



**GREEN
CLIMATE
FUND**

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3 March 2016

Report on the execution of the administrative budget and unaudited financial statements 2015

Summary

This document presents a review of the 2015 administrative budget of the Green Climate Fund (GCF). It is based on actual expenditures relating to activities of the Board and the Secretariat for the period 1 January to 31 December 2015 and on estimated expenditures for the interim trustee. Please note that these numbers are unaudited.

For the year ended 31 December 2015, total expenditures amounted to 19.1 million United States dollars (USD) or 99 per cent of the approved budget of USD 19.3 million.

An over-expenditure of USD 0.2 million on Board expenditures has been offset by an under-expenditure of USD 0.4 million on Secretariat expenditures.

The document also introduces GCF's unaudited financial statements as of 31 December 2015.

I. Introduction

1. This document presents a review of 2015 expenditures against the administrative budget of GCF. It is based on actual expenditures relating to activities of the Board and the Secretariat for the year from 1 January to 31 December 2015. The amounts shown for the Interim Trustee are based on actual expenditures for the six months to 30 June 2015 and estimated expenditures for the six months to 31 December 2015, since actual figures will not be available until the closing of the Interim Trustee's fiscal year-end 30 June 2016.
2. Actual expenditures are USD 19.1 million or 99 per cent of the approved 2015 budget.
3. The report also introduces the Fund's unaudited financial statements as of 31 December 2015.

1.1 Unaudited 2015 Financial Statements of the Fund

4. The unaudited 2015 financial statements of the GCF are presented in annex 1. These comprise the draft Statement of Financial Position at 31 December 2015 and 2014; draft Statement of Comprehensive Income for the years ended 31 December 2015 & 2014; and the draft Statement of Changes in Funds.
5. At 31 December 2015:
 - (a) The GCF had USD 638 million in cash and cash equivalents and USD 1.213 billion in promissory notes. Of this total of USD 1.851 billion an amount of USD 1.846 billion is held in a World Bank trust account (Green Climate Fund Trust Fund: GCFTF);
 - (b) Total liabilities amounted to USD 4.7 million and includes an amount of USD 1.5 million payable to employees representing post-employment benefits under a defined contribution retirement scheme; and
 - (c) Total fund balances amounted to USD 1.846 billion.
6. Total revenue for 2015 amounted to USD 1.759 billion which comprises grant contributions of USD 1.76 billion, investment income of USD 0.7 million and accreditation fee income of USD 1.3 million less foreign exchange losses of USD 2.7 million.
7. Expenditures amounted to USD 21.1 million and comprises administrative expenditures of USD 19.1 million, readiness expenditures of USD 1.4 million and the final expenditures of USD 0.6 million from a Government of Korea grant of USD 1.4 million. Further details of readiness activities and expenditures can be found in the Board document GCF/B.12/09.
8. The unaudited financial information is preliminary and subject to adjustments and modifications. The audited financial statements and related notes are to be included in the annual report for the year ending 31 December 2015. Adjustments and modifications to the financial statements may be identified during the course of the audit work, which could result in significant differences from this preliminary unaudited financial information. In particular the accounting treatment of income recognition for Promissory Notes under International Financial Reporting Standards is still subject to consideration. Once the audit work is completed, the Secretariat will present the financial statements of 2015 to the Ethics and Audit Committee for endorsement and subsequently Board approval.

II. Administrative budget expenditures for the period 1 January to 31 December 2015

2.1 Approved budget

9. By its decision B.08/16, the Board approved, from the resources available in the GCFTF, an administrative budget of up to USD 19,266,866 for 1 January to 31 December 2015.

2.2 Actual expenditures for the year to 31 December 2015

10. For the year ended 31 December 2015, total expenditures on the Board and the Secretariat as well as estimated expenditures for the services of the Interim Trustee amounted to USD 19.1 million or 99 per cent of the budget of USD 19.3 million. Of this figure, USD 1.9 million are related to the Board; USD 16.5 million to the Secretariat, and USD 0.7 million to the Interim Trustee. These are set out in table 1. The Interim Trustee expenditures are based on actual for the six months to 30 June 2015 and estimated based on the pro rata share of the approved amounts for the last six months of the year.

Table1. Administrative budget expenditures for the year ended 31 December 2015 (in United States dollars)

2015 Budget					
		Budget	Actual	Over/(Under) expenditures	% Over/(Under) Expenditures
1	Board	1,660,500	1,877,793	217,293	13%
2	Secretariat	16,890,666	16,492,684	(397,982)	(2%)
3	Interim trustees	715,700	683,600	(32,100)	(4%)
	Grand total (1+2+3)	19,266,866	19,054,077	(212,789)	(1%)

2.3 Board expenditures

11. Detailed Board expenditures for the year to 31 December 2015 are set out in table 2.

Table 2. Board expenditures the year to 31 December 2015 (in United States dollars)

2015 Budget					
		Budget	Actual	Over/(Under) expenditures	% Over/(Under) Expenditures
1.1	Board meetings				
1.1.1	Board representative travel	792,000	748,864	(43,136)	(5%)
1.1.2	Secretariat staff travel	90,000	90,000	-	0%
1.2.3	Venue and logistics	250,000	310,797	60,797	24%
	Sub-total: Board meetings	1,132,000	1,149,661	17,661	2%
1.2	Co-Chair and Board representative travel				
1.2.1	Co-Chair and Board representative travel	22,500	-	(22,500)	(100%)
	Sub-total: Co-Chair and Board representative travel	22,500	-	(22,500)	(100%)
1.3	Board committees, panels and working groups				
1.3.1	Board representative travel	186,000	99,441	(86,559)	(47%)
1.3.2	Venue and logistics	80,000	6,502	(73,498)	(92%)
1.3.3	Compensation of Board panels and working groups - Accreditation panel	240,000	476,826	236,826	99%
1.3.4	Compensation of Board panels and working groups -technical advisory panel	-	100,003	100,003	
1.3.5	Recruitment of consultant company- Heads of Independent Units	-	45,360	45,360	
	Sub-total: Board committees, panels and working groups	506,000	728,132	222,132	44%
	Grand total	1,660,500	1,877,793	217,293	13%

12. Total Board expenditures for 2015 amounted to USD 1.9 million against a budget of USD 1.7 million. The reason for the overrun as set out below is primarily due to the increased costs of Board panels.

13. Board meeting expenditures of USD 1.1 million are in line with budget and include the costs of the informal meeting held in the Netherlands, in January 2015; the ninth, and tenth Board meetings held at the Fund's headquarter and the eleventh in Zambia.

14. Expenditures of USD 0.7 million for Board committees, panels and working groups include:

- (a) USD 73,569 for the costs of the Accreditation Panel (AP) meetings held in February, March, May, September and November of 2015;
- (b) USD 32,374 for the cost of the Private Sector Advisory Group meeting in May;
- (c) USD 0.5 million for the compensation of AP members;
- (d) USD 0.1 million for the cost of the Technical Advisory Panel members (TAP); and
- (e) USD 45,360 incurred in December 2015 for the costs of the recruitment of the heads of the independent units.

15. The main deviation from the Board's administrative budget was in expenditures for the AP members that were USD 0.48 million for the full year against a budget of USD 0.24 million. The original budget was prepared prior to the operationalization of the accreditation process. It assumed a total of six panel members working an average of 50 days each during 2015. In the first rounds of accreditation, there was an increase in the number of person days required by the AP, to deliver recommendations for accreditation on 20 entities. In addition to these entities,

the applications received from an additional 20 entities are being processed by the AP. This has resulted in an increase in the number of days required by the panel members to review the large number of entities who have applied for accreditation.

16. Costs for the independent TAP amounted to USD 100,003. The costs of the TAP were not included in the original 2015 budget presented to and approved by the Board.

2.4 Secretariat expenditures

17. Secretariat expenditures for the year to 31 December 2015 are set out in table 3.

Table 3. Secretariat expenditures for 2015 (in United States dollars)

2015 Budget					
		Budget	Actual	Over/(Under) expenditures	% Over/(Under) Expenditures
2.1	Salaries and consultants				
2.1.1	Full-time staff	9,893,101	7,361,435	(2,531,666)	(26%)
2.1.2	Temporary support staff	250,000	250,000	-	0%
2.1.3	Consultancies	1,282,000	3,931,739	2,649,739	207%
2.1.4	Travel of interview candidates and expert interview appraisers	72,000	64,344	(7,656)	(11)%
2.1.5	Relocation benefits and allowances	305,000	284,737	(20,263)	(7)%
	Sub-total	11,802,101	11,892,255	90,154	1%
2.2	Travel				
2.2.1	Travel	985,500	868,392	(117,108)	(12%)
	Sub-total	985,500	868,392	(117,108)	(12%)
2.3	Contractual services, general operating, information technology costs				
2.3.1	Office utility costs	135,000	133,706	(1,294)	(1%)
2.3.2	Contractual services	1,818,065	1,496,163	(321,902)	(18%)
2.3.3	External administrative service support	100,000	-	(100,000)	(100%)
2.3.4	Communication and printing	350,000	183,618	(166,382)	(48%)
2.3.5	Information and communication technology	1,700,000	1,695,806	(4,194)	0%
2.3.6	Depreciation		222,744	222,744	
	Sub-total: Contractual services, general operating, information technology costs	4,103,065	3,732,037	(371,028)	(9%)
	Grand total	16,890,666	16,492,684	(397,982)	(2%)

18. Total Secretariat expenditures for 2015 amounted to USD 16.5 million of the total budget. This is USD 0.4 million or two per cent under the approved budget for 2015. Costs savings in the Secretariat budget were utilised to offset an over expenditure of USD 0.2 million in Board expenditures.

19. The following main points are noteworthy regarding the USD 16.5 million spent by the Secretariat:

- (a) Accumulated execution of the administrative budget for the Secretariat represents 98 per cent for the year;
- (b) Aggregate expenditures on staff costs and consultants amount to USD 11.9 million and is one per cent over budget. The underspending of USD 2.6 million on staff costs is utilised to fund an over expenditure of USD 2.6 million on consultants.
- (c) Travel costs for staff and consultants are USD 0.1 million under budget; and
- (d) Costs for contractual services, general operations, and Information and Communication Technology (ICT) are USD 0.4 million under budget primarily through costs savings on contractual services and external administrative support. These were partly achieved by using consultants rather than outsourcing the services to external firms.

2.5 Interim Trustee

20. Estimated expenditures on interim trustee services for the period 1 January to 31 December 2015 are set out in table 4.

Table 4. Estimated Interim Trustee expenditures for 2015 (in United States dollars)

2015 Budget					
		Budget	Actual	Over/(Under) expenditures	% Over/(Under) Expenditures
3.1	Financial and program management				
3.1.1	Staff costs and expenses	297,600	297,600	-	0%
3.1.2	Travel	49,000	49,000	-	0%
	Sub-total: Financial and program management	346,600	346,600		0%
3.2	Investment Management				
		175,000	86,000	(89,000)	(51%)
3.3	Accounting and reporting-				
3.3.1	Staff costs and expenses	41,100	42,000	900	2%
	Sub-total: Accounting and reporting	41,100	42,000	900	2%
3.4	Legal services-				
3.4.1	Staff costs and expenses	104,000	160,000	56,000	54%
3.4.2	Travel	49,000	49,000	-	0%
	Sub-total: Legal services	153,000	209,000	56,000	37%
	Grand total	715,700	683,600	(32,100)	(4%)

21. Costs and expenses for trustee services to the GCF are based on the approved budget for the calendar year 2015. The final amounts will be adjusted when notified to the GCF by the World Bank.

22. The item of note is that investment fees calculated at 3.5 basis points (0.035 per cent) of the balance in the GCFTF will be approximately USD 105,000 less than budgeted due to lower average balance amounts in the Trust Fund.

23. Higher than expected legal costs are due to greater than expected staff time (including overheads) associated with the drafting, negotiation, clearance and processing of over 30

contribution agreements/arrangements with GCF and the Contributors during 2015, converting USD 6.6 billion of pledges into signed contribution agreements/arrangements.

Annex I: Draft Statements

DRAFT STATEMENTS OF FINANCIAL POSITION

As of December 31, 2015 and 2014			
(In '000 USD)		2015	2014
		(Unaudited)	(audited)
Assets			
Cash and cash equivalents		637,807 ¹	108,102
Other receivables		-	252
Prepayments		-	62
Total current assets		637,807	108,416
Promissory notes		1,213,193 ¹	-
Property and equipment, net		316	433
Total non-current assets		1,213,509	433
Total assets		1,851,316	108,849
Liabilities			
Accounts payable		298	60
Accrued expenses		2,948	678
Payable to employees		1,491	332
Total current liabilities		4,737	1,070
Total liabilities		4,737	1,070
Funds			
Temporarily restricted funds		-	681
Unrestricted funds		1,846,579	107,098
Total Funds		1,846,579	107,779
Total liabilities and funds		1,851,316	108,849

¹The total of USD 1,851,000 for cash and cash equivalents and promissory notes shown under current and non-current assets includes USD 1,846,415 held in a World Bank trust account.



DRAFT STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2015 and December 31, 2014

(In '000 USD)		2015 (Unaudited)	2014 (audited)
Income			
Grant Contributions		1,760,651	88,750
Foreign Currency gain/(loss)		(2,709)	(118)
Trust Fund & Other Income		669	140
Accreditation Fees Income		1,336	-
Total income		1,759,947	88,772
Expenditure			
Operating expenses		21,147	10,727
Total expenditure		21,147	10,727
Increase in fund for the year		1,738,800	78,045
Other Comprehensive Income (loss)		-	-
Total comprehensive income for the year		1,738,800	78,045



DRAFT STATEMENTS OF CHANGES IN FUNDS

For the years ended December 31, 2015 and December 31, 2014

(In '000 USD)

	Temporarily restricted funds	Unrestricted funds	Total
As at 1 January 2014	1,400	28,334	29,734
Increase/(Decrease) in the funds for the period	(719)	78,764	78,045
As at 31 December 2014	681	107,098	107,779
As at 1 January 2015	681	107,098	107,779
Increase/(Decrease) in the funds for the period	(681)	1,739,481	1,738,800
As at 31 December 2015	-	1,846,579	1,846,579