
Global Green Growth Institute

Fourth Session of the Assembly and Eighth Session of the Council (Joint Session)
18-19 November 2015, Seoul

Decision on the Revised Financial Regulations

The Assembly and the Council,

Recalling Articles 2 and 4 of the Agreement on the Establishment of the Global Green Growth Institute (GGGI), regarding the objectives and activities of the Global Green Growth Institute;

Recalling Article 8(1) of the Agreement on the Establishment of the GGGI, providing that the Council is the executive organ of the GGGI and, under the guidance of the Assembly, is responsible for directing the activities of the Institute;

Recalling previous Council decisions promulgating the Financial Regulations of the GGGI – C/3/DC/5 adopted at the third session of the Council and C/WRP/DC/13 adopted through written procedure on 25 February 2015;

Recalling Assembly decision A/WRP/DC/4 adopted through written procedure on 25 February 2014, taking note of the Council decision C/3/DC/5 approving the Financial Regulations thereunder and adopting the same Financial Regulations;

Recalling the Preambles to the previously approved Financial Regulations referenced above, specifying that the Financial Regulations shall become effective upon approval of the Council;

Recalling Regulation 2.4 of the previously approved Financial Regulations, providing that amendments and exceptions to the Financial Regulations shall only be made with the approval of the Council;

Recalling Article 12(1)(e) of the Establishment Agreement, referencing that “[t]he GGGI shall obtain its financial resources through . . . any other sources in accordance with the financial rules to be adopted by the Assembly by consensus”; and

Taking into account the observations of the Joint Donor Review of the GGGI undertaken in October 2015 that “[t]he recent value-for-money audit documented that the GGGI now has performing systems in place and that the past challenges have by and large been overcome. In addition, the GGGI management now carefully monitors progress and corporate risks on a regular basis. Hence, it will be important for the GGGI management to regain a certain level of managerial flexibility in the implementation of the approved biennial Work Plans and Budgets (WPB) to adapt to unforeseeable changes, opportunities, and cost variations – while obviously respecting the overall directions provided by the Assembly and

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the Council. Such flexibility would be expected to enhance the GGGI's efficiency and improve the currently low disbursement levels by reallocating excess funds to other priority activities.”

Further taking into account the Explanatory Note attached as Annex 1;

1. *Confirms* that one of the functions of the Council, under the guidance of the Assembly, is to approve and adopt regulations of the GGGI, including the Financial Regulations and any amendments and exceptions thereto.
2. *Approves* the Revised Financial Regulations attached as Annex 2.

EXPLANATORY NOTE

The revised Financial Regulations are the outcome of an inter-departmental review process and have been cleared by the Director-General.

The primary objective of the revision is to respond to the Institute's evolving operating environment and provide the Director-General with adequate flexibility, within prescribed limits, to efficiently carry out the financial management of the Institute. In addition, a number of editorial improvements have been made to enhance the quality of the Financial Regulations.

In relation to clarification on the appropriate governing body to approve and adopt the Financial Regulations, confirmation is sought from both the Assembly and the Council that **the Council, as the executive organ of the GGGI and the body that approves other regulations of the Institute, is the competent organ to approve and adopt the Financial Regulations of the GGGI.** The need for clarification and confirmation on this issue has arisen as a result of the text of Article 12(1)(e) of the Establishment Agreement, which has created some ambiguity on whether the Financial Regulations need to be adopted by the Assembly. Article 12(1)(e) relates to the means by which the GGGI may raise financial resources and reads as follows: “[t]he GGGI shall obtain its financial resources through . . . and any other sources in accordance with **the financial rules to be adopted by the Assembly by consensus**” [*Emphasis added*]. It is the view of Management that this reference in the context of how GGGI may acquire financial resources to financial rules adopted by the Assembly was not intended to and should not be construed to burden the Assembly with the approval and adoption of the Financial Regulations of the Institute. Article 12(1)(e) should be read more narrowly to require the Institute to obtain the approval of the Assembly in relation to any mobilization of resources that does not fall within the categories enumerated in Article 12(1)(a)–(d).

The major substantive changes introduced are summarized below.

1. **Financial Period.** The financial period for budgeting purposes has been changed to two years from 1 January of one year until 31 December of the subsequent year to reflect biennial budgeting. Conforming related changes have also been made where appropriate. *See* Regulation 2.6.
2. **Additional Projects and Scoping Activities.** The Director-General is provided with flexibility to approve plans for additional projects and scoping activities subject to such additional activities being capable of being accomplished within the Budget approved by the Council for the financial period. *See* Regulation 3.3.
3. **Resources.** Editorial changes have been made to simplify and clarify. All resources of GGGI derive from (a) core contributions from Contributing Members, (b) all other contributions (other than core contributions of Contributing Members) and (c) miscellaneous income. All core contributions are core funds available for general use by GGGI and credited to the General Fund. All other contributions are either (a) core funds or (b) earmarked funds if the use of such funds is dedicated to finance certain activities in

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the agreement between GGGI and the donor. Core funds from other contributions are also for general use by GGGI and credited to the General Fund. Earmarked funds will be kept separate and apart from core funds and will not be credited to the General Fund. Miscellaneous income is credited to the General Fund. *See* Regulations 4.1 – 4.4.

4. **Incurring obligations against Future Financial Periods.** The Director-General is provided with flexibility to incur obligations against future financial periods before appropriations are approved with respect to certain administrative expenditures that meet the following criteria: (i) they are necessary for the continued effective functioning of GGGI; and (ii) they relate to administrative requirements of a continuing nature. *See* Regulation 5.1(c).
5. **Transfers between budgets.** The Director-General may reallocate expenditures between different Program budgets, provided that the reallocation would not exceed the total amount of the approved Budget for the financial period and subject to reporting such transfers to the MPSC and the Council as part of the normal budget reporting process. *See* Regulation 5.6.
6. **Working Capital Fund.** The use of the Working Capital Fund has been expanded to also allow for withdrawals to cover unforeseen expenditures for which no other funds are available subject to any such withdrawals being reported to the MPSC in its next session. As with all advances from the Working Capital Fund, any withdrawals for unforeseen expenditures must be reimbursed not later than the next financial period. *See* Regulation 6.2.
7. **Capital Expenditure Fund.** Provision is made for establishment of a Capital Expenditure Fund to manage investments that involve expenditures that require a level of resources which cannot be funded within the appropriation for a single financial period. The source of funds for the Capital Expenditure Fund will be approved by the Council, and any use of the Fund will be reported to the Council and the MPSC, in its next respective sessions. The Capital Expenditure Fund is not mandatory and will only be established as needed. *See* Regulation 6.4.
8. **Reserve Funds.** Provision is made for establishment of Reserve Funds with the approval of the Council. *See* Regulation 6.5.
9. **Custody of Funds.** Several provisions relating to the implementation by the Director-General of his Council delegated mandate to effectively and efficiently manage cash and cash equivalents of GGGI that are more appropriately addressed in the Financial Policies and Procedures promulgated by the Director-General have been removed from the Financial Regulations. Former Regulations 6.9, 6.10(a) – (d), 6.11, 6.14, 6.15, 6.16 and 6.17 will be addressed in the Financial Policies and Procedures.
10. **Investments.** Provision has been made to require the Director-General in making investments, to seek the advice of an Investment Committee composed of members appointed by the Director-General with substantial experience in the financial sector, including at least one member from outside GGGI. *See* Regulation 7.4.



**FINANCIAL REGULATIONS OF THE
GLOBAL GREEN GROWTH INSTITUTE**

November 2015

As Amended by Council Decision C/8/DC/5 on [19] November 2015

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Article 1
DEFINITIONS

- a. **“Accounting policies”** - the specific principles, bases, conventions, rules and practices adopted by the GGGI in preparing and presenting financial statements;
- b. **“Accounting records”** - the manual or computerized records of assets and liabilities, monetary transactions, and supporting documents (such as contracts, checks, invoices, and vouchers), which the GGGI is required to maintain in its records;
- c. **“Accrual”** - the basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses;
- d. **“Allocation and Allotment”** - Amount of funds allocated for expenditure in a particular period of time, generally a fiscal year;
- e. **“Appropriations”** - the aggregate of the expenditure authorizations approved by the Council for the regular Budget of the GGGI for a financial period against which expenditures may be incurred for purposes approved by the Council and as otherwise provided in these Regulations;
- f. **“Assembly”** - the supreme organ of the GGGI as set out in the Establishment Agreement;
- g. **“Budget”** - the annual Budgets adopted by the Council indicating estimated resources and expenditures for a financial period;
- h. **“Capital Expenditures Fund”** – a fund that may be established to manage investments that involve capital expenditure in accordance with Regulation 6.4.
- i. **“Contribution”** - a donation made in accordance with the Establishment Agreement and the Financial Regulations set out in this document;
- j. **“Contributing member”** – Pursuant to the Establishment Agreement, a member of the GGGI that has provided a multi-year financial contribution of core funding of no less than USD 15 million over three years or USD 10 million over the first two years;
- k. **“Council”** - the Council of the GGGI as set out in the Establishment Agreement;
- l. **“General Fund”** - is the pooled account established for the purpose of managing GGGI’s administrative costs and core activities;
- m. **“Internal Oversight”** - an independent, objective assurance and advisory activity designed to add value and improve the GGGI’s operations, helping the organization accomplish its objectives in bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes;

- n. **“Internal Control”** - a process carried out by the GGGI Secretariat, designed to provide reasonable assurance of risk management and the achievement of objectives and goals, aimed at increasing the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable norms and regulations;
- o. **“Liabilities”** - all present commitments of the GGGI arising from past events, the settlement of which is expected to result in an outflow from the GGGI of resources embodying economic benefits or service potential;
- p. **“Member”** - any Member of the GGGI in accordance with the Establishment Agreement;
- q. **“Payables”** - represent the current liability, the monetary value of which an entity owes to contractors for goods or services purchased on credit;
- r. **“Program”** – a set of activities under which various sub-programs and projects are undertaken.
- s. **“Program Owner”** - GGGI staff member responsible for leading a program within the GGGI, such as Assistant Director-General for Green Growth Planning and Implementation, Assistant Director-General for Knowledge Solutions and Deputy Director-General for Management and Administration;
- t. **“Reserve Fund”** – a fund that may be established with the approval of the Council in accordance with Regulation 6.5 to finance obligations in relation to the long-term financial stability or going concern nature of the GGGI.
- u. **“Secretariat”** - means the Secretariat of the GGGI as set out in the Establishment Agreement;
- v. **“Short-term investments”** - investments for a period not exceeding twelve months;
- w. **“Supplementary Program Activities”** - Any activity that is not part of the activities under the approved regular budget of the GGGI;
- x. **“Working Capital Fund”** - a fund established to ensure continuity of operations in accordance with Regulation 6.2.

Article 2 INTRODUCTION

Regulation 2.1

Objective

These Financial Regulations comprise of methods and measures adopted by the GGGI to safeguard its assets, secure the accuracy and reliability of its accounting data, promote operational efficiency and promote standardization across the GGGI. These Financial Regulations shall govern the financial administration of all the GGGI Offices and activities.

Regulation 2.2

Responsibility and Accountability

- a) The Director-General is fully responsible and directly accountable to the Council for all aspects of the GGGI's activities.
- b) The Director-General may delegate to personnel any powers or responsibilities under these Financial Regulations, in whole or in part, through written delegation and, unless expressly prohibited by these Financial Regulations, such delegation may include the power to further delegate. Delegated power and responsibilities shall follow these Financial Regulations. A record of such delegations shall be maintained by the Head of Legal Services.
- c) The GGGI's staff is obligated to comply with these Financial Regulations and with administrative instructions issued in connection with these Financial Regulations. Any staff member who contravenes these Financial Regulations or corresponding administrative instructions may be held personally accountable and financially liable for his or her actions.

Regulation 2.3

Circulation and Control

These Financial Regulations shall be distributed and introduced to all the GGGI staff. All GGGI staff shall be trained on these Financial Regulations. If changes are made, then the revised version shall be circulated after authorized approval and shall bear a revised number. The old version shall be withdrawn from circulation and stamped obsolete.

Regulation 2.4

Approvals and Updating these Financial Regulations

- a) Amendment and exceptions to these Financial Regulations shall only be made by the approval of the Council. The Director-General shall prepare amendments to these Financial Regulations for approval by the Council.
- b) All queries on the interpretation of these Financial Regulations or any matters not covered shall be addressed to the Director-General.

Regulation 2.5

General Provisions

- a) The Director-General shall develop Financial Policies and Procedures for the GGGI as may be appropriate for the implementation of these Financial Regulations and shall report thereon to the Council.
- b) The Director-General shall report to the Council the full text of new or amended Financial Policies and Procedures. The Council may direct that a procedure or an amendment be withdrawn or modified if it finds that the procedure or amendment is inconsistent with the intent and purpose of these Financial Regulations or otherwise contravenes the objectives of the GGGI.
- c) In the event of any conflict between any provisions of these Financial Regulations and the Establishment Agreement, the Establishment Agreement shall prevail. In the event of any conflict between these Financial Regulations and the Financial Policies and Procedures, these Financial Regulations shall prevail.

Regulation 2.6

Financial Period

The financial period in respect of the budget for the purpose of both the proposed utilization of resources and the incurring of and accounting for expenditures shall consist of two calendar years starting from 1 January of one year until 31 December of the subsequent year.

Regulation 2.7

Effective Date

These Financial Regulations shall become effective upon approval of the Council.

Article 3 WORK PROGRAM AND BUDGET

Regulation 3.1

Authority and Responsibility

- a) The Director-General is responsible and accountable for planning the use of resources administered by the GGGI and issuing allocations and allotments effectively and efficiently in furtherance of the policies and activities of the GGGI as adopted by the Assembly or Council.
- b) The appropriations adopted by the Council shall constitute an authorization to the Director-General to incur obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.
- c) The Director-General may delegate authority, as appropriate, for the planning of the resources administered by the GGGI and issuance of allocations and allotments.

Regulation 3.2

Presentation, Content and Methodology

- a) The Budget estimates shall cover anticipated income and intended expenditures for the financial period to which they relate and shall be presented in United States dollars.
- b) GGGI's activities shall be planned and managed by financial period. The budget estimates shall cover a financial period of two calendar years.
- c) The Budget estimates shall be presented on a division-department basis and divided where necessary into programs and projects.
- d) The Budget estimates shall be accompanied by the Work Program for the financial period showing the number of projects and programs and other operational activities expected to be financed during that financial period, an overview of past activities and an indication of priorities. It shall be accompanied by such information, annexes and explanatory statements as may be requested by the Council or as the Director-General may deem appropriate, including details on the changes from the Budget of the previous financial period.
- e) The draft Work Program and Budget shall comprise:
 - (i) an executive summary;
 - (ii) an introduction;
 - (iii) the Work Program of GGGI for the financial period;
 - (iv) Budget estimates for the financial period by: (1) expense category; (2) Division-Department; (3) country portfolio-type; (4) thematic area and (5) human resources plan; and
 - (v) Relevant tables, figures and explanatory statements on Budget estimates, revenue targets and posts. For purposes of comparison, figures for the approved Budget of the relevant preceding period(s) shall be included beside the estimates for the current financial period.

Regulation 3.3

Additional Projects - Program Countries and Scoping

The Director-General may approve plans for additions to GGGI's portfolio of projects and scoping for possible new projects that can be accomplished within the approved Budget for the financial period and are aligned with GGGI's strategy. The Director-General shall have the flexibility to deploy and redeploy resources within the approved Budget for the financial period within the provisions of Regulation 5.6. The Director-General shall pursue the projects and scoping and report to the Management and Program Sub-Committee and the Council on their progress.

Regulation 3.4

Preparation and Submission

- a) For each financial period, the Director-General shall prepare a draft Work Program and Budget estimates. The draft Work Program and Budget estimates shall be made available to the Council at least 30 calendar days prior to the opening date of the Council meeting at which the Work Program and Budget estimates are to be considered. The Council shall either approve the Work Program and Budget estimates or return it to the Director-General for review and re-submission to the Council, respectively, in which case the 30-day requirement referred to above shall not apply.
- b) The Management and Program Sub-Committee shall report to the Council on the draft Work Program and Budget estimates proposed by the Director-General. This report shall be transmitted to the Council at the same time as the proposed draft Work Program and Budget estimates. The report, or an addendum to it, shall contain the recommendations of the Management and Program Sub-Committee concerning the statements of the Director-General and the draft Work Program and Budget estimates.

Regulation 3.5

Adoption

The Work Program and Budget for the financial period shall be adopted by the Council, after due consideration of the draft Work Program and Budget estimates.

Regulation 3.6

Publication

The Director-General shall arrange for the publication of the Work Program and Budget as approved by the Council.

Regulation 3.7

Supplementary Program Activities

- a) The Council may adopt a supplementary Work Program and Budget for the financial period. The Director-General shall submit a supplementary Work Program and Budget whenever requested by the Council or where the Director-General determines, after careful examination of available resources (and taking into account Regulation 5.6 concerning the transfer of funds), that there is a need for supplementary resources to support activities that could not have been envisaged at the time the initial Work Program and Budget was proposed or in respect to decisions taken by the Council. Such supplementary

Work Program and Budgets shall be prepared and acted upon in a form and manner consistent with the Work Program and Budget for the financial period, including prior submissions to the Management and Program Sub-Committee.

- b) Supplementary Work Program and Budget proposals shall reflect changes and resources requirements associated with:
 - (i) Activities which the Director-General considers to be of the highest urgency and which could not have been foreseen at the time the initial Work Program and Budget proposals were prepared;
 - (ii) Activities mentioned in earlier Work Program and Budget proposals as items for which later submissions would be made; and/or
 - (iii) Inflation, mandatory salary scale adjustments, and currency fluctuations.

Regulation 3.8

Budget Performance and Evaluation

The Director-General shall establish a system for measuring performance against the approved Work Program and Budget.

Article 4 RESOURCES

Regulation 4.1 *Resources*

The resources of GGGI shall comprise:

- (i) core contributions made by Contributing Members;
- (ii) other contributions received by GGGI; and
- (iii) miscellaneous income derived from operations or otherwise accruing to GGGI.

Regulation 4.2 *Type of Contributions*

Contributions to GGGI made by Members or by non-Members shall consist of:

- (i) Earmarked funds. Earmarked funds are funds provided to finance specific programs, projects or activities as agreed by the donor(s) and GGGI. Earmarked funds can only be used for the purposes for which they are intended as per the agreement(s) between the donor(s) and GGGI. Earmarked funds shall be kept separate and apart from core funds of GGGI in accordance with Regulation 6.3; and
- (ii) Core funds. Core funds comprise all core contributions made by Contributing Members and all other funds contributed to GGGI that are not earmarked funds. Core funds are available for general use by GGGI and shall be credited to the General Fund in accordance with Regulation 6.1.

Regulation 4.3 *Core contributions made by Contributing Members*

Core contributions from Contributing Members shall be made in accordance with the Establishment Agreement and the funding agreement(s) between the respective Contributing Member and GGGI.

Regulation 4.4 *Other contributions received by GGGI*

The Director-General may enter into arrangements to receive resources in addition to core contributions from Contributing Members, including grants from Members, states that are not Members and from any public or private entity. Such arrangements shall be on terms and conditions that are consistent with GGGI's purposes, operations and policies and which will not impose undue administrative or financial burden on GGGI. Any contributions received that are not, pursuant to the terms of the agreement between the donor and GGGI, earmarked funds shall be treated as core funds and credited to the General Fund.

Regulation 4.5
Reporting

The Director-General shall report annually to the Council on contributions received.

Regulation 4.6
Miscellaneous income

- a) Miscellaneous income comprises all income except: (i) contributions from Members, states that are not Members and from any public or private entity; (ii) advances or deposits to funds; and (iii) reimbursement of expenditures made during the same financial period. Miscellaneous income shall be credited to the General Fund in accordance with Regulation 6.1.
- b) Interest or other income derived from earmarked funds shall be credited to the fund to which it relates, unless provided for otherwise by the terms of the applicable agreement(s) for such earmarked funds.

Regulation 4.7
Currency of payments

Contributions shall be paid in United States dollars or in any other currency as the Director-General deems necessary.

Regulation 4.8
Reimbursements of expenditures

- a) Within the same financial period, reimbursement of actual expenditures incurred shall be credited to the accounts against which they were originally charged.
- b) Reimbursement of actual expenditures incurred in prior financial periods shall be credited as miscellaneous income.
- c) Adjustments that arise subsequent to the closing of an account shall be debited or credited against miscellaneous income in the same account.

Article 5 APPROPRIATIONS

Regulation 5.1

Prudent Management

- a) The Director-General shall prudently manage the appropriations approved for a financial period so as to ensure that expenditures can be met from funds available, keeping in view the actual contributions received and the availability of cash balances.
- b) The appropriations approved by the Council in the Work Program and Budget for a financial period shall constitute authorization for the Director-General to incur obligations and make payments up to the amounts so approved during that financial period.
- c) The Director-General may also incur obligations against future financial periods before appropriations are approved subject to such obligations meeting each of the following criteria: (i) they are necessary for the continued effective functioning of GGGI; and (ii) they relate to administrative requirements of a continuing nature. The incurrence of such obligations shall be periodically reported to the Management and Program Sub-Committee.

Regulation 5.2

Administration of appropriations

The Director-General shall:

- (i) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods to be paid for have been received and that payments have not previously been made.
- (ii) Designate the officers who may receive monies, incur obligations and make payments on behalf of the GGGI.
- (iii) Maintain an internal financial control that provides for an effective current examination and/or review of financial transactions.

Regulation 5.3

Availability of appropriations

Appropriations shall be available for entering into obligations during the financial period to which they relate. Appropriations shall remain available for twelve months following the end of the financial period to which they relate only to the extent that they are required to meet outstanding legal obligations of the financial period for which they were appropriated.

Regulation 5.4

Cancelling of unobligated balances

- a) Unobligated appropriations at the close of a financial period shall be cancelled. The amount of such unobligated appropriations, after deduction of any unpaid core funds, for the financial period shall be treated as cash surplus under Regulation 5.5.
- b) With regard to appropriations required to meet outstanding legal obligations for the financial period that remained available following the close of the financial period for up to twelve months under Regulation 5.3, at the end of the twelve months, any obligations remaining a valid claim at that time shall be charged against the appropriations of the current financial period.

Regulation 5.5

Cash surplus

Any cash remaining in the General Fund which has not been used during a financial period shall be treated as cash surplus for the next financial period.

Regulation 5.6

Transfers between and within Budgets

- a) The Director-General may reallocate expenditures between different Program budgets, provided that the reallocation would not exceed the total amount of the approved Budget for the financial period. The Director-General shall report such transfers to each of the Management and Program Sub-Committee and to the Council as part of the normal reporting on the Budget.
- b) The Director-General may reallocate expenditures within Program budgets.
- c) The Director-General shall have authority to effect any expenditure for any sum that was included in the approved Budget to cover unforeseen contingencies.

Article 6 FUNDS

Regulation 6.1 *General Fund*

- a) A General Fund shall be established for the purpose of accounting for GGGI's administrative costs and its core activities and for reimbursements to the Working Capital Fund.
- b) All core funds – whether current or arrears – from Contributing Members and all contributions of Members or non-Members not specified to be earmarked funds under Regulation 4.2(i), miscellaneous income and transfers made from the Working Capital Fund shall be credited to the General Fund.
- c) All expenditures for core activities shall be made from the General Fund.
- d) All reimbursements to the Working Capital Fund shall be made from the General Fund.

Regulation 6.2 *Working Capital Fund*

- a) A Working Capital Fund shall be established to ensure continuity of operations by: (i) advancing moneys to the General Fund to finance budgetary expenditures pending receipt of contributions; and (ii) advancing moneys to the General Fund to finance unforeseen expenditures not provided for in the current budget. The amount of the Working Capital Fund shall be proposed by the Director-General and determined by the Council from time to time.
- b) Advances from the Working Capital Fund to finance budgetary expenditures shall be made only with the written approval of the Director-General.
- c) Withdrawals from the Working Capital Fund to finance unforeseen expenditures shall be made only with the written approval of the Director-General and shall be reported to the Management and Program Sub-committee at its next session.
- d) Advances made from the Working Capital Fund shall be reimbursed to the Working Capital Fund as soon as possible and, in any case, not later than the next financial period, by program adjustments if necessary.
- e) Income derived from investment of the Working Capital Fund shall be credited to miscellaneous income and shall accrue to the General Fund.

Regulation 6.3 *Earmarked funds, dedicated trust funds, accounts and overheads*

- a) The core funds of GGGI shall at all times and in all respects be held, used, committed or invested entirely separate from earmarked funds. Each earmarked contribution, its resources and accounts shall be kept entirely separate from other earmarked contributions.
- b) The core funds of GGGI shall under no circumstances be charged with or used to discharge losses or liabilities arising out of operations or other activities of any earmarked funds. Resources pertaining to any earmarked

fund shall under no circumstances be charged with or used to discharge losses or liabilities arising out of operations or other activities pertaining to any other earmarked fund.

- c) In the operations or other activities of any earmarked funds, the liability of GGGI shall be limited to the resources pertaining to that earmarked fund.
- d) The Council shall, from time to time, decide on the minimum overhead percentage for dedicated trust funds and earmarked funds.
- e) Dedicated trust funds and accounts and earmarked funds may be established by the Director-General with respect to restricted contributions provided to finance dedicated activities. The Director-General shall establish such a funds or accounts provided the dedicated activities to be financed by the fund or account are aligned with GGGI's strategy. The purpose and limits of each such fund or account shall be clearly defined by the Director-General and shall be reported to the Council. Unless otherwise authorized by the Council, these funds and accounts shall be administered in accordance with these Financial Regulations.

Regulation 6.4

Capital Expenditure Fund

- a) A capital expenditure fund may be established to manage investments that involve capital expenditure. Capital expenditure is defined as expenditures on tangible or intangible assets that generally require a level of resources which cannot be funded within the appropriation for a single financial period.
- b) The source of funds will be appropriations approved by the Council.
- c) The use of the capital expenditures account shall be approved by the Director-General subject to the utilization being reported to the Management and Program Sub-Committee and to the Council in their respective subsequent sessions.

Regulation 6.5

Reserve Funds

Reserve funds may be established with the approval of the Council.

Article 7 CUSTODY OF FUNDS

Regulation 7.1

Cash

- a) The Director-General, under the authority delegated by the Council as custodian of all of the GGGI's financial assets, is responsible and accountable for the effective and efficient management of cash and cash equivalents in GGGI custody.
- b) Management of cash includes all actions necessary for the receipt, deposit, advance, investment and disbursement of cash, including the designation of banks and opening and closing of bank accounts.
- c) The Director-General may delegate authority, as appropriate, for such cash management.

Regulation 7.2

Banks

The Director-General shall designate the bank or banks in which the funds of the GGGI shall be kept, designate those officials to whom signatory authority is delegated for the operation of those accounts and other financial transactions and authorize all bank account openings and closures.

Regulation 7.3

Exchange of currencies

- a) The Director-General shall make full and effective use of all currencies available to the GGGI to the extent possible and, in doing so, may affect the purchase or sale of one currency for another whenever it is deemed to be in the best interests of the GGGI.
- b) The Director-General shall establish a policy mitigating currency fluctuation risks. The policy may include the use of hedging, derivatives and any other risk mitigation instruments when the use of such instruments is deemed to be in the best interests of the GGGI.
- c) Personnel responsible for the operation of GGGI's bank accounts or for holding GGGI's cash or negotiable instruments are not authorized, without the approval of the Director-General, to exchange one currency for another, except to the minimum extent necessary for the transaction of official business.

Regulation 7.4

Investments

- a) The Director-General may invest monies not needed for immediate requirements only in accordance with investment criteria approved by the Council and shall periodically report to the Council on any such investments.
- b) In making investments, the Director-General shall place primary emphasis on security of principal funds while ensuring the liquidity necessary to meet GGGI's cash-flow requirements. The Director-General shall

seek the advice of an Investment Committee composed of members appointed by the Director-General with substantial experience in the financial sector, including at least one member from outside GGGI.

- c) At least once a year, the Director-General shall submit a statement of the investments currently held to the Management and Program Sub-Committee.
- d) Unless otherwise specified in the regulations, rules, resolutions or agreements relating to a particular fund or account, income derived from investments shall be credited to miscellaneous income, as specified in Regulation 4.6.
- e) Investment losses shall be borne by the fund, trust fund, reserve or special account from which the investment derives. At least once a year, the Director-General shall submit a statement of the investment losses to the Management and Program Sub-Committee.

Article 8
FINANCIAL STATEMENTS AND ACCOUNTS

Regulation 8.1
Accounting Policies

- a) The financial period, for the purposes of accounting for revenue earned and expenses incurred in respect of GGGI's activities, shall consist of a single calendar year.
- b) GGGI shall use International Financial Reporting Standards (IFRS). The Director-General shall establish accounting policies to ensure that the financial statements provide information that are reliable in that they (i) represent faithfully the financial performance and financial position of the GGGI; (ii) reflect the economic substance of events and transactions, and not merely the legal form; (iii) are neutral, that is, free from bias; (iv) are prudent; and (v) are complete in all material respects.
- c) All items of revenue and expense recognized annually shall be included in the determination of the net surplus or deficit for the period. When items of revenue and expense within surplus or deficit from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explaining the performance of the GGGI for the financial period, the nature and amount of such items shall be disclosed separately.
- d) Unless otherwise directed by the Director-General or by the particular terms governing the operation of a trust fund or special account, all financial transactions shall be recorded in the accounts on an accrual basis.
- e) Full accrual shall be made by the GGGI for the net present value of future benefits, which represent consideration given by the GGGI in exchange for services rendered by employees and by individual contractors whose contracts with the GGGI expressly stipulate entitlement. Where relevant, such future consideration shall comprise benefits:
 - (i) As a result of either a decision by the GGGI to terminate services before the normal retirement date; A decision by the individual concerned to accept voluntary redundancy in exchange for those benefits;
 - (ii) Upon completion of services;
 - (iii) Which do not fall due wholly within the twelve months after the end of the financial period in which the services were rendered.
- f) The Director-General may utilize actuarial values in order to make the best possible estimate of the net present value of such future consideration, at the end of the financial reporting period.
- g) The Director-General shall ensure that the GGGI account is provisionally closed on a regular basis.

Regulation 8.2
Preparation of financial statements

The financial statements for the financial year shall be submitted annually by the Director-General to the Management and Program Sub-Committee not later than 30 April following the end of the financial year. The accounts for the financial period shall show:

- (i) Statement of financial position;
- (ii) Statement of financial performance - the income and expenditure of all funds;
- (iii) Statement of changes in net assets/equity;
- (iv) Cash flow statement;
- (v) The status of appropriations, including:
 - (a) Original appropriations and supplementary appropriations, if any;
 - (b) Appropriations after modification by any transfers;
 - (c) Credits, if any, other than appropriations approved by the Council;
 - (d) Expenditures charged against those appropriations and/or other credits;
 - (e) Unused balances of appropriations and of other credits;
- (vi) Statement of comparison of budgeted and actual performance for the financial period;
- (vii) Accounting policies and notes to the financial statements; and
- (viii) Such other information as may be appropriate to indicate the current financial position of the GGGI.

Regulation 8.3 *Program Accounts*

The program accounts shall consist of the GGGI's accounts showing revenue, expenses, cash at banks, investments, receivables, and other assets, reserves, payables, other liabilities and any other items as may be appropriate for any funds administered by the GGGI.

Regulation 8.4 *Going concern*

When preparing financial statements an assessment of the GGGI's ability to continue as a going concern shall be made by the relevant key management personnel of the GGGI.

Regulation 8.5 *Submission of financial statements and accounts*

- (a) The Director-General shall submit to the Council financial statements and accounts for the past financial period at least 30 days prior to the Council session or through written procedure.
- (b) The Director-General shall certify that to the best of his/her knowledge, information, and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements.

Regulation 8.6

Financial statements for special purposes

Financial statements shall also be prepared at such other intervals as may be prescribed by the Director-General or requested by the Council. Financial statements for special periods or parts of the Budget shall be prepared and submitted consistent with the stipulations of these Financial Regulations.

Regulation 8.7

Maintenance and protection of accounting records

- (a) The Director-General shall prescribe and maintain financial records and shall institute systems and procedures which shall permit accurate and timely financial reporting on all activities to the Council.
- (b) The Director-General shall maintain and safeguard against damage, destruction, unauthorized access and removal, and such accounting records as are necessary for financial reporting and for management purposes.

Regulation 8.8

Separate accounts

Appropriate separate accounts shall be maintained for all trust funds and earmarked funds. Unless otherwise authorized by the Council, these funds shall be administered in accordance with the applicable Regulations set forth herein.

Regulation 8.9

Currency of accounting records

- (a) The accounts of the GGGI shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.
- (b) At Headquarters, accounts shall be maintained in United States dollars. At offices away from Headquarters, accounts may be maintained in the currency of the country in which they are situated, provided that all amounts are recorded both in local currency and the United States dollar equivalent.

Regulation 8.10

Insurance

The GGGI shall procure insurance contracts to mitigate the risks of catastrophic or other losses to the GGGI.

Regulation 8.11

Writing-off of cash, receivables and property

The Director-General may, after full investigation, authorize the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Management and Program Sub-Committee and the Council with the accounts.

Regulation 8.12

External audit

The accounts and financial management of all funds governed by these Financial Regulations shall be subject to an annual audit, and the arrangements for such audit shall take into account the international nature of the GGI and ensure an open and competitive process for the selection of the External Auditor, subject to approval by the Management and Program Sub-Committee.

Article 9
INTERNAL CONTROL

Regulation 9.1
Risk Management

The Director-General shall maintain a risk-management system to manage and control financial and other types of risks, including the identification, evaluation, and measurement of possible impact on the GGGI, and the selection and maintenance of various solutions to mitigate risk.

Regulation 9.2
Administration

The Director-General shall:

- (i) Establish detailed financial policies and procedures in order to ensure (1) effective financial administration and the exercise of utmost economy and (2) effective custody of the physical assets of GGGI;
- (ii) Except where advance or progress payments are specifically provided for in the contract, as may be required by normal commercial practice and the interests of GGGI, ensure that all payments are made on the basis of supporting vouchers and other documents which show that the services or goods have been received and have not previously been paid for;
- (iii) Designate the officers, and other persons as appropriate, who may receive monies, incur commitments or obligations and make payments on behalf of GGGI;
- (iv) Maintain an internal financial control and internal audit which shall provide an effective current examination and/or review of financial transactions in order to ensure:
 - (a) the regularity of the receipt, custody and disposal of all funds and other financial resources of GGGI;
 - (b) the conformity of obligations and expenditures with the appropriations or other financial provision agreed by the Council or with the purposes and procedures relating to dedicated funds and accounts; and,
 - (c) the effective and efficient management of the GGGI's activities and the economic use of the resources administered by the GGGI.

Article 10

INTERNAL OVERSIGHT

Regulation 10.1

Purpose

An internal oversight mechanism shall be established that covers internal audit, evaluation, investigation and other management support to strengthen the functioning of the organization. The internal oversight mechanism shall exercise operational independence in the conduct of its duties under the authority of the Director-General and the Management and Program Sub-Committee, and shall be responsible for:

- (i) Providing assurance that GGGI's operational and administrative activities are delivered effectively, that strategic management information is reliable and timely, and that continuous improvements are fostered in methods and procedures so as to enhance the quality of the GGGI's operations; and,
- (ii) Identifying major control risks for the GGGI and to propose remedial action to minimize such risks.

Regulation 10.2

Role and functions

Within the internal oversight mechanism, independent internal audits shall be conducted in accordance with these Financial Regulations and in conformity with the International Standards for the Professional Practice of Internal Auditing.

- (i) Internal auditors shall review, evaluate and report on the use of financial resources and on the effectiveness, adequacy and application of internal control systems, procedures and other relevant internal controls.
- (ii) Internal audits shall also include the following elements:
 - (a) Compliance of financial transactions with: Council decisions; resolutions; approved Programs and other legislative mandates; Regulations; procedures and related administrative directives; and with the approved recommendations of external oversight bodies;
 - (b) Economy, efficiency and effectiveness of financial, physical and human resources management and utilization and of Program delivery, including examination of the structure of the GGGI and its responsiveness to the requirements of Programs and legislative mandates, and management audits.

Regulation 10.3

Scope

The Management and Program Sub-Committee shall:

- (i) Ensure that the internal auditor has the operational independence, objectivity and authority to conduct internal audits, inspections, evaluations, investigations and monitoring;

- (ii) Ensure that the internal auditor has access to all records and officials of the GGGI relevant to the purposes listed in Regulation 10.2 above;
- (iii) Instruct Program Owners to provide such information or assistance to the internal auditor as are reasonably required to conduct its work;
- (iv) Ensure that procedures are in place that provide for direct confidential access of staff members to the internal oversight mechanism, including for the purposes of suggesting improvements for Program delivery or for reporting perceived cases of misconduct, ensure that staff enjoy protection against repercussions, due process for all parties concerned, and fairness during any investigation; and
- (v) Ensure procedures for a prompt, effective follow-through on recommendations in, or derived from, reports of the internal auditor.

Regulation 10.4 ***Reporting***

- a) The Internal Auditor shall report functionally to the Management and Program Sub-Committee of the GGGI's Council and administratively to the Director-General. Reports on each separate audit, inspection, evaluation, investigation and monitoring activity shall be submitted to the Director-General. For each report, the relevant Program Owner shall be afforded adequate opportunity to consider and comment upon the observations and draft recommendations. Copies of all reports and accompanying comments by the Director-General shall be provided first to the audit contact points for review and clearance and then to the Management and Program Sub-Committee.
- b) The Director-General shall report to the Council annually and as necessary on internal audit recommendations and actions taken.
- c) The Internal Auditor shall submit a comprehensive, independent annual report to the Director-General and Management and Program Sub-Committee, before submission to the external auditor, of recommendations made and actions taken, which shall be considered by the external auditor.
- d) Matters that, in the judgment of the internal auditor, present a material risk to the GGGI, and which are not addressed through (b) or (c) above, shall be immediately forwarded to the audit contact points of the Management and Program Sub-Committee, accompanied by relevant documentation, including any correspondence with the Director-General.