

Global Green Growth Institute

First session of the Council

Second meeting

Seoul, 24 October 2012

Decision on the re-approval of the FY2012 budget

The Council,

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

Decides:

1. To confirm the approval of the FY2012 budget as previously approved by the Board of the Organization at its Board meeting in May 2012, as attached in C/1/3;

2. To approve a preliminary analysis cost of USD30,000 to define the needs of the IT platform development under a separate budget envelope entitled “Capital Budget”, as attached in Annex 1; and,

3. To mandate the Director-General to enter into a leasing contract in London either based on the proposed arrangement but with a 3 year lease or based on an appropriate smaller or less expensive space if available and in consultation with the Chairman.



FY2012 financial projection

Earlier in 2012, the Board of the Organization approved a maximum 2012 budget envelope of USD39 million. Management estimated that the actual spending level for the year would be approximately USD33 million. The overall budget execution projection based on the actual cost, as of the end of September, and estimated cost from October to December, is USD26 million (66% of the maximum budget envelope and 78% of the originally estimated actual spending level).

This projection is rather conservative and could be higher as pipeline projects accelerate from the scoping/setup stage to the planning and implementation phase.

It is proposed that the new Council re-approve the 2012 budget envelope approved by the previous Board of the Organization.

London Office Expansion Plan

The London office was set up in London School of Economics campus on a temporary basis following the approval of the previous Board of the Organization in March 2011.

The London office has since played an important role in pioneering key Global Green Growth Institute's projects in Ethiopia, Indonesia, India, Brazil and Peru. Research activities such as the Green Growth Knowledge Platform and Green Growth Best Practices programs are also managed out of London.

Given its increasingly strategic importance in the Global Green Growth Institute's overall business, the London office has identified office space to accommodate up to about 30 people and provide workshop conferencing facilities near the London School of Economics at a highly competitive rate for the local market. The upfront cost in Q4 FY2012 would be USD401,351 (of which approximately half is a deposit) and the annual rental cost would be approximately USD300,000 over a 5 year period, from 2013 to 2017. Consistent with the London office's role as a project delivery arm of the organization, these costs will be largely covered by overhead charges that can be attributed to the projects managed by London office personnel, thereby helping to ensure that organization's central administrative costs remain a low proportion of its total expenditures. In order to maintain the momentum of the key projects being managed out of London and support the recruitment of top talent around the world, the Global Green Growth Institute Secretariat would like to seek the new Council's approval for this initial upfront cost of USD401,351 to initiate the leasing contract. This upfront cost will incur in 2012 but is not included in the 2012 budget and requires the approval of the Council. Other costs to be incurred

in 2013 and onward will be proposed in the 2013 full year budget for the Council's review and approval.

Capital Budget

The Global Green Growth Institute plans to roll out the entire process of the budget planning, implementation, monitoring, auditing and reporting from 2013. However, the Global Green Growth Institute currently does not have the proper IT platform to enable and facilitate the budget process. In addition to the budget, the business process for HR, procurement, travel and treasury operations of the Global Green Growth Institute are manual and not standardized using different formats and templates. A not-standardized paper-based process is not only time-consuming but also entails various risk factors, including human error and potential manipulation.

The budget and other financial administrative process needs to be clearly defined by the policies, rules and delegation of authorities and the paper-based manual process needs to be greener and accessible to all GGGI staff using the fully integrated IT platform. The current financial administrative practices and supporting IT platform are short of meeting these requirements.

The GGGI's financial administrative process requires further clarity through the proper documentation of policies, rules and process manuals and the development of the IT platform facilitating this business process requires additional resources under a separate "Capital Budget", since the IT platform development needs to be capitalized and amortized over the life of its use rather than treated as a project or administrative expense.

Given the urgency of this task to assure the transparent and accountable management of the Global Green Growth Institute, the GGGI Secretariat has identified IRENA facing and resolving a similar challenge as a proven business case for further analysis on its business process reengineering application to GGGI's context.

For the purpose of this preliminary analysis, the GGGI Secretariat would like to seek the Council's approval for USD30,000 to cover costs of hiring a consultant and traveling to IRENA in 2012. The size of a capital budget for the IT platform development will be reviewed and approved at the Council meeting taking place in January 2013.