USD 21,153,863 making the total approved administrative budget for CY 2016 to be USD33,557,227; and



Annex II: Administrative Budget of the Green Climate Fund for 2016

Administrative Budget of the Green Climate Fund for 2016		
		Approved budget 2016
1	Board	
1.1	Board meetings	1 322 000
1.2	Co-Chair and Board representative travel	22 500
1.3	Board committees, panels and working groups	1 491 000
1.4	Accountability Units	800 053
	Sub-total: Board	3 635 553
2	Secretariat	
2.1	Salaries and consultants	19 798 374
2.2	Travel	1 269 500
2.3	Contractual services, general operating, information technology costs	7 978 000
	Sub-total: Secretariat	29 045 874
3	Interim Trustee	875 800
	Grand total	33 557 227
