



ADAPTATION FUND

AFB/EFC.18/9  
2 March 2016

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Ethics and Finance Committee  
Eighteenth meeting  
Bonn, 15-16 March 2016

Agenda item: 10 d)

**BOARD AND SECRETARIAT, AND TRUSTEE  
ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2017**

## SECTION I: DOCUMENT STRUCTURE

### Budget overview

1. This document presents the budgets of the Adaptation Fund Board (the Board) and the Adaptation Fund Board secretariat (the secretariat), and of the interim trustee (the trustee), for fiscal year 2017 (FY17), i.e. 1 July, 2016 to 30 June, 2017. Table 1 below presents an overview of the budgets of the Board and secretariat, and of the trustee, for FY17, which are explained in detail in the next two sections of the document: Section II covers the Board and secretariat budget for FY17, and Section III covers the trustee budget for FY17.

**Table 1: Approved FY16 and proposed FY17 budget of the Board and secretariat, and the Trustee<sup>1</sup>**

All amounts in US\$		Approved FY16	Estimate FY16	Proposed FY17
<b>BOARD AND SECRETARIAT</b>				
01	Personnel	1,704,295	1,716,295	1,943,247
02	Travel	434,000	434,000	480,000
03	General operations	345,870	377,800	306,090
04	Meetings	340,000	343,000	363,000
<b>Sub-total secretariat administrative services (a)</b>		<b>2,824,165</b>	<b>2,871,095</b>	<b>3,092,337</b>
05	Overall evaluation (b)	200,000	656 <sup>2</sup>	400,000
06	Accreditation (c)	460,000	460,000	464,000
<b>Sub-total secretariat (a), (b) and (c)</b>		<b>3,484,165</b>	<b>3,331,751</b>	<b>3,956,337</b>
07	Readiness Programme (d)	565,000	564,000	616,500
<b>Sub-total secretariat (a) + (b) + (c) + (d)</b>		<b>4,049,165</b>	<b>3,896,751</b>	<b>4,572,837</b>
<b>TRUSTEE</b>				
01	CER Monetization	203,000	203,000	203,000
02	Financial and Program Management	225,000	225,000	225,000
03	Investment Management	115,000	110,000	115,000
04	Accounting and Reporting	56,000	56,000	56,000
05	Legal Services	20,000	20,000	20,000
06	External Audit	50,000	50,000	50,000
<b>Sub-total trustee</b>		<b>669,000</b>	<b>664,000</b>	<b>669,000</b>
<b>GRAND TOTAL ALL COMPONENTS</b>		<b>4,718,165</b>	<b>4,560,751</b>	<b>5,241,837</b>

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

<sup>2</sup> Sum of minor expenses taken out of the approved budget for Phase II of the overall evaluation in order to conclude Phase I. These expenses include costs incurred for the consultant to present findings for Phase I of the overall evaluation to the Board at its 26th meeting. Phase II of the overall evaluation initially scheduled for FY16 will now be implemented in FY17. See paragraph 10.

**Recommendation**

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

- a) The proposed budget of **US\$ 4,572,837** to cover the costs of the operations of the Board and secretariat over the period 1 July 2016 to 30 June 2017, comprising **US\$ 3,092,337** for the secretariat administrative services (the main secretariat budget), **US\$ 400,000** for the overall evaluation (Phase II), **US\$ 464,000** for accreditation services and **US\$ 616,500** for the Readiness Programme.
- b) The proposed budget of **US\$ 669,000** for trustee services to be provided to the Adaptation Fund over the period 1 July, 2016 to 30 June, 2017.

## **SECTION II: BOARD AND SECRETARIAT PROPOSED BUDGET FOR THE PERIOD 1 JULY 2016 – 30 JUNE 2017**

### **Background**

3. The Board, at its twenty-fifth meeting in April 2015, approved the Board and secretariat budget of **US\$ 4,049,165** (Decision B.25/20) for the period 1 July 2015 to 30 June 2016. The budget comprised of **US\$ 2,824,165** for the secretariat administrative services (the main secretariat budget), **US\$ 200,000** for the overall evaluation (Phase II), **US\$ 460,000** for accreditation services and **US\$ 565,000** for the readiness programme (Phase II). The Board also approved a budget of **US\$ 669,000** for trustee services to be provided to the Adaptation Fund over the period 1 July 2015 to 30 June 2016 (Decision B.25/20). Details of the budget for FY16 can be found in Tables 3 to 6 which also include an estimate of the actual expenses for FY16, and the proposed budget for FY17 (1 July 2016 – 30 June, 2017).

### **FY16 current estimates vs. approved budget**

4. Possible budget slight over run. Based on the estimated actual expenditure as of 31 December 2015, the estimated FY16 expenditure for the main secretariat budget as of 30 June 2015 will be US\$ 2,871,095, which is 1.7 per cent over the approved FY16 budget (US\$ 2,824,165). The increase is due to general inflation and the rise in general cost of living affecting staff costs. In addition, the budget for FY16 had been presented with very little room for flexibility which resulted in a few slight budget overruns. Further, the portfolio of projects under the Fund is increasing, FY16 having received a record number of project proposals compared to previous years, and the number of accredited implementing entities is also increasing, all of which require increasing financial commitment from the secretariat each year. However, it is expected that the overrun will be offset by savings in rentals as the secretariat move to a new office space will result in lower rental costs of up to US\$ 100,000 per annum compared to the old office space. The estimated FY16 expenditure for the readiness programme as of 30 June will be US\$ 564,000, which is 99 per cent of the approved FY16 budget (US\$ 565,000). The final actual expenditure for FY16 will be reported in the reconciliation budget as of 30 June, 2016.

It should also be noted that the secretariat has had to move to new office space in another building, which was an unplanned cost of an estimated US\$ 32,000 to the secretariat. The move could not be avoided as the landlord for the old office space decided to carryout major renovation work on that building and therefore the Global Environment Facility (GEF) Secretariat along with the GEF Independent Evaluation Office and the Adaptation Fund Secretariat had to move to a new building. With the help of the World Bank, a new lease was secured which has significantly lower rental costs. As stated above, the new office space will result on cost savings of an estimated US\$ 100,000 per annum. The current budget estimate for FY16 therefore includes the cost of relocation and the change in rental costs for the new office space.

In addition, it should be noted that the United Nations (UN) Bonn's Committee for Common Operations Management (CCOM) decided to introduce a fee for the usage of the common

conference rooms on the UN Campus as of 1 January 2016. The usage fee would be charged per day and per room with effect from 1 January 2016 and would apply to all existing bookings which had been already confirmed. The costs for usage of the conference rooms starting with the AF Board meeting in March 2016 have therefore been included in the current budget estimate for FY16.

### **Proposal of the main secretariat budget for FY17**

5. In the FY17 budget, the secretariat will propose the conversion of two current staff positions to GE level. These positions will be a conversion of Junior Professional Associate (JPA) and Extended Term Consultant (ETC) to Operations Analyst (Project Review and Monitoring) and Operations Analyst (Accreditation and Gender) respectively. The current staff contracts for JPA and ETC are nearing completion and are non-renewable. It should be noted that the World Bank staff rules do not allow hiring of any JPAs from 1 July 2015 and will not allow extension of ETC contracts from 1 July 2016. The secretariat deems it important that these staff continue to provide their much needed services to the secretariat to manage the increasing workload. The secretariat received an unprecedented 21 project proposals for the twenty-seventh Board meeting and has been witnessing a constant increase in the number of applications from entities that wish to gain accreditation with the Fund. The proposed new positions will therefore continue to support and cover the secretariat work on project/programme review and monitoring, accreditation and support to the Readiness Programme.

6. On the same note it should be noted that sadly the operations associate has had to take extended leave due to sudden illness and is expected to be away for a period not less than 6 months during FY17. The secretariat will therefore recruit an interim staff to fill in the role of senior programme assistant. However, staff policy and regulations require that the manager recruit Term Staff for a minimum period of one year. The secretariat will therefore recruit a senior programme assistant for a period of one year, starting in April 2016. The additional cost of this position will be partially compensated with the reimbursement of the operations associate salary by the World Bank insurance.

7. The secretariat will also propose that the Readiness Programme be institutionalized as a standing component of the operations of the secretariat. The consequence of this is that the Readiness Programme budget becomes a permanent component of the main secretariat budget. It should be noted that the Readiness programme has had two successful phases due to the demand by Implementing Entities of the services and products it avails. Since its launch in May 2014, the Programme has evolved in both complexity and in the range of products and services it provides Implementing entities of the Fund. The Readiness Programme provides a much needed support structure to the operations of the Fund in the accreditation and re-accreditation of Implementing Entities and for projects and programmes, particularly facilitating the formulation of high quality project and programme proposals by entities, the application of Fund policies and procedures and the formulation, implementation and monitoring and evaluation of projects and programmes. The proposed institutionalization of the Readiness Programme will therefore ensure that this support continues to be available for Implementing Entities to access on an on-going basis, in line with paragraph 5 of decision 2/CMP.10.

8. The budget request for the **secretariat administrative services** for FY17 amounts to **US\$ 3,092,337** and consists of the following components:

*a) Personnel component.*

- i. Full-time staff: An amount of **US\$ 1,416,546** is estimated to cover the staff cost (salary, benefits, overhead and staff training cost<sup>3</sup>) of a manager, two senior climate change specialists, a senior operations officer (Accreditation), a programme officer (Readiness Programme), an operations analyst (Accreditation and Gender), an operations analyst (Project Review and Monitoring), an operations associate<sup>4</sup> and an interim senior programme assistant.
- ii. GEF secretariat staff cross-support: The estimate of **US\$ 148,961** is to cover the cost of staff (salary, benefits and overhead) in the GEF secretariat, which provides cross-support to the Board.
- iii. Consultants and others: The estimate of **US\$ 377,740** includes the secretariat support (legal support etc. from the World Bank) (US\$ 49,350); the support for website and IT systems (US\$ 36,750); communications strategy and knowledge management (US\$ 145,000); results based management (RBM) (US\$ 68,000); the environmental and social safeguards (US\$ 46,140); the accounting support (US\$ 24,000) and the IT support (US\$ 8,500). The design and operations of dedicated websites will cover the maintenance of the Fund's main website and the knowledge exchange platform Climate Finance Ready which were built during FY15 as well as the accreditation workflow. It should be noted that the fees for legal support have significantly increased due to an increase in the secretariat's portfolio of projects and in the number of IEs and the proposed estimate caters for this development. The communications strategy and knowledge management will cover consultancy fees of Short Term Consultants who currently work on communications activities including social media and speech writing. The RBM budget includes portfolio monitoring of projects under implementation, specifically examining four projects in FY17. The consultancy fees of the environmental and social safeguards will cover 50 days of an environmental and social safeguard expert and 15 days for a gender expert on their project/programme review. The accounting support and the IT support is continuous and will be provided by the World Bank's centralized system.

*b) Travel component*

In FY17, travel cost is allocated to cover two Board meetings for both secretariat staff and Board members. Other than the Board meetings, the travel for secretariat staff will include participation in COP22 in Marrakech, Morocco. A budget for the awareness raising travel is

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<sup>3</sup> The World Bank promotes continued training and learning of staff members. Within the Global Environment Facility (GEF) secretariat, the practice is that staff members excluding consultants are granted annual training budget up to US\$ 5,000 upon their request.

<sup>4</sup> The salary for the operations associate on extended sick leave will be reimbursed by insurance for at least 7 months. This money will be returned back to the secretariats account.

requested to reinforce the fund awareness raising and resource mobilization activities by the Manager. It will cover travels for international events and meetings including the Standing Committee on Finance, the Adaptation Committee, the UNFCCC Subsidiary Bodies (SBs) and the Green Climate Fund Board meetings. *Per diem* allowances of Board members and alternates according to the UN rules are paid separately from the Adaptation Fund Trust Fund, and are therefore not included in this budget.<sup>5</sup> The total request for travel amounts to **US\$ 480,000**.

*c) General operations component*

The FY17 budget estimate is **US\$ 306,090**. This amount includes US\$ 155,500 for office space lease and associated building expenses as well as a series of office equipment rentals and fees for eight full time staff members and other consultants of the secretariat, such as PCs, telephones, remote access systems, audio-conference systems and so on. This is a notable reduction in costs as a result of the move to new office space as mentioned in paragraph 4. It also includes US\$ 24,990 for communications support to the Chair, US\$ 123,500 for production of publications and outreach materials such as “Adaptation Stories”<sup>6</sup> for ongoing projects in three UN languages, story videos, FAQ materials targeting donors, press and partners and also knowledge management. The staff relocation will cover transportation costs for new staff members who would relocate from overseas in case required.

*d) Meetings component*

It should be noted that as of 1 January 2016 the United Nations (UN) Committee for Common Operations Management (CCOM) in Bonn, Germany, introduced a fee for the usage of the common conference rooms on the UN Campus. A new budget line item has therefore been added to the budget request. This will cover the usage fees for conference and meeting rooms for AF Board meetings. Therefore the FY17 budget estimate for meetings is **US\$ 363,000**. This amount consists of meeting organization costs, meeting room usage costs and translation costs. US\$ 252,000 will cover two Board meetings and three accreditation panel meetings. US\$ 105,000 will cover translation of meeting reports into five UN languages and other publications and US\$ 6,000 will cover the usage fees for meeting rooms used for the AF Board meetings.

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<sup>5</sup> This is included in the cash transfer amounts reported by the Trustee and are an estimated US\$ 65,000 by the end of FY16 and estimated at US\$ 70,000 for FY17.

<sup>6</sup> “Adaptation Story” – Senegal, Honduras and Cook Islands were published in FY16 and 3 more could be published in FY17. The countries from which the stories will be written are still to be decided.

**Table 3: Approved FY16 budget, FY16 estimate and proposed FY17 budget of the Board and secretariat**

All amounts in US\$	<u>Approved FY16</u>	<u>Estimate Year End FY16</u>	<u>Proposed FY17</u>
<b>PERSONNEL COMPONENT</b>			
<b><u>Full-time staff (including benefits):</u></b>			
01 Senior Program Manager (GH)			
02 Senior Climate Change Specialist (GG)			
03 Senior Climate Change Specialist (GG)			
04 Operations Officer (Accreditation) (GF)			
05 Operations Associate (GD)*			
06 Program Officer (GF)			
07 Operations Analyst - Accreditation (ETC → GE)			
08 Operations Analyst - Project Review and Monitoring (JPA → GE)			
09 Senior Programme Assistant - interim position (GD)			
<u>sub-total AFB staff</u>	<b>1,239,428</b>	<b>1,239,428</b>	<b>1,416,546</b>
<b><u>GEF staff cross-support (including benefits):</u></b>			
01 Head of the AFB Secretariat (GJ) - 10%			
02 HR support (GD) - 5%			
03 Review of projects (1@GF) - 6%			
04 Review of projects (5@GG) - 6%			
05 Advisor (GH) - 2%			
<u>sub-total GEF staff</u>	<b>141,867</b>	<b>141,867</b>	<b>148,961</b>
<b><u>Consultants &amp; others</u></b>			
01 AFB Secretariat Support (Legal support etc.)	35,000	47,000	49,350
02 Design and Operation of dedicated Web sites	35,000	35,000	36,750
03 Communications Strategy & Knowledge Management	127,000	127,000	145,000
04 Result Based Management (RBM)	60,000	60,000	68,000
05 Environment and social safeguards + gender	35,000	35,000	46,140
06 Accounting support	23,000	23,000	24,000
07 IT support	8,000	8,000	8,500
<u>sub-total Consultants</u>	<b>323,000</b>	<b>335,000</b>	<b>377,740</b>
SUB-TOTAL PERSONNEL COMPONENT	<b>1,704,295</b>	<b>1,716,295</b>	<b>1,943,247</b>
<b>TRAVEL COMPONENT</b>			
01 AF Secretariat staff	194,000	194,000	230,000
02 Awareness Raising	60,000	60,000	60,000
03 Board - 24 eligible members	180,000	180,000	190,000
SUB-TOTAL TRAVEL COMPONENT	<b>434,000</b>	<b>434,000</b>	<b>480,000</b>
<b>GENERAL OPERATIONS COMPONENT</b>			
01 Office Space, Equipment and Supplies	250,000	282,000	155,500
02 Support to Chair (communications)	23,870	23,800	24,990
03 Publications, Outreach and KM	70,000	70,000	123,500
04 Staff relocation	2,000	2,000	2,100
SUB-TOTAL GENERAL OPERATIONS COMPONENT	<b>345,870</b>	<b>377,800</b>	<b>306,090</b>
<b>MEETINGS COMPONENT</b>			
01 Logistics, interpretation, report writing etc.	240,000	240,000	252,000
02 Translation	100,000	100,000	105,000
02 AFB meeting room rentals	0	3,000	6,000
SUB-TOTAL MEETINGS COMPONENT	<b>340,000</b>	<b>343,000</b>	<b>363,000</b>
<b>TOTAL ALL COMPONENTS</b>	<b>2,824,165</b>	<b>2,871,095</b>	<b>3,092,337</b>



## Accreditation

9. The budget request for the **accreditation services** for FY17 amounts to **US\$ 464,000**, which consists of consultancy fees (US\$ 300,000) and travel (US\$ 164,000). The consultancy fees will cover 80 days of four Accreditation Experts. The travel cost is to cover experts' participation in the Accreditation Panel meetings in Washington DC and experts' and staff's visits to applicant implementing entities. Another 30 days of the above mentioned environmental and social safeguard experts on their work related to accreditation will be covered under the Readiness budget.

**Table 4: Approved FY16 budget, FY16 estimate and proposed FY17 budget for the accreditation services**

All amounts in US\$	<b>Approved FY16</b>	<b>Estimate Year End FY16</b>	<b>Proposed FY17</b>
01 Accreditation Panel (fees & contingency)	300,000	300,000	300,000
02 Accreditation Panel/Staff (travel)	160,000	160,000	164,000
<b>TOTAL ACCREDITATION</b>	<b>460,000</b>	<b>460,000</b>	<b>464,000</b>

## Overall Evaluation of the Fund

10. Decision B.23/18,<sup>7</sup> approved the second phase of the overall evaluation of the Fund. However Phase I has taken more time to finalize than initially planned and so Phase II will be implemented in FY17. The budget request for the **overall evaluation of the Fund (Phase II)** for FY17 amounts to **US\$ 400,000**. The second phase will assess the progress towards the Fund's objectives, the major achievement of results and lessons from the Fund's results and formulate recommendations for potential improvement. Please see AFB/EFC.14/5<sup>8</sup> for the detailed programme.

**Table 5: Approved FY16 budget, FY16 estimate and proposed FY17 budget for the overall evaluation of the Fund**

All amounts in US\$	<b>Approved FY16</b>	<b>Estimate Year End FY16</b>	<b>Proposed FY17</b>
01 Overall evaluation	200,000	656	400,000
<b>TOTAL OVERALL EVALUATION</b>	<b>200,000</b>	<b>656</b>	<b>400,000</b>

<sup>7</sup> <https://www.adaptation-fund.org/sites/default/files/Report%20of%20the%2023rd%20Board%20meeting.pdf>

<sup>8</sup> [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.14.5%20Options%20for%20an%20Evaluation%20of%20the%20Fund.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.14.5%20Options%20for%20an%20Evaluation%20of%20the%20Fund.pdf)

## Readiness Programme

10. In its decision 1/CMP.10 Report of the Adaptation Fund Board (paragraph 9),<sup>9</sup> the Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) “invites further support for the readiness programme of the Adaptation Fund Board for direct access to climate finance in accordance with decision 2/CMP.10, paragraph 5”. The CMP in its Decision 2/CMP.10, paragraph 5, “also requests the Adaptation Fund Board to consider, under its readiness programme, the following options for enhancing the access modalities of the Adaptation Fund:

- (a) Targeted institutional strengthening strategies to assist developing countries, in particular the least developed countries, to accredit more national or regional implementing entities to the Adaptation Fund; and
- (b) Ensuring that accredited national implementing entities have increased and facilitated access to the Adaptation Fund, including for small-sized projects and programmes”.

In line with the request from the CMP as well as the proposal by the secretariat to institutionalize the Readiness Programme as outlined in document AFB/B.27/7, a budget to implement the Readiness Programme in FY17 is requested. The progress of the readiness programme (Phase II) and the work programme for FY17 will be presented during the Board meeting.

11. The budget request for the **Readiness Programme for FY17** amounts to **US\$ 616,500**. Similar to the main secretariat administrative budget, it consists of personnel, travel, general operations and meeting components. Small grants (the Technical Assistance Grant, South-South Cooperation Grant and The Project Formulation Assistance Grant) programed in the readiness programme are not included in the Board and secretariat administrative budget since they are transferred to implementing entities from the trustee directly and never be maintained in the secretariat account.

### a) Personnel component

- i. Secretariat support: An amount of **US\$ 40,000** will cover temporary support for operation of the readiness programme, such as travel specialists and moderators of workshops.
- ii. Website: The proposed amount of **US\$ 15,000** is to cover the cost to deploy the Climate Finance Ready for readiness ‘knowledge exchange’ as its necessity arises.
- iii. Knowledge exchange (Communication strategy): The amount of **US\$ 15,000** will cover communications and knowledge exchange activities particularly for the readiness programme.
- iv. Environmental and social safeguards and gender: The estimate of **US\$ 60,000** will cover the cost of 35 days of two environment and social safeguard and gender experts. In particular, the experts will support the secretariat in developing manuals and guidelines for undertaking project environmental and

<sup>9</sup> <http://unfccc.int/resource/docs/2014/cmp10/eng/09a01.pdf>

social risk assessment and for formulating risk management plans, update of the accreditation toolkit, and other information tools in line with the Fund's ESP and gender policies. They will also participate as resource persons in the seminars and workshops planned under the readiness programme.<sup>10</sup>

- v. Accreditation: The seminars and workshops organized under Phase II of the readiness programme required support of the accreditation experts as resource persons. For FY17, a dedicated budget item is requested to cover their fees to participate in those events in the readiness programme budget separately from their core accreditation work.

The total request for the personnel component amounts to **US\$ 166,000**.

*b) Travel component*

In the travel component of the readiness programme, travel cost for the secretariat staff, meeting participants and Board members are allocated; **US\$ 82,000** for the secretariat is to cover participation in three regional workshops, and **US\$ 272,500** for meeting participants to cover participants' travel to a Climate Finance Readiness Seminar in DC and three regional workshops outside of DC. **US\$ 3,000** is allocated in FY17 in case participation of one Board member in three regional workshops is deemed necessary, who is resided in the respective region. The total request for the travel component amounts to **US\$ 357,500**.

*c) General operations component*

The estimate for general operations is **US\$ 57,000**. This amount includes **US\$ 7,000** for office space, a series of office equipment rentals and fees for the readiness programme support, such as PCs, telephones, remote access systems, audio-conference systems. **US\$ 50,000** is for publications, outreach and knowledge management related to readiness which includes production of readiness/accreditation 'manuals', readiness communications/marketing materials which to be distributed to the readiness programme participants and to advertise the programme.

*d) Meetings*

The estimate for the meetings component (logistics) is **US\$ 36,000**, which to cover organization of the seminars and workshops.

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<sup>10</sup> See document AFB/B.23/5.

**Table 6: Approved FY16 and proposed 17 budget of the readiness programme**

All amounts in US\$	<u>Approved Phase II (FY16)</u>	<u>Estimate Year End FY16</u>	<u>Proposed FY17</u>
<b>PERSONNEL COMPONENT (Consultants &amp; others)</b>			
01 Secretariat support	40,000	40,000	40,000
02 Web site	15,000	12,000	15,000
03 Knowledge exchange (Communications Strategy)	15,000	14,000	15,000
05 Environmental & Social Safeguard (Fees) and gender	55,000	55,000	60,000
06 Accreditation (Fees)	35,000	35,000	36,000
<b>SUB-TOTAL PERSONNEL COMPONENT</b>	<b>160,000</b>	<b>156,000</b>	<b>166,000</b>
<b>TRAVEL COMPONENT</b>			
01 AF Secretariat staff	85,000	85,000	82,000
02 Meeting participants	265,000	265,000	272,500
03 Board members	3,000	3,000	3,000
<b>SUB-TOTAL TRAVEL COMPONENT</b>	<b>353,000</b>	<b>353,000</b>	<b>357,500</b>
<b>GENERAL OPERATIONS COMPONENT</b>			
01 Office Space, Equipment and Supplies	2,000	5,000	7,000
02 Publications, Outreach and KM	20,000	20,000	50,000
<b>SUB-TOTAL GENERAL OPERATIONS COMPONENT</b>	<b>22,000</b>	<b>25,000</b>	<b>57,000</b>
<b>MEETINGS COMPONENT</b>			
01 Logistics	30,000	30,000	36,000
<b>SUB-TOTAL MEETINGS COMPONENT</b>	<b>30,000</b>	<b>30,000</b>	<b>36,000</b>
<b>TOTAL ALL COMPONENTS</b>	<b>565,000</b>	<b>564,000</b>	<b>616,500</b>

### SECTION III: ADAPTATION FUND – TRUSTEE ESTIMATED COSTS AND EXPENSES FOR FY17.

#### Background

12. The following sections present the trustee's estimate of costs and expenses for trustee services to be provided during the period July 1, 2016 to June 30, 2017.<sup>11</sup>

#### ESTIMATED COSTS AND EXPENSES FROM JULY 1, 2016 TO JUNE 30, 2017

**Table 7: FY16 approved and FY17 estimated costs and expenses (USD)**

Trustee Costs: FY16 approved and FY17 estimate			
Trustee Services	FY16 Approved	FY16 Estimate	FY17 Proposed
Monetization	203,000	203,000	203,000
Financial and Program Management	225,000	225,000	225,000
Investment Management	115,000	110,000	115,000
Accounting and Reporting	56,000	56,000	56,000
Legal Services	20,000	20,000	20,000
External Audit	50,000	50,000	50,000
<b>TOTAL</b>	<b>669,000</b>	<b>664,000</b>	<b>669,000</b>

13. The estimates in Table 1 reflect the Trustee's best estimate of the fees, costs and expenses for the fiscal year 2017, on a full cost-recovery basis. These will be subject to adjustment at the end of the period, based upon revised estimates of the fees, costs and expenses incurred in the provision of trustee services to the Adaptation Fund during the period.

14. **The Adaptation Fund Board is hereby requested to approve an estimated budget of USD 669,000 for the period July 1, 2016 to June 30, 2017** to cover estimated costs and expenses for monetization services, financial and program management, investment management, accounting and reporting, legal services, and the external audit. Details for each of the service components are presented below. Gross labour costs indicated include all related overhead amounts.

The estimate is comprised of the following components:

- a) **Monetization (USD 203,000)**: This cost comprises World Bank Treasury staff time and expenses, and exchange and settlement and other trading-related

<sup>11</sup> The current Terms and Conditions of Service of the IBRD expire in April 2017, but contemplate a wind-up period extending beyond this date; a 12 month administrative budget estimate is therefore presented.

reimbursable fees. The Treasury staff costs cover the management of monetization procedures and systems, daily sales on exchanges, settlement of sales transactions, and management of direct, over-the-counter, and other transactions. 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 as needed. The costs associated with monetization of AAUs and ERUs cannot be estimated at this time and will depend upon the level of activity and date of commencement of such monetization. Up-front costs associated with preparation of such monetization activities could also comprise the development/modification of a trading platform, and IT systems adjustments. The overall costs of monetization activities are detailed in Table 2.

**Table 8: Monetization Costs FY16 and FY17 (USD)**

<u>Monetization - FY16 Approved</u>			
	<u>Gross Labour<sup>1</sup></u>	<u>Travel</u>	<u>Total</u>
Senior Traders	148,000	15,000	163,000
Back Office	35,000	-	35,000
<b>TOTAL</b>	<b>183,000</b>	<b>15,000</b>	<b>213,000</b>
<u>Monetization - FY17 Estimate</u>			
	<u>Gross Labour<sup>1</sup></u>	<u>Travel</u>	<u>Total</u>
Senior Traders	148,000	15,000	163,000
Back Office	35,000	-	35,000
<b>TOTAL</b>	<b>183,000</b>	<b>15,000</b>	<b>203,000</b>

<sup>1</sup> Gross labour costs includes all related overhead amounts.

- b) **Financial and program management (USD 225,000):** Costs are based on staff time required for management of financial transactions, including processing of receipts of CER and other sales proceeds, 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 using World Bank financial systems and procedures. Estimates include staff time associated with implementation of the financial reporting for the Trust Fund; collaboration with the Adaptation Fund Board and Secretariat; the execution and management of donation agreements; and maintenance of systems for reporting and transactional processes and procedures for the Trust Fund. Estimates also include travel costs for one trustee representative to attend regular AF Board meetings.

**Table 9: Financial and Program Management Costs FY16 and FY17 (USD)**

<b><u>Financial and Program Management - FY16 Approved</u></b>			
	<u>Gross Labour<sup>1</sup></u>	<u>Travel</u>	<u>Total</u>
Senior Financial Officers	120,000	25,000	145,000
Finance Officers/Analysts	80,000	-	80,000
<b>Staff Costs</b>	<b>200,000</b>	<b>25,000</b>	<b>225,000</b>
<b><u>Financial and Program Management - FY17 Estimate</u></b>			
	<u>Gross Labour<sup>1</sup></u>	<u>Travel</u>	<u>Total</u>
Senior Financial Officers	120,000	25,000	145,000
Finance Officers/Analysts	80,000	-	80,000
<b>TOTAL</b>	<b>200,000</b>	<b>25,000</b>	<b>225,000</b>

<sup>1</sup> Gross labour costs includes all related overhead amounts.

- c) **Investment management (USD 115,000):** Investment management fees are calculated as a flat fee of 3.5 basis points (i.e. 0.035%) of the average annual balance of the undisbursed cash in the Trust Fund. The projected average annual balance over the next fiscal year is estimated at USD 330 million, reflecting increased balances due to donations. The cash balance equals net inflows from CER and other 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 be reduced accordingly.
- d) **Accounting and reporting (USD 56,000):** Costs are based on the management of the accounting model for the Trust Fund, maintenance of appropriate records and accounts to identify receipts of monetization proceeds and other contributions. A significant portion of these costs are those associated with the preparation of annual financial statements and arrangement of the annual external audit.

**Table 4: Accounting and Reporting Costs FY16 and FY17 (USD)**

<b><u>Accounting and Reporting - FY16 Approved</u></b>			
	<u>Gross Labour<sup>1</sup></u>	<u>Travel</u>	<u>Total</u>
Senior Accountants	56,000	-	56,000
<b>TOTAL</b>	<b>56,000</b>	<b>-</b>	<b>56,000</b>
<b><u>Accounting and Reporting - FY17 Estimate</u></b>			
	<u>Gross Labour<sup>1</sup></u>	<u>Travel</u>	<u>Total</u>
Senior Accountants	56,000	-	56,000
<b>TOTAL</b>	<b>56,000</b>	<b>-</b>	<b>56,000</b>

<sup>1</sup> Gross labour costs includes all related overhead amounts.

- e) **Legal services (USD 20,000):** These costs include drafting, negotiation and processing of donation agreements, funds transfer agreements and other legal agreements as needed. The estimate also covers staff time to provide policy advice and legal review on issues raised by the AF Secretariat and others as they may impact the Adaptation Fund Trust Fund and the services of the Trustee.

**Table 5: Legal Service Costs FY16 and FY17 (USD)**

<b><u>Legal Services - FY16 Approved</u></b>			
	<b><u>Gross Labour<sup>1</sup></u></b>	<b><u>Travel</u></b>	<b><u>Total</u></b>
Senior Counsel	20,000	-	20,000
<b>TOTAL</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
<b><u>Legal Services - FY17 Estimate</u></b>			
	<b><u>Gross Labour<sup>1</sup></u></b>	<b><u>Travel</u></b>	<b><u>Total</u></b>
Senior Counsel	20,000	-	20,000
<b>TOTAL</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>

<sup>1</sup> Gross labour costs includes all related overhead amounts.

- f) **External audit (USD 50,000):** This covers the external auditor's costs associated with the external audit of the FY15 financial statements for the Adaptation Fund Trust Fund. In addition to the external audit, the trustee prepares a Single Audit of trust funds, in which the Adaptation Fund is included; this is provided at no cost to the Adaptation Fund.