



ADAPTATION FUND

AFB/EFC.5/9  
May 11, 2011

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Adaptation Fund Board  
Ethics and Finance Committee  
Fifth Meeting  
Bonn, June 20, 2011

Agenda item 9.b)

**BOARD AND SECRETARIAT, AND TRUSTEE BUDGET  
FOR THE FISCAL YEAR JULY 1, 2011 – JUNE 30, 2012**

## SECTION I: DOCUMENT STRUCTURE

### I. Budget overview

1. This document presents the budgets of the Board and secretariat, and of the trustee, for the fiscal year 2012 (FY12), i.e. July 1, 2011 to June 30, 2012. The table below presents an overview of the budgets of the Board and secretariat, and of the trustee, for FY12, which are explained in detail in the next two sections of the document: section II covers the Board and secretariat budget for FY12, and section III covers the trustee' budget for FY12.

**Table 1: Approved FY11 and proposed FY12 budget of the Board and secretariat, and of the trustee<sup>1</sup>**

All amounts in US\$		Approved FY11	Actual Estimated FY11	Proposed FY12
<b>BOARD AND SECRETARIAT</b>				
01	Personnel	1,334,445	1,391,775	1,552,027
02	Travel	1,127,900	947,900	1,057,810
03	General operations	166,686	196,227	297,265
04	Meetings	500,000	500,000	515,000
<b>Sub-total Board and secretariat</b>		<b>3,129,031</b>	<b>3,035,902</b>	<b>3,422,101</b>
<b>TRUSTEE</b>				
01	CER Monetization	678,000	678,000	678,000
02	Financial and Program Management	160,000	140,000	140,000
03	Investment Management	70,000	70,000	70,000
04	Accounting and Reporting	55,000	55,000	55,000
05	Legal Services	55,000	55,000	55,000
06	External Audit	42,479	42,479	90,000
<b>Sub-total trustee</b>		<b>1,060,479</b>	<b>1,040,479</b>	<b>1,088,000</b>
<b>GRAND TOTAL ALL COMPONENTS</b>		<b>4,189,510</b>	<b>4,076,381</b>	<b>4,510,101</b>

### II. Recommendation

2. The Board is requested to approve, from the resources available in the Adaptation Fund Trust Fund:

- a) The proposed budget of **US\$ 3,422,101** to cover the costs of the operations of the Board and secretariat over the period July 1, 2011 to June 30, 2012;

<sup>1</sup> Decimal points in the table are rounded up.

- b) The estimated budget of **US\$ 1,088,000** for Trustee services to be provided to the Adaptation Fund over the period July 1, 2011 to June 30, 2012, comprising **US\$ 678,000** for CER Monetization services, and **US\$ 410,000** for all other Trustee services.

## SECTION II: BOARD AND SECRETARIAT PROPOSED BUDGET FOR THE PERIOD JULY 1, 2011 – JUNE 30, 2012

### I. Background

3. The Board at its 10<sup>th</sup> meeting in June 2010, approved the Board and secretariat budget of **US\$ 2,719,347** (decision B.10/18). In subsequent meetings, the Board amended the budget to include **US\$ 65,000** to hire a consultant to implement the communications strategy (decision B.11/22); **US\$ 66,000** to cover three field visits to one applicant NIE by one of the Accreditation Panel experts and one of the secretariat officers (decisions B.12/3, B. 13/4 and B. 13/5); **US\$ 75,015** to cover the cost for the remainder of FY11 of an F level officer position at the secretariat to support the Accreditation Panel work (decision B.12/4); and **US\$ 50,000** to cover the costs of the performance study of the secretariat and trustee required by the CMP (decisions B.13/24 and B.13/14/3). The revised budget approved for the period July 1, 2010 – June 30, 2011 totals **US\$ 3,129,031**. Details of the revised budget for FY11 can be found in Table 2 which also includes an update of the actual expenses for FY11, as well as the proposed budget for FY12 (July 1, 2011 – June 30, 2012).

**Table 2: Approved amendments to FY11 originally approved budget**

All amounts in US\$	
<b>Originally approved budget for FY11</b>	<b>2,719,347</b>
<b>Amendments</b>	
- Consultant for communications strategy	65,000
- Field visit 1	22,000
- Field visit 2	22,000
- Field visit 3	22,000
- Secretariat personnel cost (F level)	75,015
- Performance study	50,000
Undisbursed balance of the AF Board Secretariat Manager's contract <sup>2</sup>	153,667
<b>Revised budget</b>	<b>3,129,031</b>

### II. FY11 current estimates vs. approved budget

4. Budget under-run. Based on current estimates, the FY11 budget stands at 3,035,902, an overall reduction of 3% in relation to the revised approved FY11 budget. The decrease of the under-run from 19% for FY10 to 3% for FY11 is due to a better sense of the actual costs of the secretariat. 3% is within a normal range for budgeting.

<sup>2</sup> The undisbursed balance of the AF Board Secretariat Manager's contract (**US\$ 153,668**) was transferred to the AF Board Secretariat by the Trustee, in accordance with AFB.B.3.11 and AFB/EF.4/11.

### III. Budget proposal for FY12

5. The overall budget request for FY12 amounts to **US\$ 3,422,101** and consists of the following components:

a) *Personnel component.*

- i. Full-time staff. An amount of **US\$ 822,642** is requested to cover the salaries of the Manager, two Adaptation Officers, a new position for an Operations Officer (Accreditation)<sup>3</sup>, an Adaptation Associate and a Program Assistant for FY12, as well as to renew the current contract of a Short Term Temporary (STT) for another year.
- ii. GEF staff cross-support. The request for **US\$ 277,627** is to cover the cost of staff in the GEF secretariat that provides cross-support to the Board. This amount represents a reduction of 7% of the actual for FY11 and is derived by charging the estimated time for delivering services to the Adaptation Fund by 15 GEF secretariat staff members performing the following tasks: Head of the secretariat (15%); accounting support (14%); AF database and knowledge management strategy development (10%); AF database technical support (3%); communications and outreach (5%); human resources support (7%); IT support (5%); RBM strategy development and implementation (12%); review of projects (8% of 6 staff members each<sup>4</sup>); and Head of operations and business strategy (2%).
- iii. Consultants. The request of **US\$ 451,757** includes the AFB Secretariat Support (US\$ 25,197); the maintenance of the website and database (US\$ 51,500); further work on the implementation of the communications strategy (US\$ 70,000); development of the monitoring and evaluation and knowledge management framework (US\$ 82,400); and the fees for the work of the expert members of the Accreditation Panel (US\$ 222,660). The total requested amount for FY12 is a decrease of 26% from that of FY11.

b) *Travel component.*

The current FY11 estimates were taken into account for the budget request of travel for secretariat staff (US\$ 200,000); Board members (US\$ 593,280); Accreditation Panel members (US\$ 176,130) and experts eventually hired to support the Board Committee's work (US\$ 45,000). Per diem allowances of Board members and alternates according to UN rules are paid separately, from the Adaptation Fund Trust Fund, and are therefore not

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<sup>3</sup> Approved by decision B.12/4.

<sup>4</sup> The estimated amount for the support in project review is derived by charging the time of the review of one concept and one fully developed project proposal per officer. The review of one concept takes 2 days and the review of a fully developed project proposal 3 days.

included in this budget<sup>5</sup>. The budget also includes US\$ 43,400 for awareness raising. The total request amounts to **US\$ 1,057,810**.

c) *Other components.*

- i. General operations. The FY12 budget request is **US\$ 297,265**. This amount includes US\$ 221,894 for office space lease from the World Bank, which is more than double increase (237%) over the amounts requested for FY11, to accommodate the increased number of full time staff for the secretariat. It also includes US\$ 23,870 for communications support to the Chair and US\$ 51,500 for publications and outreach both with a slight increase of 3% over the amounts requested for FY11. The latter will cover the production of print information material, multimedia content, branding and promotional material. .
- ii. Meetings. The request amounts to **US\$ 515,000**, which represent an increase of 3% over the amount requested for FY11.

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<sup>5</sup> This is included in the cash transfer amounts reported by the Trustee and amounted to USD 141,729 in FY2010 and USD 128,023 in FY2011.

**Table 3: Approved FY11 budget, FY11 estimate and proposed FY12 budgets of the Board and secretariat<sup>6</sup>**

All amounts in US\$		Current	Est. Exp.		
		Approved	thru Apr 2011	Estimated	Proposed
		FY11	FY11	FY11	FY12
<b>PERSONNEL COMPONENT</b>					
<b>Full-time staff:</b>					
01	Program Manager (GG)	233,668	182,395	203,762	209,873
02	Program Manager (GF)	0	126,144	141,891	146,151
03	Program Manager (GF)	150,045	58,549	81,549	142,146
04	Program Manager (GF)	75,015	0	0	158,672
05	Program Assistant (GC)	0	37,778	48,966	67,125
06	Short-term Temporary (STT)	24,807	24,773	32,409	28,428
07	Junior Professional Associate (JPA)	66,795	38,140	49,696	70,248
<b>sub-total AFB staff</b>		<b>550,330</b>	<b>467,779</b>	<b>558,273</b>	<b>822,642</b>
<b>GEF staff cross-support:</b>					
01	Head of the AFB Secretariat (GJ) - 15%				
02	Accounting support (GF) - 14%				
03	AF database, KM strategy (GF) - 10%				
04	AF database (GF) - 3%				
05	Communications and outreach (GG) - 5%				
06	HR support (GD) - 7%				
07	IT support (GF) - 5%				
08	RMB (GF) - 12%				
09	Review of projects (3@GF) - 8%				
10	Review of projects (3@GG) - 8%				
11	Head of Operations and Business Strategy (GH) - 2%				
<b>sub-total GEF staff</b>		<b>248,477</b>	<b>237,659</b>	<b>297,864</b>	<b>277,627</b>
<b>Consultants</b>					
01	AFB Secretariat Support	24,463	12,653	24,463	25,197
02	Design and Operation of dedicated Web site	50,000	36,505	50,000	51,500
03	Communications Strategy	115,000	114,250	115,000	70,000
04	M&E and KM Development	80,000	27,861	80,000	82,400
05	Accreditation Panel (fees & conting.)	216,175	123,633	216,175	222,660
06	Performance Study	50,000	0	50,000	0
<b>sub-total Consultants</b>		<b>535,638</b>	<b>314,902</b>	<b>535,638</b>	<b>451,757</b>
<b>SUB-TOTAL PERSONNEL COMPONENT</b>		<b>1,334,445</b>	<b>1,020,340</b>	<b>1,391,775</b>	<b>1,552,027</b>
<b>TRAVEL COMPONENT</b>					
01	AF Secretariat staff	157,500	85,625	157,500	200,000
02	Awareness Raising	43,400	22,591	43,400	43,400
03	Board - 24 eligible members	576,000	280,889	576,000	593,280
04	Committee meetings	135,000	0	0	0
05	2 Experts to attend 3 committee meetings	45,000	0	0	45,000
06	Accreditation Panel/Staff (travel)	171,000	76,746	171,000	176,130
<b>SUB-TOTAL TRAVEL COMPONENT</b>		<b>1,127,900</b>	<b>465,851</b>	<b>947,900</b>	<b>1,057,810</b>
<b>GENERAL OPERATIONS COMPONENT</b>					
01	Office Space, Equipment and Supplies	93,511	106,682	123,052	221,894
02	Support to Chair (communications)	23,175	19,354	23,175	23,870
03	Publications and Outreach	50,000	15,587	50,000	51,500
<b>SUB-TOTAL GENERAL OPERATIONS COMPONENT</b>		<b>166,686</b>	<b>141,623</b>	<b>196,227</b>	<b>297,265</b>
<b>MEETINGS COMPONENT</b>					
01	Logistics, translation, interpretation, etc.	500,000	343,602	500,000	515,000
<b>GRAND TOTAL ALL COMPONENTS</b>		<b>3,129,031</b>	<b>1,971,416</b>	<b>3,035,902</b>	<b>3,422,101</b>

<sup>6</sup> Decimal points in the table are rounded up.

### SECTION III: BUDGET ESTIMATE FOR TRUSTEE SERVICES FOR THE PERIOD JULY 1, 2011 TO JUNE 30, 2012 AND RECONCILIATION OF FY11

6. The Trustee hereby presents to the Adaptation Fund Board:
- a. A report and reconciliation of actual fees and expenses expected to be incurred by the Trustee for the provision of Trustee services to the Adaptation Fund for the full fiscal year from July 1, 2010 to June 30, 2011.
  - b. A proposed budget for the period July 1, 2011 to June 30, 2012 for Trustee services to be provided to the Adaptation Fund, for mutual agreement and approval by the Adaptation Fund Board.

#### RECONCILIATION OF FY11 BUDGET:

7. In its decision 1/CMP.4, the CMP adopted the Legal Arrangements between the CMP and the World Bank as the Trustee for the Adaptation Fund on an interim basis. These arrangements specify that the Trustee will perform two core functions for the Adaptation Fund: (a) monetization of Certified Emission Reductions (CERs) for the Adaptation Fund, and (b) trust fund management, including financial management of the resources of the Trust Fund; investment management; and accounting and financial reporting. The arrangements also specify that the Trustee will perform its functions consistent with its Articles of Agreement, by-laws, policies and procedures. Decision 1/CMP.3 further provides that the Trustee shall be accountable to the Adaptation Fund Board for the performance of its fiduciary responsibilities and in particular for the monetization of CERs in accordance with guidance provided by the Adaptation Fund Board.

8. Since the terms of service of the World Bank as interim trustee were scheduled to expire three months after the sixth session of the CMP, the Adaptation Fund Board, during the 10<sup>th</sup> AF Board Meeting in June 2010, approved a budget estimate of **US\$ 913,000** for Trustee services which covered only the nine-month period of July 1, 2010 to March 31, 2011, as described in Document AFB/EFC.1/7/Rev.1, *Board and Secretariat and Trustee budget for FY11*. With the CMP's decision to extend the terms of service of the Bank as interim trustee in December 2010, the Adaptation Fund Board subsequently approved an estimated budget of **US\$ 258,500** for the period April 1, 2011 to June 30, 2011 at its 13<sup>th</sup> Meeting (AFB/EFC.4/11) in March 2011. Since the trustee estimated that the actual costs and expenses incurred by the Trustee for the nine-month period up to the end of March 2011 would be reduced from US\$ 913,000 to US\$ 781,979, **the net FY11 budget approved was US\$ 1,060,479** (US\$ 781,979 plus US\$ 258,500).

9. Actual costs and expenses incurred by the Trustee during the period are now expected to be US\$ 1,040,479 or US\$ 20,000 less than the approved budget estimate (see Table 4).



## PROPOSED BUDGET FROM JULY 1, 2011 TO JUNE 30, 2012:

10. As stipulated in the Legal Arrangements regarding the services to be provided by the Trustee to the Adaptation Fund, and in the Roles and Responsibilities of the Trustee, the Trustee is required to submit a budget estimate for the upcoming fiscal year to the Adaptation Fund Board, for mutual agreement and approval by the Board. This estimate reflects the Trustee's best estimate of the fees, costs and expenses for the year, on a full cost-recovery basis. It will be subject to adjustment at the end of the period, based upon actual fees, costs and expenses incurred during the period July 1, 2011 to June 30, 2012.

11. **The Adaptation Fund Board is hereby requested to approve an estimated budget of US\$ 1,088,000 for the period July 1, 2011 to June 30, 2012, comprising US\$ 678,000 for CER Monetization services, and US\$ 410,000 for all other Trustee services** (see Table 4). The estimated costs for FY12 are expected to be slightly lower than the approved FY11 amount, before the estimated external audit cost is included. The FY12 total, including external audit, represents roughly a zero increase in real terms (i.e. just below the US rate of inflation over the previous 12 months).

12. The proposed budget reflects the following components:

- i. ***CER Monetization (US\$ 678,000)***: This cost is comprised almost exclusively of World Bank Treasury staff time and expenses. The Treasury Unit staff costs cover the management of CER monetization procedures and systems, selection of dealers and management of over-the-counter transactions, daily sales on exchanges, settlement of sales transactions and participation in Adaptation Fund Board meetings, including travel costs. The budget estimate includes all exchange fees and costs for the preparation, execution, and settlement of transactions as well as annual membership fees and trading license fees. **Indicators used to track overall costs of CER monetization can be found in Figure 1.** Both the cost per ton and as a percentage of proceeds increased in FY11 due to the lower volume of sales of CERs and thus the lower revenues than those of FY10.
- ii. ***Financial and program management (US\$ 140,000)***: Costs are based on staff time required for management of financial transactions, including processing receipts of CER sales, donations, and other cash proceeds on a daily basis in the Adaptation Fund Trust Fund, recording allocations and commitments, and processing cash transfers to implementing entities. This estimate also covers travel costs to attend the regular AF Board meetings and staff time associated with implementation of the financial reporting for the Trust Fund; collaboration with the Adaptation Fund Board and Secretariat; the negotiation and management of donations and agreements; and maintenance of systems for reporting and transactional processes and procedures for the Trust Fund.
- iii. ***Investment management (US\$ 70,000)***: Investment management fees are calculated as a flat fee of 3.5 basis points (i.e. 0.035%) on the average annual balance of the undisbursed cash in the Trust Fund. A conservative (i.e. high) estimate of the projected average annual balance is used (i.e. US\$ 200 million over the next fiscal year). The cash balance equals net inflows from CER monetization, donations and investment income earned, less all cash transfers. In the event that

cash transfers take place more rapidly, the average balance would be lower, and investment management fees would reduce accordingly.

- iv. **Accounting and reporting (US\$ 55,000):** Costs are based on the management of the accounting model for the Trust Fund, maintenance of appropriate records and accounts to identify receipts of CER sales proceeds and other contributions as well as Trust Fund liabilities to implementing entities, and preparation of financial statements and arrangement of external audits.
- v. **Legal services (US\$ 55,000):** These costs include the review of issues pertaining to the acceptance of donations, drafting donation agreements and templates, funds transfer agreements and other legal agreements as needed. The estimate also covers staff time to provide policy advice and legal review of financial and operational documents and to amend the existing legal documents as required, as well as participation in AF Board meetings, including travel costs.
- vi. **External audit (US\$ 90,000):** This covers the external audit of the financial statements of the Trust Fund during FY11.

**Table 4: Trustee Budget**

<b>FY11 and FY12 Trustee Budget</b> (US\$)			
<b>Trustee Services</b>	<b>FY11 Approved</b>	<b>FY11 Revised</b>	<b>FY12 Estimates</b>
CER Monetization	678,000	678,000	678,000
Financial and Program Management	160,000	140,000	140,000
Investment Management	70,000	70,000	70,000
Accounting and Reporting	55,000	55,000	55,000
Legal Services	55,000	55,000	55,000
External Audit	42,479	42,479	90,000
<b>Total</b>	<b>1,060,479</b>	<b>1,040,479</b>	<b>1,088,000</b>

**Figure 1: Adaptation Fund CER Monetization Costs**

