



**GREEN
CLIMATE
FUND**

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GCF/B.19/27

9 February 2018

Report on the execution of the 2017 administrative budget of the GCF and the 2017 unaudited financial statements

Summary

This document presents a review of the execution of the 2017 administrative budget of the GCF. It is based on actual expenditures relating to activities of the Board, Independent Units and the Secretariat for the year 1 January to 31 December 2017 and on estimated costs for the Interim Trustee. Please note that these numbers are unaudited.

For the year ended 31 December 2017, total expenditures amounted to USD 42 million or 84 per cent of the approved budget of USD 50.2 million.

The underspend of USD 8.2 million comprises under-expenditures of USD 1.1 million for the Board; USD 1.8 million for the Independent Accountability Units; USD 5.6 million for the Secretariat offset by an over expenditure of USD 0.3 million on the costs for the interim trustee.

The document also reports on expenditures relating to the Readiness and Preparatory Support Programme, PPF, NAPs and disbursement on approved Funding Proposals.

In addition, the document introduces GCF unaudited financial statements as at 31 December 2017.

I. Introduction

1. This document presents a review of 2017 expenditures against the administrative budget of the GCF. It is based on actual expenditures relating to activities of the Board, Independent Units and the Secretariat for the year from 1 January to 31 December 2017. The amounts shown for the Interim Trustee are based on actual expenditures for the six months to 30 June 2017 and estimated expenditures for the six months to 31 December 2017, since actual figures will not be available until the closing of the Interim Trustee's fiscal year-end on 30 June 2018.
2. Actual expenditures are USD 42 million or 84 per cent of the approved 2017 budget.
3. The report also introduces the GCF unaudited financial statements as at 31 December 2017.

II. Unaudited 2017 financial statements of the GCF

4. The unaudited 2017 financial statements of the GCF are presented in annexes II, III and IV. These comprise the draft statement of the financial position as at 31 December 2016 and 31 December 2017; the draft statement of comprehensive income for the years ended 31 December 2016 and 31 December 2017; and draft statements of changes in funds for the years ended 31 December 2016 and 31 December 2017.
5. As at 31 December 2017:
 - (a) The GCF had USD 3.38 billion in cash and cash equivalents and USD 2.06 billion in unencashed promissory notes. Of this total of USD 5.44 billion, an amount of USD 5.434 billion is held in a trust fund administered by the World Bank (Green Climate Trust Fund); and USD 6 million is held by the GCF in current accounts;
 - (b) Total loans receivable are USD 85.3 million and investments in equity USD 8.1 million.
 - (c) Total liabilities amount to USD 347.9 million and includes a loan of USD 341.6 million.
 - (d) Total fund balances amounted to USD 5.2 billion. and includes amounts of USD 1.1 billion received as capital contributions.
 - (e) Total revenue for 2017 amounted to USD 1.9 billion, which comprises contributions of USD 1.871 billion including unrealised exchange gains of USD 123.6 million, investment income of USD 35.5 million and accreditation fee income of USD 0.7 million,
 - (f) The foreign exchange gains are unrealized accounting gains and have arisen from promissory notes deposited in 2015, 2016 and 2017. It reflects the difference in exchange rates either at 1 January 2017 or the date the promissory note was deposited in 2017 and the rate as at 31 December 2017. The gain has arisen from promissory notes deposited by the United Kingdom (gain of USD 50.2 million/ 2016 loss of USD 63 million), Sweden (gain of USD 31.5 million/ 2016 loss of USD 27 million); Germany (gain of USD 32.7 million/2016 nil); and Japan gain of USD 9.2 million/ 2016 loss USD 21 million);
 - (g) Expenditures amounted to USD 116.1 million and comprises administrative expenditures of USD 42 million, readiness, project preparation facility, and NAPs expenditures of USD 12.5 million and funded project expenditures of USD 61.6 million.
 - (h) 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 twentieth 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 2017 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 2017

3.1 Approved budget

6. By decision B.16/01, the Board approved, from the resources available in the Green Climate Fund Trust Fund, an administrative budget of up to USD 46,784,071 for the period of 1 January to 31 December 2017.
7. The Board also approved the following budgets for the three independent accountability units:
- (i) USD 999,141 under decision B.15/12 for the Independent Redress Mechanism Unit for the period of 1 January to 31 December 2017;
 - (ii) USD 1,017,791 under decision B.15/13 for the Independent Integrity Unit for the period of 1 January to 31 December 2017; and
 - (iii) USD 370,930 under decision B.16/07 for the Independent Evaluation Unit for the period of March to June 2017.
 - (iv) USD 1,010,000 under decision B.BM-2017/09 for the Independent Evaluation Unit for the period of July to December 2017
8. This brings the total approved budget for 2017 to USD 50,181,933.

3.2 Actual expenditures for the year ended 31 December 2017

9. For the year ended 31 December 2017, total expenditures on the Board, independent units and the Secretariat as well as estimated costs for the services of the Interim Trustee amounted to USD 42 million against a budget of USD 50.2 million (these are set out in table 1 below). The Interim Trustee costs are based on actual expenditures for the period to 30 June 2017 and estimated expenditures for period to 31 December 2017.

Table 1: Actual expenditures for the year ended 31 December 2017 (in United States dollars)

		2017 Approved Budget	Actual expenditures to 31 December	Balance	% spent
1	Board	3,186,305	2,128,918	1,057,387	67%
2	Independent Units	3,397,862	1,635,471	1,762,391	48%
3	Secretariat	42,471,526	36,820,285	5,651,241	87%
4	Interim trustees	1,126,240	1,405,001	(278,761)	125%
	Grand total (1+2+3)	50,181,933	41,989,675	8,192,258	84%

3.3 Board expenditures

10. Detailed Board expenditures for the year ended 31 December 2017 are set out in table 2 below.

Table 2: Board expenditures for the year ended 31 December 2017 (in United States dollars)

		2017 Approved Budget	Actual expenditures to 31 December	Balance	% spent
1.1	Board meetings				
1.1.1	Board representative travel	1,087,680	633,554	454,126	58%
1.2.2	Venue and logistics	391,400	184,808	206,592	47%
	Sub-total: Board meetings	1,479,080	818,362	660,718	55%
1.2	Co-Chair and Board representative travel				
1.2.1	Co-Chair and Board representative travel	23,175	-	23,175	100%
	Sub-total: Co-Chair and Board representative travel	23,175	-	23,175	100%
1.3	Board committees, panels and working groups				
1.3.1	Board representative travel	326,510	207,920	118,590	64%
1.3.2	Venue and logistics	10,300	3,614	6,686	35%
1.3.3	Compensation of Board panels: Accreditation Panel	605,640	357,335	248,305	59%
1.3.4	Compensation of Board panels: Technical Advisory Panel	741,600	741,687	(87)	100%
	Sub-total: Board committees, panels and working groups	1,684,050	1,310,556	373,494	78%
	Grand total (1.1+1.2+1.3)	3,186,305	2,128,918	1,057,387	67%

11. Total actual Board expenditures for the year ended 31 December 2017 amounted to USD 2.1 million or 67 per cent of the total budget of USD 3.2 million. This represent an under expenditure of USD 1 million.

12. Board meeting expenditures of USD 0.7 million include the costs of the sixteenth and seventeenth meetings of the Board held in Songdo, Incheon, Republic of Korea, in April and July 2017 and the eighteenth meeting held in Cairo, Republic of Egypt, in September/October.

13. Actual expenditures of USD 1.3 million on Board committees, panels and working groups include USD 0.2 million for Board committee travel and USD 0.7 for the costs of the independent Technical Advisory Panel and USD 0.4 the Accreditation Panel (AP), respectively. AP expenditures were under budget due to the completion of the majority of panel member's terms in October. Consequently, actual expenditures during the final quarter were low.

3.4 Independent Accountability Units

14. Independent accountability units expenditures for the year to 31 December are set out in tables 3, 4 and 5.

Table 3: Independent Redress Mechanism Unit 2017 expenditures for the year ended 31 December 2017 (in United States dollars)

		2017 Approved Budget	Actual expenditures to 31 December	Balance	% spent
4.1	Salaries and consultants				
4.1.1	Full-time staff	722,791	424,676	298,115	59%
4.1.2	Consultancies	163,350	154,257	9,093	94%
	Sub-total: Salaries & consultants	886,141	578,933	307,208	65%
4.2	Travel				
4.2.1	Travel	93,000	45,073	47,927	48%
	Sub-total: Travel	93,000	45,073	47,927	48%
4.3	Professional services				
4.3.1	Operating costs	20,000	552	19,448	3%
	Sub-total: Professional services	20,000	552	19,448	3%
	Grand total (4.1+4.2+4.3)	999,141	624,558	374,583	63%

15. Actual expenditures for the Independent Redress Mechanism Unit are USD 624,558 against an approved annual budget of USD 999,141. Full-time staff costs of USD 424,676 and consultants costs of USD 154,257 totals USD 578,933. Actual expenditures are 63 per cent of the budget for the year ending 31 December 2017.

Table 4: Independent Integrity Unit 2017 expenditures for the year ended 31 December 2017 (in United States dollars)

		2017 Approved Budget	Actual expenditures to 31 December	Balance	% spent
4.1	Salaries and consultants				
4.1.1	Full-time staff	722,791	404,948	317,843	56%
4.1.2	Consultancies	200,000	128,229	71,771	64%
	Sub-total: Salaries & consultants	922,791	533,177	389,614	58%
4.2	Travel				
4.2.1	Travel	75,000	64,883	10,117	87%
	Sub-total: Travel	75,000	64,883	10,117	87%



4.3	Professional services				
4.3.1	Operating costs (including workshop)	20,000	341	19,659	2%
	Software development costs				
	Sub-total: Professional services	20,000	341	19,659	2%
	Grand total (4.1+4.2+4.3)	1,017,791	598,401	419,390	59%

16. Actual expenditures for the Independent Integrity Unit are USD 598,401 against an approved annual budget of USD 1,017,791. Full-time staff costs of USD 404,948 and consultants costs of USD 128,228 totals USD 533,177. Actual expenditures are 59 per cent of the budget for the year ending 31 December 2017.

Table 5: Independent Evaluation Unit 2017 expenditures for the ten months to 31 December 2017 (in United States dollars)

		Approved Budget March - December 2017	Actual expenditures to 31 December	Balance	% spent
4.1	Salaries and consultants				
4.1.1	Full-time staff	540,930	314,525	226,405	58%
4.1.2	Consultancies	370,000	55,926	314,074	15%
	Sub-total: Salaries & consultants	910,930	370,451	540,479	41%
4.2	Travel				
4.2.1	Travel	50,000	41,509	8,491	83%
	Sub-total: Travel	50,000	41,509	8,491	83%
4.3	Professional services				
	Professional services	400,000	0	400,000	0%
4.3.1	Operating costs	20,000	552	19,448	3%
	Sub-total: Professional services	420,000	552	419,448	3%
	Grand total (4.1+4.2+4.3)	1,380,930	412,512	968,418	30%

17. Actual expenditures for the Independent Evaluation Unit are USD 412,512 against an approved budget of USD 1,380,930. Full-time staff costs of USD 314,525 and consultants costs of USD 55,926 totals USD 370,451. Actual expenditures are 30 per cent of the budget for the year ending 31 December 2017. An approved budget of USD 400,000 for professional services was unutilized.

3.5 Secretariat expenditures

18. Secretariat expenditures for the year ended 31 December 2017 are set out in table 6 below.

Table 6: Secretariat expenditures for the year ended 31 December 2017 (in United States dollars)

		2017 Approved Budget	Actual expenditures to 31 December	Balance	% spent
2.1	Salaries and consultants				
2.1.1	Full-time staff	24,143,451	21,433,462	2,709,989	89%
2.1.3	Consultancies	3,866,920	4,569,057	(702,137)	118%
	Sub-total	28,010,371	26,002,519	2,007,852	93%
2.2	Travel				
2.2.1	Travel	1,569,500	1,663,455	(93,955)	106%
2.2.2	Secretariat staff travel - Board meeting	267,800	267,800	-	100%
	Sub-total	1,837,300	1,931,255	(93,955)	105%
2.3	Contractual services, general operating, information technology costs				
2.3.1	Office utility costs	300,000	152,851	147,149	51%
2.3.2	Contractual services	7,500,000	4,436,725	3,063,275	59%
2.3.3	Other Operating costs including communication	790,000	487,313	302,687	62%
2.3.5	Information and communication technology	3,183,855	3,075,444	108,411	97%
2.3.6	Depreciation	850,000	734,178	115,822	86%
	Sub-total: Contractual services, general operating, information technology costs	12,623,855	8,886,511	3,737,344	70%
	Grand total (1+2+3)	42,471,526	36,820,285	5,651,241	87%

19. Total actual Secretariat expenditures for the year ended 31 December 2017 amounted to USD 36.8 million of the total budget of USD 42.5 million.

20. The following main points are noteworthy regarding the USD 36.8 million spent by the Secretariat during 2017:

21. The accumulated execution of the administrative budget for the Secretariat represents 87 per cent of the total for the year. This compares to a budget utilization of 71 per cent for 2016;

22. Aggregate expenditures on staff costs and consultants amount to USD 26 million or 93 per cent of the total salaries and consultants budget for the year;

23. Total expenditures on full time staff are USD 21.4 million or 89 per cent of the total staff budget for the year. The reason for the underspend is that the approved budget assumed approximately 80 staff would be on board by the end of 2016; approximately 117 by mid-2017; and 140 staff on board by year end. Staff were recruited at a slower pace than was anticipated when the budget was approved. However, the full staff contingent of 140 were on board by the year end.

24. Individual Consultancy costs are USD 4.6 million or 118% of the budget. The rate of spending against the approved budget was higher than anticipated, primarily due to the fact that consultants provided a staff function where the staff positions were unfilled. Please note that the over expenditure on consultant costs were more than offset by under expenditure on staff costs.

25. Travel costs for staff and consultants are USD 1.9 million or USD 0.1 million or 5 percent over budget. The primary reason for the over run was the cost of an unbudgeted trip by a delegation from the Secretariat to the Caribbean in December in response to the natural disaster;

26. The costs of contractual services, general operations, and information and communication technology is USD 8.9 million or 70 per cent of the budget of USD 12.6 million for the year. The primary reason for the underspend of USD 3.7 million is as follows:

- Delayed expenditures of USD 3.1 million in contractual services. Actual expenditures are USD 4.4 million against a budget of USD 7.5 million. Under expenditures includes the following: Office of the General Counsel hiring of international law firms (USD 0.8 million); advisory services for CPD (USD 0.85 million); DMA underutilization of technical advisory services budget (USD 0.7 million); Office of the Risk Management non-utilization of a budget for professional services (USD 0.3 million); and PSF non-utilization of a budget for strategy mapping (USD 0.3 million).

3.6 Interim Trustee

27. Estimated costs for the Interim Trustee services for the year ended 31 December 2017 are set out in table 7 below.

Table 7: Estimated Interim Trustee estimated costs and expenses for the year ended 31 December 2017 (in United States dollars)

		2017 Approved Budget	Estimated Costs to 31 December	Balance	% spent
3.1	Financial and program management				
3.1.1	Staff costs and expenses	320,040	307,754	12,286	96%
3.1.2	Travel	48,400	43,090	5,310	89%
	Sub-total: Financial and program management	368,440	350,844	17,596	95%
3.2	Investment Management	595,000	925,457	(330,457)	156%
3.3	Accounting and reporting				
3.3.1	Staff costs and expenses	33,000	33,000	-	100%
	Sub-total: Accounting and reporting	33,000	33,000	-	100%
3.4	Legal services				
3.4.1	Staff costs and expenses	95,700	95,700	-	100%

3.4.2	Travel	34,100	-	34,100	0%
	Sub-total: Legal services	129,800	95,700	34,100	74%
Grand total (3.1+3.2+3.3)		1,126,240	1,405,001	(278,761)	125%

28. 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 2017 and are estimated for the six months to 31 December 2017. They are estimated to be USD 0.3 million over budget due to higher investment management fees. This is as a result of higher than expected cash balances in the GCF Trust Fund, offset to an extent by lower financial/program management expenditures and lower travel costs.

29. Investment management fees are higher than budget because the average cash balances in the GCF Trust Fund have been greater than the USD 1 billion estimate provided by the Secretariat at the time of preparation of the budget for 2017. 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.

3.7 Non-utilized budget

30. 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 budget lump sum at the beginning of the year. The balance of the unutilized budget remaining from the annual budget at year-end is not carried forward into 2018. It becomes available for future allocation by the Board.

IV. Readiness and Preparatory Support Programme

31. Expenditures in 2017 for the Readiness and Preparatory Support Programme amounted to USD 10.1 million. These are set out in table 8 below.

Table 8: Readiness expenditures for the year ended 31 December 2017 (in United States dollars '000)

	2017	2016
Readiness grants	8,163	2,730
Readiness workshop support	925	942
Consultancies	735	839
Travel	232	132
Professional services	81	441
Total	10,136	5,084

32. A full report on the activities of the Readiness and Preparatory Support Programme is contained in the document GCF/B.19/15 titled "Progress report of the Readiness and Preparatory Support Programme".

33. In conjunction with the USD 10.1 million of readiness grants disbursed, an additional amount of USD 24.9 million was also approved but not disbursed at 31 December 2017. In total, the number of readiness grants approved amounts to USD 53.6 million.

34. In addition, an amount of USD 1.1 million was disbursed under the Project Preparation Facility and an amount of USD 1.3 million under the NAPs program.

V. Approved Funding Proposal Disbursements

35. 2017 disbursements for approved funding proposals are set out in table 9:

Table 9: Approved Funding Proposal Disbursements for the year ended 31 December 2017 (in United States dollars '000)

Category	Funding Proposal	AE fees	Total
Grants	53,938	4,677	58,615
Loans	85,300	2,984	88,284
Equity investment	2,651		2,651
	141,889	7,661	149,550

VI. Recommendation of the Budget Committee

36. The Budget Committee recommends that the Board take note of the report on the execution of the 2017 administrative budget of the GCF and the 2017 unaudited financial statements.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.19/27 titled “Report on the execution of the 2017 administrative budget of the GCF and the 2017 unaudited financial statements”:

- (a) Takes note of the report.

Annex II: Statements of financial position

As at 31 December 2017 and 31 December 2016

USD

	Note	2017	2016
Assets			
Cash and cash equivalents		3,380,678	1,824,159
Contributions receivable		409,543	470,102
Prepayments		584	279
Total current assets		3,790,805	2,294,540
Contributions receivable		1,649,627	1,099,891
Loans		85,300	
Equity investments		8,146	5,494
Property and equipment, net		1,468	1,123
Total non-current assets		1,744,541	1,106,508
Total assets		5,535,346	3,401,048
Liabilities			
Accounts payable		1,057	1,986
Accrued expenses		5,006	2,736
Payable to employees		0	2,496
Other payables		166	141
Total current liabilities		6,229	7,359
Loans from contributors		341,630	0
Total long term liabilities		341,630	0
Total liabilities		347,858	7,359
Funds			
Temporarily restricted funds		2,058,829	1,925,435
Unrestricted funds		3,128,659	1,468,254
Total funds		5,187,488	3,393,689
Total liabilities and funds		5,535,346	3,401,048

Annex III: Statements of comprehensive income

For the years ended 31 December 2017 and 31 December 2016

	Note	USD 2017	2016
Income			
Contributions		1,873,285	1,565,948
Investment & other income		36,239	13,776
Total income		1,909,924	1,579,724
Expenditure			
Administrative expenditures		41,990	25,379
Program expenditures		74,135	5,602
Total expenditure		116,125	30,981
Increase in fund for the year		1,793,799	1,548,743
Total comprehensive income for the year		1,793,799	1,548,743

Annex IV: Statements of changes in funds

For the years ended 31 December 2017 and 31 December 2016

	USD		
	Temporarily restricted funds	Unrestricted funds	Total
As at 1 January 2016	1,210,394	634,293	1,844,946
Fund released from restriction	(274,216)	274,216	0
Comprehensive income	988,988	559,745	1,548,743
As at 31 December 2016	1,925,435	1,468,254	3,393,689
As at 1 January 2017	1,925,435	1,468,254	3,393,689
Fund released from restriction	(376,323)	376,323	0
Comprehensive income	509,717	1,284,082	1,793,799
As at 31 December 2017	2,058,829	3,128,659	5,187,488