



**GREEN  
CLIMATE  
FUND**

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**GCF/B.16/19**

**21 March 2017**

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# Report on the execution of the 2016 administrative budget of the GCF and the 2016 unaudited financial statements

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## **Summary**

This document presents a review of the execution of the 2016 administrative budget of the GCF. It is based on actual expenditures relating to activities of the Board and the Secretariat for the year 1 January to 31 December 2016 and on estimated expenditures for the Interim Trustee. Please note that these numbers are unaudited.

For the year ended 31 December 2016, total expenditures amounted to USD 25.6 million or 71 per cent of the approved budget of USD 36.1 million.

The underspend of USD 10.6 million comprises underexpenditures of USD 0.5 million for both the Board and the Independent Accountability Units, and USD 9.6 million for the Secretariat.

The document also reports on expenditures relating to the Readiness and Preparatory Support Programme.

In addition, the document introduces GCF unaudited financial statements as at 31 December 2016.

## I. Introduction

1. This document presents a review of 2016 expenditures against the administrative budget of the 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 2016. The amounts shown for the Interim Trustee are based on actual expenditures for the six months to 30 June 2016 and estimated expenditures for the six months to 31 December 2016, since actual figures will not be available until the closing of the Interim Trustee's fiscal year-end on 30 June 2017.
2. Actual expenditures are USD 25.6 million or 71 per cent of the approved 2016 budget.
3. The report also introduces the GCF unaudited financial statements as at 31 December 2016.

## II. Unaudited 2016 financial statements of the GCF

4. The unaudited 2016 financial statements of the GCF are presented in annex I. These comprise the draft statement of the financial position as at 31 December 2015 and 31 December 2016; the draft statement of comprehensive income for the years ended 31 December 2015 and 31 December 2016; and the draft statement of changes in funds.
5. As at 31 December 2016:
  - (a) The GCF had USD 1.822 billion in cash and cash equivalents and USD 1.577 billion in promissory notes. Of this total of USD 3.399 billion, an amount of USD 3.394 billion is held in a trust fund administered by the World Bank (Green Climate Trust Fund); and USD 5.2 million is held by the GCF in current accounts;
  - (b) Total liabilities amounted to USD 7.168 million and includes an amount of USD 2.5 million payable to GCF employees representing post-employment benefits under a defined contribution retirement scheme;
  - (c) Total fund balances amounted to USD 3.398 billion;
  - (d) Total revenue for 2016 amounted to USD 1.584 billion, which comprises grant contributions of USD 1.261 billion, capital grant contribution of USD 0.42 billion, investment income of USD 13.5 million and accreditation fee income of USD 0.6 million, less foreign exchange losses of USD 111 million;
  - (e) The foreign exchange losses are unrealized accounting losses and have arisen from promissory notes deposited in 2015 and 2016. It reflects the difference in exchange rates either at 1 January 2016 or the date the promissory note was deposited in 2016 and the rate as at 31 December 2016. The loss has arisen from promissory notes deposited by the United Kingdom of Great Britain and Northern Ireland (USD 63 million), Sweden (USD 27 million) and Japan (USD 21 million);
  - (f) Expenditures amounted to USD 31.1 million and comprises administrative expenditures of USD 25.6 million and readiness and project preparation facility expenditures of USD 5.5 million; and
  - (g) The unaudited financial information is preliminary and subject to adjustments and modifications. The audited financial statements and related notes will be presented to the Board for approval at its seventeenth meeting. Adjustments and modifications to the financial statements may be identified during the course of the audit, which could result in differences from this preliminary unaudited financial information. Once the audit is completed, the Secretariat will present the financial statements of 2016 to the Budget

Committee for review and the Ethics and Audit Committee for endorsement and subsequently to the Board for consideration and approval.

### **III. Administrative budget expenditures for the year from 1 January to 31 December 2016**

#### **3.1 Approved budget**

6. By decision B.11/08, the Board approved, from the resources available in the GCF Trust Fund, an administrative budget of up to USD 29,157,227 for the period from 1 January to 31 December 2016. At its twelfth meeting, the Board by decision B.12/27 approved the following amounts additional to the approved budget in decision B.11/08:

- (a) USD 4,351,993 for staffing;
- (b) USD 1,562,855 in ancillary non-staff costs; and
- (c) USD 772,640 for the administrative budget of the Board.

7. In addition, by decision B.12/21, the Board approved a budget increment for 2016 of USD 300,000 for the selection of the Executive Director, including the costs of the independent executive search firm.

8. This brings the total approved budget for 2016 to USD 36,144,715.

#### **3.2 Actual expenditures for the year ended 31 December 2016**

9. For the year ended 31 December 2016, total expenditures on the Board and the Secretariat as well as estimated expenditures for the services of the Interim Trustee amounted to USD 25.6 million against a budget of USD 36.1 million. Of this figure, USD 3.4 million were related to the Board; USD 0.3 million to the Independent Accountability Units; USD 21.0 million to the Secretariat, and USD 0.9 million to the Interim Trustee. (These are set out in table 1 below.) The Interim Trustee expenditures are based on actual expenditures for the period to 30 June 2016 and estimated expenditures for period to 31 December 2016.

**Table 1. Actual expenditures for the year ended 31 December 2016 (in United States dollars)**

	<b>Approved budget</b>	<b>Actual to 31 December 2016</b>	<b>Overspend/ (Underspend)</b>	<b>% spent</b>
Board	3,908,140	3,380,215	(527,925)	86
Independent Accountability Units	800,053	257,785	(542,268)	32
Secretariat	30,560,722	21,004,383	(9,556,339)	69
Interim Trustee	875,800	921,500	45,700	105
<b>Total</b>	<b>36,144,715</b>	<b>25,563,883</b>	<b>(10,580,832)</b>	<b>71</b>

#### **3.3 Board expenditures**

10. Detailed Board expenditures for the year ended 31 December 2016 are set out in table 2 below.

**Table 2. Board expenditures for the year ended 31 December 2016 (in United States dollars)**

	Approved budget	Actual to 31 December 2016	Overspend/ (Underspend)	% spent
<b>1 Board meetings</b>				
1.1 Board representative travel	1,056,000	999,140	(56,860)	95
1.2 Secretariat staff travel	260,000	260,000	-	100
1.3 Venue and logistics	380,000	391,007	11,007	103
<b>Subtotal: Board meetings</b>	<b>1,696,000</b>	<b>1,650,147</b>	<b>(45,853)</b>	<b>97</b>
<b>2 Co-Chair and Board representative travel</b>				
2.1 Co-Chair and Board representative travel	22,500	15,205	(7,295)	68
<b>Subtotal: Co-Chair and Board representative travel</b>	<b>22,500</b>	<b>15,205</b>	<b>(7,295)</b>	<b>68</b>
<b>3 Board committees, panels and working groups</b>				
3.1 Board representative travel	317,000	202,928	(114,072)	64
3.2 Venue and logistics	10,000	2,777	(7,223)	28
3.3 Compensation of Board panels: Accreditation Panel	588,000	515,181	(72,819)	88
3.4 Independent Technical Advisory Panel	720,000	600,932	(119,068)	83
3.5 Recruitment of the Executive Director	300,000	205,000	(95,000)	68
3.6 Recruitment of consultant company - Heads of the Independent Accountability Units	254,640	188,045	(66,595)	74
<b>Subtotal: Board committees, panels and working groups</b>	<b>2,189,640</b>	<b>1,714,863</b>	<b>(474,777)</b>	<b>78</b>
<b>Total (1+2+3)</b>	<b>3,908,140</b>	<b>3,380,215</b>	<b>(527,925)</b>	<b>86</b>

11. Total Board expenditures for 2016 amounted to USD 3.4 million or 86 per cent of the total budget of USD 3.9 million. This represents an underexpenditure of USD 0.5 million and is primarily due to underexpenditures of USD 0.5 million on Board panels and recruitment costs for both the Executive Director and the Heads of the Independent Accountability Units.

12. Board meeting expenditures of USD 1.65 million include the costs of both the informal meeting held in Cape Town, South Africa, in February 2016; and the twelfth, thirteenth and fourteenth meetings of the Board held in Songdo, Incheon, Republic of Korea, in March, June and September 2016, and the fifteenth meeting of the Board held in Apia, Samoa, in December 2016.

13. Expenditures for Board committees, panels, working groups and recruitment costs were USD 1.7 million against a budget of USD 2.2 million. Included underexpenditures are USD 0.1 million for Board committee/panel representative travel, USD 0.1 million for the costs of the Accreditation Panel; USD 0.1 million for the costs of the independent Technical Advisory Panel and USD 0.15 million for the costs of recruiting the Heads of the Independent Accountability Units and the Executive Director.

### 3.4 Independent Accountability Units

**Table 3. Independent Accountability Unit expenditures for the year ended 31 December 2016 (in United States dollars)**

	Approved budget	Actual to 31 December 2016	Overspend/ (Underspend)	% spent
Salaries and consultants	665,053	242,283	(422,770)	36
Travel	45,000	15,502	(29,498)	34
Professional services	90,000	-	(90,000)	0
<b>Total</b>	<b>800,053</b>	<b>257,785</b>	<b>(542,268)</b>	<b>32</b>

14. The Heads of the Independent Redress Mechanism Unit and the Independent Integrity Unit joined the GCF on 1 November 2016. Expenditures represent two months of cost for 2016 and include initial installation and shipping costs for 'on-boarding' staff.

### 3.5 Secretariat expenditures

15. Secretariat expenditures for the year ended 31 December 2016 are set out in table 4 below.

**Table 4. Secretariat expenditures for the year ended 31 December 2016 (in United States dollars)**

	Approved budget	Actual to 31 December 2016	Overspend/ (Underspend)	% spent
<b>1 Salaries and consultants</b>				
1.1 Full-time staff	15,711,457	10,923,374	(4,788,083)	70
1.2 Consultancies	4,038,910	4,509,852	470,942	112
<b>Subtotal: salaries and consultants</b>	<b>19,750,367</b>	<b>15,433,226</b>	<b>(4,317,141)</b>	<b>78</b>
<b>2 Travel</b>				
2.1 Travel	1,569,500	1,275,357	(294,143)	81
<b>Subtotal: travel</b>	<b>1,569,500</b>	<b>1,275,357</b>	<b>(294,143)</b>	<b>81</b>
<b>3 Contractual services, general operating, information technology costs</b>				
3.1 Office utility costs	300,000	102,276	(197,724)	34
3.2 Contractual services	4,117,000	732,871	(3,384,129)	18
3.3 Other operating costs	475,000	271,057	(203,943)	57
3.4 Communication and printing	315,000	123,171	(191,829)	39
3.5 Information and communication technology	3,183,855	2,335,995	(847,860)	73
3.6 Depreciation	850,000	730,430	(119,570)	86
<b>Subtotal: contractual services, general operating, information technology costs</b>	<b>9,240,855</b>	<b>4,295,800</b>	<b>(4,945,055)</b>	<b>46</b>
<b>Total (1+2+3)</b>	<b>30,560,722</b>	<b>21,004,383</b>	<b>(9,556,339)</b>	<b>69</b>

16. The following main points are noteworthy regarding the USD 21.0 million spent by the Secretariat for the year ended 31 December 2016:
- (a) Accumulated execution of the administrative budget for the Secretariat represents 69 per cent for the year;
  - (b) Aggregate expenditures on staff costs and consultants amount to USD 15.4 million or 78 per cent. The Board approved an additional budget of USD 4.4 million at its twelfth meeting (B.12) (included in the USD 15.7 million) for the recruitment of new staff. Staff were recruited at a slower pace than originally planned which has resulted in the underspend. This was partially offset by the use of consultants during the recruitment period.
  - (c) Consultants are required for three reasons; firstly to provide continuity when new full time staff are recruited so as to provide a smooth transition; secondly to provide a staff function where the staff positions have yet to be filled; and thirdly to provide additional expertise in technical areas where the relevant division does not propose to hire staff itself. The slower pace of staff recruitment in 2016 resulted in a higher use of consultants than had been originally planned.
  - (d) Travel costs for staff and consultants are USD 1.27 million or 81 per cent against a budget of USD 1,569,500. The Board had approved an additional travel budget of USD 300,000 at B.12 to cover the travel costs of new staff coming on board. Delayed recruitment meant that the additional budget was not utilized.
  - (e) Costs for contractual services, general operations, and information and communication technology are USD 4.3 million or 46 per cent of the budget of USD 9.2 million. The primary reasons for the underspend are:
    - (i) Underexpenditures against a budget of USD 1 million for two requests for proposals: one to establish a pilot programme to support micro-, small-, and medium-sized enterprises, and another for a pilot programme to mobilize resources at scale in order to address adaptation and mitigation;
    - (ii) Delayed expenditures against a budget of USD 1 million for the development of necessary day-to-day manuals and guidelines for risk, which are required to ensure consistent assessments and compliance with standard risk procedures;
    - (iii) Underexpenditure of USD 0.6 million on the use of international law firms; and
    - (iv) Non-utilization of the additional budget of USD 0.8 million for the information and communication technology approved at B.12.

### 3.6 Interim Trustee

17. Estimated expenditures on Interim Trustee services for the year ended 31 December 2016 are set out in table 5 below.

**Table 5. Estimated Interim Trustee costs and expenses for the year ended 31 December 2016 (in United States dollars)**

	Approved budget	Estimated costs to 31 December 2016	Overspend/ (Underspend)	% spent
<b>1 Financial and programme management</b>				
1.1 Staff costs and expenses	304,800	304,800	-	100
1.2 Travel	48,400	40,000	(8,400)	83

	Approved budget	Estimated costs to 31 December 2016	Overspend/ (Underspend)	% spent
<b>Subtotal: financial and programme management</b>	<b>353,200</b>	<b>344,800</b>	<b>(8,400)</b>	<b>98</b>
<b>2 Investment management</b>	<b>262,500</b>	<b>385,000</b>	<b>122,500</b>	<b>147</b>
<b>3 Accounting and reporting</b>				
3.1 Staff costs and expenses	55,000	55,000	-	100
3.2 External audit	50,000	-	(50,000)	0
<b>Subtotal: accounting and reporting</b>	<b>105,000</b>	<b>55,000</b>	<b>(50,000)</b>	<b>52</b>
<b>4 Legal services</b>				
4.1 Staff costs and expenses	106,700	106,700	-	100
4.2 Travel	48,400	30,000	(18,400)	62
<b>Subtotal: legal services</b>	<b>155,100</b>	<b>136,700</b>	<b>(18,400)</b>	<b>88</b>
<b>Total (1+2+3+4)</b>	<b>875,800</b>	<b>921,500</b>	<b>45,700</b>	<b>105</b>

18. As the Interim Trustee (World Bank) operates on a July-June fiscal year, costs and expenses for trustee services to the GCF are based on actual expenditures for the six months to 30 June 2016 and are estimated for the six months to 31 December 2016. They are estimated to be USD 0.05 million over budget due to higher investment management fees as a result of higher than expected cash balances in the GCF Trust Fund, offset by the non-utilization of an external audit fee and lower travel costs.

19. Investment management fees are higher than budget because the average cash balances in the GCF Trust Fund have been greater than the USD 750 million estimate provided by the Secretariat at the time of preparation of the budget for 2016. Higher investment management fees have been offset by higher investment income as a result of the higher balances, as shown in the GCF statement of comprehensive income.

20. The GCF has decided not to request externally audited financial statements for the GCF Trust Fund, for a saving of USD 50,000. The GCF places reliance on the single external audit of the World Bank Trust Funds and has not yet required a separate audit of the GCF Trust Fund.

### 3.7 Non-utilized budget

21. It is important to note that the Interim Trustee transfers funds at regular intervals to the Secretariat based on its estimated cash flow requirements rather than as a lump sum at the beginning of the year. The balance of USD 10.3 million remaining from the annual budget at year-end will be returned to the GCF Trust Fund at the Interim Trustee for future allocation by the Board.

### 3.8 Readiness and Preparatory Support Programme

22. Expenditures in 2016 for the Readiness and Preparatory Support Programme amounted to USD 5.08 million. These are set out in table 6 below.

**Table 6. Readiness expenditures for the year ended 31 December 2016 (in United States dollars)**

	<b>2016</b>	<b>2015</b>
Readiness grants	2,730	161
Readiness workshop support	942	640
Consultancies	839	569
Travel	132	42
Professional services	441	-
<b>Total</b>	<b>5,084</b>	<b>1,412</b>

23. A full report on the activities of the Readiness and Preparatory Support Programme is contained in the document GCF/B.16/Inf.05 titled “Progress report of the Readiness and Preparatory Support Programme”.

24. In conjunction with the USD 2.7 million of readiness grants disbursed, an additional amount of USD 9.9 million was also approved but not disbursed at 31 December 2016. In total, the number of readiness grants approved amounts to USD 12.6 million.

25. In addition, an amount of USD 0.5 million was disbursed under the Project Preparation Facility.

#### **IV. Recommendation of the Budget Committee**

26. The Budget Committee recommends that the Board take note of the report on the execution of the 2016 administrative budget of the GCF and the 2016 unaudited financial statements.



## **Annex I: Draft decision of the Board**

The Board, having considered document GCF/B.16/19 titled “Report on the execution of the 2016 administrative budget of the GCF and the 2016 unaudited financial statements”:

*Takes note* of the report.

## Annex II: Statements of financial position

As at 31 December 2015 and 31 December 2016

USD

	Note	2016	2015
<b>Assets</b>			
Cash and cash equivalents	5, 6	1,821,907	637,682
Other receivables	6		
Prepayments	-	-	
Contributions receivable	6, 7	479,538	470,538
<b>Total current assets</b>		<b>2,301,445</b>	<b>1,108,220</b>
Contributions receivable	6, 7	1,097,350	740,115
Property and equipment, net	8	914	785
Investment		5,494	0
<b>Total non-current assets</b>		<b>1,103,758</b>	<b>740,900</b>
<b>Total assets</b>		<b>3,405,203</b>	<b>1,849,120</b>
<b>Liabilities</b>			
Accounts payable	6	2,127	1,651
Accrued expenses	-	2,540	1,087
Payable to employees	5, 6	2,501	1,436
<b>Total current liabilities</b>		<b>7,168</b>	<b>4,174</b>
<b>Total liabilities</b>		<b>7,168</b>	<b>4,174</b>
<b>Funds</b>			
Temporarily restricted funds	9	2,343,394	1,210,653
Unrestricted funds	9	1,054,641	634,293
<b>Total funds</b>		<b>3,398,035</b>	<b>1,844,946</b>
<b>Total liabilities and funds</b>		<b>3,405,203</b>	<b>1,849,120</b>

## Annex III: Statements of comprehensive income

For the years ended 31 December 2015 and 31 December 2016

	Note	USD 2015	2014
<b>Income</b>			
Contributions	10	1,680,979	1,757,626
Foreign currency gain/(loss)	6	(111,023 )	(2,786)
Other income	6	619	1,424
Interest and investment income	6	13,516	1,046
<b>Total income</b>		<b>1,584,091</b>	<b>1,757,310</b>
<b>Expenditure</b>			
Operating expenses	11,12	31,001	20,143
<b>Total expenditure</b>		<b>31,001</b>	<b>20,143</b>
<b>Increase in fund for the year</b>		<b>1,553,090</b>	<b>1,737,167</b>
<b>Other comprehensive income (loss)</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,553,090</b>	<b>1,737,167</b>

## Annex IV: Statements of changes in funds

For the years ended 31 December 2015 and 31 December 2016

	USD		
	Temporarily restricted funds	Unrestricted funds	Total
<b>As at 1 January 2015</b>	<b>681</b>	<b>107,098</b>	<b>107,779</b>
Fund released from restriction	(681)	681	-
Comprehensive income	1,210,653	526,514	1,737,167
<b>As at 31 December 2015</b>	<b>1,210,653</b>	<b>634,293</b>	<b>1,844,946</b>
<b>As at 1 January 2016</b>	<b>1,210,653</b>	<b>634,293</b>	<b>1,844,946</b>
Fund released from restriction			
Comprehensive income	1,132,741	420,348	1,553,089
<b>As at 31 December 2016</b>	<b>2,343,394</b>	<b>1,054,641</b>	<b>3,398,035</b>