Global Green Growth Institute

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GGGI's Results-Based Budget for FY2013 and Indicative Plan for FY2014-2015

1. In the second session of the Council held on 17 January 2013 in Abu Dhabi, a draft FY2013 budget was presented. It was noted that the draft budget was not detailed and transparent enough to allow the Council to have strategic discussions and take decisions. It was also suggested that the draft budget needs to be consistent with various Council decisions regarding capacity building and centralizing country programs at the Seoul Headquarters while showing strategic directions over the years.

2. In response to that and to recommendations from the Transitional Sub-Committee, Facilitative Sub-Committee and Audit & Finance Sub-Committee convened following the January Council session, the GGGI management has prepared a revised detailed and transparent budget paper for FY2013 and projections for FY2014 and FY2015.

3. The detail and transparency are mainstreamed throughout the revised budget. The overall budget proposed for FY2013 is based on the best estimate of actual spending, which is USD 48.74 million. This is in contrast to the previous proposal of USD 53 million, presented as the maximum authority to allow some spending flexibility but which created ambiguity.

4. Clarity is enhanced by a detailed breakdown for each program. Green Growth Planning & Implementation (GGP&I) and Research budgets are broken down by country and project, Public Private Cooperation (PPC) and International Cooperation (IC) budgets are analysed by activity, and the Management & Administration (M&A) budget is presented by function. This breakdown is further decomposed by type of expenditure.

5. The administrative cost to support the GGGI`s growing global operations is shown in the revised budget on pages 18-19, through the bar chart comparing the cost structures of maintaining the Headquarters and three satellite Offices. The number of staff working in each Office and the value of the projects and services delivered from each location are not considered. However, this will make it easier to separate administrative costs from project costs and to determine which project unit incurs what administrative costs to implement a full overhead cost system.

6. The revised budget also enables the Council to see the three-year evolution of the headcount distribution and staffing profile by grade across different locations, activities and functions.

This information will be complemented eventually by an organizational chart (still work in process) to visualize the staffing structure, work flow and reporting lines.

7. The capital budget, which was proposed separately at the January Council meeting, is now integrated into the regular budget at the level of USD 1.27 million for FY2013, comprising USD 0.73 million for ERP implementation and USD 0.54 million for non-ERP related requirements, primarily representing IT costs, to accommodate the increasing staff level.

8. The revised budget will be approved subject to availability of resources. Given an overall increase in the size and complexity of the proposed work program, the budget source and usage need to be matched in terms of amount, currency and timing. The revised budget paper provides a detailed revenue forecast of both core and earmarked funds for FY2013 (USD 51.2 million against the total budget of USD 50.01 million, including the capital budget) as well as a higher-plane projection for FY2014 and FY2015.

9. Finally, the budget paper should be read in conjunction with the interim Financial Regulations, which will govern the budget preparation, adoption, appropriation and monitoring pending the Council`s approval.

10. The Council is invited to review and approve the key changes to the original draft budget for FY2013, highlighted below and grouped into structural and specific categories.

Key changes to the original draft budget for FY2013

A. Structural changes

a) All budget-related activities in the GGGI shall be in accordance with the Financial Regulations. The Regulations detail the structure of the budget. The Regulations further identify the financial responsibilities of staff and authorities involved in administration of the budget.

b) The revised budget is presented on paper instead of a PowerPoint presentation to elaborate on the numbers and ratios represented on graphs and charts.

c) The figures in the revised budget are based on actual spending instead of maximum authority. Well into the second quarter of FY2013, the GGP&I and Research budget numbers reflect an update of the expected project execution level by the end of the year in light of the actual situation.

d) The FY2013 budget is accompanied with the projections for FY2014 and FY2015 to make budget planning more forward-looking and to align resource allocation to dynamics of GGGI activities.

e) The headcount evolution reflects the Strategic Plan 2012-14, adjusted based on the Council's prior decisions. Significant staff increase brings a better balance between strategic uses of outsourcing and internal capacity building. More staff are deployed to partner countries and an updated organizational chart will clarify reporting lines and work flow across geographically dispersed operations.

f) The revised budget details the breakdown figures and allocation ratios to meet a higher standard of transparency and accountability.

   (i) The budget is restructured to show breakdowns by country and projects for GGP&I and Research, by activity for PPC and IC, and by function for M&A.

   (ii) Country projects within the GGP&I budget are re-segmented into upper middle income, lower middle income, low income and other, based on ODA eligibility, while keeping scoping and non-scoping separate.

   (iii) The budget further contains the breakdown of expenses on personnel, consultants, outsourcing commissions, conference & training, communication, travel and others.

   (iv) Detailed headcount information by grade, location and program is provided for the Seoul Headquarters, the London, UAE, and Copenhagen Offices and other partner countries.

   (v) The GGP&I headcount table is further elaborated by supplementary information on the London Office headcount, GGP&I directors' responsibilities across projects and recruitment process for in-country staff.

   (vi) A detailed breakdown of office administrative cost is provided for the Seoul Headquarters and London, UAE and Copenhagen Offices.

B. Specific changes

a) The overall budget for FY2013 is proposed at USD 48.74 million, compared to USD 53 million in the budget presented in January 2013, subject to resource availability. This represents an increase of 24 percent over the budget proposed for FY2012.

b) The FY2013 budget envelope comprises the following:

   (i) GGP&I budget has *decreased* from USD 33 million to USD 28.83 million.
   (ii) Research budget has *decreased* from USD 6.9 million to USD 6.61 million.
   (iii) PPC budget has *decreased* from USD 3.3 million to USD 3.15 million.
   (iv) IC budget remains *constant* at USD 4 million.
   (v) M&A budget has *increased* from USD 5.8 million to USD 6.15 million.

c) In addition, the capital budget for FY2013 is proposed at the amount of USD 1.27 million, comprising USD 0.73 million for ERP implementation initiatives and USD 0.54 million for non-ERP related requirements arising from the need to accommodate increasing staff levels.

d) The GGP&I budget, whether scoping or non-scoping, puts more emphasis on low income countries by shifting resources from the middle to low income category. Low income countries' current share of 28 percent within the GGP&I budget will increase to 35 percent by FY2015. The revised budget specifies Sub-Saharan Africa and Small Island States in the low income category, which are not seen in the previous draft budget.

e) London Office expenses are allocated to related projects within the GGP&I and Research budgets. UAE and Copenhagen Office expenses are also spread across the GGP&I and PPC projects, respectively.

f) The description for PPC activity is made clearer in the revised budget and USD 2 million is set aside over three years for unidentified new PPC projects.

g) IC activity is elaborated with annotations to highlight its strategic focus on external engagement. This makes IC different from M&A, which provides management and administrative services primarily to its internal operations.

h) The M&A budget incorporates a separate expense line for internal audit function at the level of USD 320,000 in FY2013, which will increase to USD 0.5 million in FY2014 and FY2015.

i) The office administrative costs for the Headquarters and three satellite Offices are USD 1.7 million for Seoul, USD 0.92 million for London, USD 0.67 million for UAE and USD 0.14 million for Copenhagen. The data enables the management and Council to review the office administrative cost structure for further improvement in the future.

j) The total headcount is budgeted to be 141 staff in 2013, with 88 staff in Seoul and 17 in London. The projection for staff is to increase to 163 in 2014 and 191 in 2015.

k) The 2013 hiring information for part-time individual consultants, at the level of 15 full time employments, is added to provide a basis for the strategic workforce planning discussion.

l) The budget source and usage table is added to assure that the proposed budget is properly backed by the revenues. The revised FY2013 budget of USD 50.01 million, including the capital budget, is marginally covered by the funding forecast of USD 51.2 million. To err on the safe side, the EACP refund of USD 2 million is already reflected through ROK funding for FY2013.

m) The ERP requirement breakdown is added in the annex to provide ideas and options to management and the Council.