



ADAPTATION FUND

AFB/EFC.20/8
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Ethics and Finance Committee
Twentieth meeting
Bonn, 14-15 March 2017

Agenda item: 6 d)

**BOARD AND SECRETARIAT, AND TRUSTEE
ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2018**

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 2018 (FY18), i.e. 1 July 2017 to 30 June 2018. Table 1 below presents an overview of the budgets of the Board and secretariat, and of the trustee, for FY18, which are explained in detail in the next two sections of the document: Section II covers the Board and secretariat budget for FY18, and Section III covers the trustee budget for FY18.

Table 1: Approved FY17 and proposed FY18 budget of the Board and secretariat, and the Trustee¹

All amounts in US\$		Approved FY17	Estimate FY17	Proposed FY18
BOARD AND SECRETARIAT				
1	Personnel	1,893,247	1,703,780	2,581,250
2	Travel	480,000	410,000	402,000
3	General operations	306,090	294,000	375,000
4	Meetings	363,000	285,000	254,800
Sub-total secretariat administrative services (a)		3,042,337	2,692,780	3,613,050
5	Overall evaluation (b)	400,000	100,000	300,000
6	Accreditation (c)	464,000	370,000	473,780
Sub-total secretariat (a), (b) and (c)		3,906,337	3,162,780	4,386,830
7	Readiness Programme (d)	616,500	586,000	604,585
Sub-total secretariat (a) + (b) + (c) + (d)		4,522,837	3,748,780	4,991,415
TRUSTEE				
1	CER Monetization	203,000	203,000	180,000
2	Financial and Program Management	225,000	225,000	225,000
3	Investment Management	115,000	110,000	115,000
4	Accounting and Reporting	56,000	56,000	48,000
5	Legal Services	20,000	20,000	20,000
6	External Audit	50,000	46,066	-
Sub-total trustee		669,000	660,066	588,000
GRAND TOTAL ALL COMPONENTS		5,191,837	4,408,846	5,579,415

Recommendation

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

- a) The proposed budget of **US\$ 4,991,415** to cover the costs of the operations of the Board and secretariat over the period 1 July 2017 to 30 June 2018, comprising **US\$ 3,613,050** for the secretariat administrative services (the main secretariat budget), **US\$ 300,000** for

¹ Decimal points in the table are rounded up.

the overall evaluation (Phase II), **US\$ 473,780** for accreditation services and **US\$ 604,585** for the Readiness Programme.

- b) The proposed budget of **US\$ 588,000** for trustee services to be provided to the Adaptation Fund over the period 1 July, 2017 to 30 June, 2018. As a cost-saving measure, the Board is also requested to approve an indefinite suspension of the preparation of annual externally audited financial statements, relying instead on the annual Single Audit of Trust Funds and financial reports on the status of the AF Trust Fund provided periodically by the World Bank as AF Trustee.
- c) The Board is requested to authorize the trustee to transfer the amounts in para (a) to the secretariat, and the amount in para (b) to the trustee.

SECTION II: BOARD AND SECRETARIAT PROPOSED BUDGET FOR THE PERIOD 1 JULY 2017 – 30 JUNE 2018

Background

3. The Board, at its twenty-seventh meeting in March 2016, approved the Board and secretariat budget of **US\$ 4,522,837** (Decision B.27/34) for the period 1 July 2016 to 30 June 2017. The budget comprised of **US\$ 3,042,337** 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 (Phase II).

4. 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 2016 to 30 June 2017 (Decision B.27/34). Details of the budget for FY17 can be found in Tables 3 to 6 which also include an estimate of the actual expenses for FY17, and the proposed budget for FY18 (1 July 2017 – 30 June, 2018).

FY17 current estimates vs. approved budget

5. Based on the actual expenditure as of 31 December 2016, the estimated FY17 expenditure for the main secretariat budget as of 30 June 2017 will be US\$ 2,692,780, which is 88.5 per cent of the approved FY17 budget (US\$ 3,042,337). A major increase of the secretariat support cost will include the use of external project reviewers (Short-term Consultants) due to the increased number of the submission of the project proposals for the decisions at the twenty-eighth meeting of the Board. On the other hand, a decrease of the accreditation related travel cost will be expected. It is due to the travel cost saving of the Accreditation Panel members who reside in the United States where the Panel meetings take place and that the Panel members did not require field visits in their review process in the first half of FY17. The estimated FY17 expenditure for the accreditation component as of 30 June 2017 will be US\$ 370,000 (79.7 per cent) of the approved FY17 budget (US\$ USD 464,000). Phase II of the overall evaluation of the Fund is expected to be completed by one fourth of its planned activities in FY17. Consequently, only US\$ 100,000 (25 per cent) out of US\$ 400,000 will be expensed in FY17 and US\$ 300,000 will need to be carried over to FY18 for the continuation of the work.

6. The estimated FY17 expenditure for the readiness programme as of 30 June, 2017 will be US\$ 586,000, which is 95.1 per cent of the approved FY17 budget (US\$ 616,500). The secretariat will continue the planned activities of the readiness programme until the end of FY17. The final actual expenditure for FY17 will be reported in the reconciliation budget as of 30 June, 2017.

7. **Proposal of the main secretariat budget for FY18**In the FY18 budget, the secretariat will propose a creation of two staff positions; one on communications and another on knowledge management. The secretariat will also request an extension of the interim Senior Program Assistant position.

8. The secretariat employed a short-term consultant for communications in May 2013 (FY13) for the first time when the carbon market collapsed and the acute needs of fundraising arose. The

contract of the first communications consultant was later converted to the extended-term contract (a full-time consultant position) however the form of this contract was ceased by the World Bank Group at the end of FY16. In FY15 and 16, the communications activities of the secretariat have been supported by a few short-term consultants and supplemented by interns (Short-term Temporaries) and the secretariat does not hold a full-time person on the communications. One of the Short-term Consultant works in the office and leads day-to-day communications operations and supervises another Short-term Consultant and an intern. However, the World Bank rules do not allow consultants to work more than 150 days per year, which prevents the person currently leading communications operations from being in charge of the overall communications activities as efficiently as possible, and the gaps have been filled by other full-time secretariat staff on an ad-hoc basis. As the communications and marketing needs increased towards the Paris Agreement, the lead consultant has been part of the Fund's delegation to the Conferences of Parties (COPs) to organize side events and contribute to improving the Fund's visibility through the strategic use of the promotional videos, social media, website and press releases on site. Since the Fund is foreseen to require the continued efforts in fundraising and advocacy, the communications component is shifting to one of the mainstreams of the secretariat activities, and it is becoming harder and harder to meet the demands and maintain the quality of the communications activities without a full-time staff who can take a responsibility throughout the lifetime of communications projects. Also, it should be noted that the portfolio of the Fund's projects and the readiness activities has been expanding, and those which require the communications coverage have also been increasing. The secretariat deems that the full-time staff would be able to better contribute to periodic updates of the communications strategy which are aligned with resource mobilization needs of the Fund in the increasingly competitive climate architecture.

9. The first phase of the Overall Evaluation of the Fund², in 2015, found that Fund's main processes were generally effective and demonstrated steady improvement, with the exception of two areas, one of which was knowledge management. The report of the evaluation stated: "*While effective knowledge management is critical to any organization, it is particularly important for the Adaptation Fund. The Adaptation Fund's experiences must be systematically tracked and regularly analyzed in order to enrich global knowledge on climate change adaptation and access modalities. Inadequate allocation of resources to knowledge management undermines the Adaptation Fund's short - term effectiveness and long - term significance.*" The evaluation went on to recommend (Recommendation 2): "*Recruit additional senior secretariat staff to address the capacity constraints to undertake effective knowledge management [...]. Short - term consultants should not fill these roles.*" The Adaptation Fund Board, at its twenty-eight meeting in October 2016, approved the updated knowledge management strategy and action plan (Decision 28/37). From now on, the secretariat is to implement these and report to the Board on an annual basis. While the secretariat developed the knowledge management strategy and action plan with the support of a knowledge management expert (a Short-term Consultant), one of the Senior Climate Change Specialists currently manages the overall knowledge management activities

² [The Independent Evaluation of the Adaptation Fund](#), Paragraph 148, says, "resource mobilization and knowledge management are examples of the highest priority staffing needs in the secretariat."

alongside his main duties and supervises short-term consultants and interns on an ad-hoc basis. Similar to communications, as indicated by the first phase of the overall evaluation, knowledge management is expected to become one of the mainstreams of the Fund's activities. The secretariat deems that holding a dedicated knowledge management specialist will make a difference in the efficiency and effectiveness of the implementation of the strategy and its future deployment and thereby increase the Fund's short-term effectiveness and long-term significance.

10. The Senior Program Assistant has been on board since July 2016 to cover the absence of the Operations Associate who was on the extended sick leave from February to December 2016. The current contract of the Senior Program Assistant compensated by the World Bank's disability insurance scheme will end at the end of June 2017 (at the end of the current fiscal year). Since the readiness program was launched in FY14, the secretariat has been organizing an increasing number of readiness events and seminars which require intensive travel and local arrangements throughout a year in addition to the Board meetings. In the meantime, the number of projects and programmes under implementation has nearly doubled³ from 24 to 42 from June 2014 to June 2016 and the number of the readiness grants has reached 25 in 2017. The associated administration such as handling grant agreements and fund transfers (by tranches) has increased similarly. Also, as the Fund matures, the areas of its operation have become much wider and the secretariat has increasingly required the use of external expertise. Consequently, the secretariat holds 30 open contracts of short-term consultants and their payment requests to process and monitor. The presence of the Senior Program Assistant will not only mitigate the increased workload of the Operations Associate but also enable the Operations Associate to create dedicated time for the robust budget planning and compliance review of the secretariat's operations. The presence of the Senior Program Assistant will be a key to maintain the quality of the overall secretariat services in the fast-paced environment. The secretariat also deems it important to establish the back-up function for the administration so that the two staff members complement the mutual roles as necessary.

11. The Adaptation Fund will celebrate its tenth anniversary this year. The secretariat will propose 1) a production of a special publication which highlights the Fund's pioneering and innovating achievements in the past ten years and 2) an organization of the celebratory event in the margins of the COP23 in Bonn, Germany (November 2017). The planning and preparation of both the publication and event have been launched in the second half of FY17 and the projects are expected to be completed in the first half of FY18. The secretariat will request the Board's approval on the related costs.

12. The Adaptation Fund Board, at its eighteenth meeting in August 2012, approved the one-time amount of US\$ 150,000 as part of the trustee budget to cover a new integrated trustee-secretariat information technology system (Decision B.18/34). The system, named FIF (Financial Intermediary Funds) Collaboration Platform, has become operational by phases and completed the initial development stage in FY17. The secretariat has received a provisional quote for the

³ Projects under implementation: 24 in June 2014 and 42 in June 2016; Approved projects: 34 in June 2014 and 52 in June 2016

continued operation and maintenance of the FIF Collaboration Platform from FY18 onward. According to the quote, it will cost the secretariat annually for its operation and maintenance US\$ 60,000 for FY18 and US\$ 75,000 for FY19. If it is so decided, it would cost the secretariat an additional US\$ 290,000 for enhancement of the system for both FY18 and FY19. Options of the enhancement would be customized for the Adaptation Fund's needs and the secretariat is discussing with the system vendors to obtain precise information and worthiness of the capital investment against final deliverables that can be produced by the FIF Collaboration Platform. The secretariat will request Board approval on the annual maintenance cost of the FIF Collaboration Platform (US\$ 60,000) for FY18 at this meeting and will present to the Board for discussion and possible later approval for the system enhancements with the cost of US\$ 290,000.

13. The budget request for the secretariat administrative services for FY18 amounts to **US\$ 3,613,050** and consists of the following components:

a) *Personnel component.*

- i. Full-time staff: An amount of **US\$ 1,951,805** is estimated to cover the staff cost (salary, benefits, overhead and staff training cost⁴) of a Manager, two Senior Climate Change Specialists, an Operations Officer (Accreditation), a Programme Officer (Readiness Programme), a Communications Officer (new position), a Knowledge Management Officer (new position), an Operations Analyst (Accreditation and Gender), an Program Analyst (Project Review and Monitoring), an Operations Associate and a Senior Program Assistant (interim position).
- ii. GEF secretariat staff cross-support: The estimate of **US\$ 154,850** is to cover the cost of staff (salary, benefits and overhead) in the GEF secretariat, which provides cross-support to the Adaptation Fund Board secretariat.
- iii. Consultants and others: The estimate of **US\$ 474,595** includes the secretariat support (US\$ 81,690); the design and operations of dedicated websites (US\$ 15,500); communications strategy (US\$ 72,275); the environmental and social safeguards (US\$ 61,440); the accounting support (US\$ 22,000) and the IT support (US\$ 8,500); knowledge management and results based management (KM/RBM) (US\$ 126,400); and project review (US\$ 86,790). The secretariat support will include legal support from the World Bank and consultancy for the medium-term strategy. The design and operations of dedicated websites will cover the maintenance of the Fund's main website. The communications strategy will cover consultancy fees of Short-Term Consultants and interns who currently work on communications activities including social media and speech writing. The proposed staff position on the communications will complement the large part of the communications consultancy hence the budget request for the communications strategy where the consultancy cost is currently charged to will be approximately a half of FY17. The consultancy fees of the environmental and social safeguards will cover 65 days of an environmental and social

⁴ 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.

safeguard expert on their project/programme review and 25 days for a gender expert. The accounting support and the IT support is continuous and will be provided by the World Bank's centralized system. The KM/RBM combined budget includes portfolio monitoring of the projects under implementation and the maintenance of the FIF Collaboration Platform. Consultancy fees for project review have been charged to the secretariat support line until FY17. Since the volume of the project review as well as its support costs have been major, a dedicated budget line for project review will be created from FY18 for the purpose of better cost control and monitoring.

b) Travel component

In FY18, travel cost is allocated to cover two Board meetings for both secretariat staff and Board members. Other travels for secretariat staff will include participation in SBs and COP23 in Bonn, Germany. A budget for the awareness raising travel is requested to reinforce the fund awareness raising and resource mobilization activities by the Manager or his/her representative. It will cover travels for international events and meetings including the Standing Committee on Finance, the Adaptation Committee 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.⁵ The travel cost for the eligible Board members (from non-Annexed countries) will be revised by reflecting the actual travel cost incurred during the first half of FY17. The total request for travel amounts to **US\$ 402,000**.

c) General operations component

The FY18 budget estimate is **US\$ 375,000**. This amount includes US\$ 163,000 for office space lease and associated building expenses as well as office equipment rentals and fees for 11 full time staff members and other consultants of the secretariat, such as PCs, telephones, remote access systems and audio-conference systems. It also includes US\$ 20,000 for communications support to the Chair and US\$ 192,000 for the publications and outreach. The publications and outreach will include the cost of the special publication on the Fund's 10th anniversary (US\$ 20,000) and the organization of the celebratory event in the margin of COP23 (US\$ 50,000). (The planning and preparatory cost for the 10th anniversary is estimated US\$ 50,000 and will be expensed in FY17 from its approved budget.) Other outreach materials will include "Adaptation Stories" for ongoing projects in three UN languages, story videos, FAQ materials targeting donors, press and partners. The staff relocation for new staff members will be included in the full-time staff cost under the personnel component from FY18.

d) Meetings component

⁵ This is included in the cash transfer amounts reported by the Trustee and US\$ 30,644 for AFB26, US\$ 31,540 for AFB 27, US\$ 33,075 for AFB28 and US\$ 35,460 for AFB29.

The FY17 budget estimate for meetings is **US\$ 254,800**. This amount consists of meeting organization and translation costs. The US\$ 169,800 will cover the local costs of two Board meetings including report writing and interpretation and three accreditation panel meetings. US\$ 85,000 will cover translation of the Board meeting reports into five UN languages and other publications and communications materials. The usage fees for the UNCCD meeting rooms used for the Board meetings will be included in the logistics, interpretation, report writing etc. from FY18.

Table 2: Approved FY17 budget, FY17 estimate and proposed FY18 budget of the Board and secretariat

All amounts in US\$		Approved	Estimate	Proposed
		FY17	FY17	FY18
PERSONNEL COMPONENT				
Full-time staff (including benefits):				
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 (GE)			
08	Operations Analyst - Project Review and Monitoring (GE)			
09	Senior Programme Assistant (GD - Interim position)			
10	Communications (GE or GF)			
11	Knowledge Management (GF)			
sub-total AFB staff		1,366,546	1,140,000	1,951,805
GEF staff cross-support (including benefits):				
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%			
sub-total GEF staff		148,961	109,280	154,850
Consultants & Others				
01	AFB Secretariat Support (Legal support etc.)	49,350	135,000	81,690
02	Design and Operation of dedicated Web sites	36,750	30,000	15,500
03	Communications Strategy	145,000	145,000	72,275
04	Environment and social safeguards & Gender	46,140	46,000	61,440
05	Accounting support	24,000	22,000	22,000
06	IT support	8,500	8,500	8,500
07	Knowledge Management/Result Based Management	68,000	68,000	126,400
08	Project review	-	-	86,790
sub-total Consultants		377,740	454,500	474,595
SUB-TOTAL PERSONNEL COMPONENT		1,893,247	1,703,780	2,581,250
TRAVEL COMPONENT				
01	AF Secretariat staff	230,000	230,000	220,000
02	Awareness Raising	60,000	60,000	62,000
03	Board - Non-Annexed eligible members	190,000	120,000	120,000
SUB-TOTAL TRAVEL COMPONENT		480,000	410,000	402,000
GENERAL OPERATIONS COMPONENT				
01	Office Space, Equipment and Supplies	155,500	155,500	163,000
02	Support to Chair (communications)	24,990	10,000	20,000
03	Publications and Outreach	123,500	123,500	192,000
04	Staff relocation	2,100	5,000	-
SUB-TOTAL GENERAL OPERATIONS COMPONENT		306,090	294,000	375,000
MEETINGS COMPONENT				
01	Logistics, interpretation, report writing etc.	252,000	200,000	169,800
02	Translation	105,000	85,000	85,000
03	AFB meeting room rentals	6,000		-
SUB-TOTAL MEETINGS COMPONENT		363,000	285,000	254,800
TOTAL ALL COMPONENTS		3,042,337	2,692,780	3,613,050

Accreditation

14. The budget request for the **accreditation services** for FY18 amounts to **US\$ 473,780**, which consists of consultancy fees of the Accreditation Panel experts (US\$ 303,780) and travel of the Panel members and staff (US\$ 127,000). The consultancy fees will cover 80 days of four Accreditation Panel experts. The travel cost is to cover the Panel members' participation in the Accreditation Panel meetings in Washington DC and experts' and staff's visits to applicant implementing entities.

15. The maintenance and deployment costs of the accreditation workflow has been reported as part of the cost for the design and operation of the website until FY17. Since the maintenance and deployment costs for the accreditation workflow have becoming major, it will be reported as a stand-alone budget item under the accreditation component from FY18. The budget request for the accreditation system for FY18 amounts to US\$ 43,000.

Table 3: Approved FY17 budget, FY17 estimate and proposed FY18 budget for the accreditation services

Accreditation				
All amounts in US\$				
		<u>Approved</u>	<u>Estimate</u>	
		<u>FY17</u>	<u>FY17</u>	
			<u>FY18</u>	
01	Accreditation Panel (fees & conting.)	300,000	300,000	303,780
02	Accreditation Panel/Staff (travel)	164,000	70,000	127,000
03	Accreditation System	-	-	43,000
TOTAL ACCREDITATION		464,000	370,000	473,780

Overall Evaluation of the Fund

16. Decision B.23/18,⁶ approved Phase II of the overall evaluation of the Fund (US\$ 400,000). Approximately one fourth of the second phase activities (US\$ 100,000) is expected to be expensed in FY17. The budget request for the overall evaluation for FY18 amounts to **US\$ 300,000** by carrying over the unspent budget from FY17 to FY18 for the continuation of Phase II. Phase II will continue assessing 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.14/5⁷ for the detailed programme.

⁶ <https://www.adaptation-fund.org/sites/default/files/Report%20of%20the%2023rd%20Board%20meeting.pdf>

⁷ https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.14.5%20Options%20for%20an%20Evaluation%20of%20the%20Fund.pdf

Table 4: Approved FY17 budget, FY17 estimate and proposed FY18 budget for the overall evaluation of the Fund

Overall Evaluation				
All amounts in US\$		Approved	Estimate	Proposed
		FY17	FY17	FY18
01	Overall evaluation	400,000	100,000	300,000
TOTAL OVERALL EVALUATION		400,000	100,000	300,000

Readiness Programme

10. The budget request for the Readiness Programme for FY18 amounts to **US\$ 604,585**. Similar to the main secretariat administrative budget, it consists of personnel, travel, general operations and meeting components. Small grants (Technical Assistance Grant, South-South Cooperation Grant and Project Formulation Assistance Grant) programmed 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 maintained in the secretariat account.

a) *Personnel component*

- i. Secretariat support: An amount of **US\$ 22,000** will cover temporary support for operation of the readiness programme, such as consultancy for studies and moderators of workshops.
- ii. Website: The proposed amount of **US\$ 15,000** is to cover the cost of the maintenance and possible deployment of the knowledge exchange platform Climate Finance Ready which were built and has been maintained since FY15.
- iii. Communications strategy (Knowledge Management): The amount of **US\$ 9,000** will cover communications and knowledge exchange activities particularly for the readiness programme.
- iv. Environmental and social safeguards and gender: The estimate of **US\$ 62,420** will cover the cost of an environment and social safeguard expert and a gender expert. In particular, the experts will support the secretariat as resource persons in the seminars and workshops planned under the readiness programme and could also provide their expertise in the identification and development of tools that will be included in the readiness support package that is part of the readiness support planned in FY18, particularly to enhance compliance with the Fund's environmental and social policy (ESP) and gender policy (GP).
- v. Accreditation: The seminars and workshops organized under the readiness programme require the support of the accreditation experts as resource persons. A dedicated budget of **US\$ 38,665** is requested to cover their fees and travel costs to participate in those events of the readiness programme.

The total request for the personnel component amounts to **US\$ 147,085**.

b) Travel component

In the travel component of the readiness programme, travel costs for the secretariat staff, meeting participants and Board members are allocated; **US\$ 107,000** for the secretariat staff and **US\$ 301,500** for meeting participants to cover their travels to the annual NIE workshop in one of the accredited NIE countries and other workshops planned in the readiness support package. **US\$ 3,000** is allocated in case participation of Board members in the regions is necessary. The total request for the travel component amounts to **US\$ 411,500**.

c) General operations component

The estimate for general operations is **US\$ 26,000**. This amount includes **US\$ 7,500** for office space, a series of office equipment rentals and fees for the readiness programme support. **US\$ 18,500** is for publications and outreach related to readiness programme including the video production focusing on the readiness activities.

d) Meetings

The estimate for the meetings component (logistics) is **US\$ 20,000**, which to cover local arrangements for the seminars and workshops of the readiness program.

Table 5: Approved FY17 budget, FY17 estimate and proposed FY18 budget of the readiness programme

All amounts in US\$		<u>Approved</u>	<u>Estimate</u>	<u>Proposed</u>
		<u>FY17</u>	<u>FY17</u>	<u>FY18</u>
PERSONNEL COMPONENT (Consultants & others)				
01	Secretariat Support	40,000	15,000	22,000
02	Web sites	15,000	15,000	15,000
03	Communications strategy (Knowledge exchange)	15,000	20,000	9,000
04	Environment and social safeguards & Gender	60,000	50,000	62,420
05	Accreditation	36,000	32,000	38,665
SUB-TOTAL PERSONNEL COMPONENT		166,000		147,085
TRAVEL COMPONENT				
01	AF Secretariat staff	82,000	90,000	107,000
02	Meeting participants	272,500	400,000	301,500
03	Board members	3,000	3,000	3,000
SUB-TOTAL TRAVEL COMPONENT		357,500	493,000	411,500
GENERAL OPERATIONS COMPONENT				
01	Office Space, Equipment and Supplies	7,000	7,000	7,500
02	Publications, Outreach	50,000	50,000	18,500
SUB-TOTAL GENERAL OPERATIONS COMPONENT		57,000	57,000	26,000
MEETINGS COMPONENT				
01	Logistics	36,000	36,000	20,000
SUB-TOTAL MEETINGS COMPONENT		36,000	36,000	20,000
TOTAL ALL COMPONENTS		616,500	586,000	604,585

SECTION III: ADAPTATION FUND – TRUSTEE ESTIMATED COSTS AND EXPENSES FOR FY18

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, 2017 to June 30, 2018.

ESTIMATED COSTS AND EXPENSES FROM JULY 1, 2017 TO JUNE 30, 2018

Table 6: FY17 approved and FY18 estimated costs and expenses (USD)

Trustee Services	FY17 Approved	FY17 Estimate	FY18 Proposed
Monetization	203,000	203,000	180,000
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	48,000
Legal Services	20,000	20,000	20,000
External Audit	50,000	46,066	-
TOTAL	669,000	660,066	588,000

13. The estimates in Table 6 reflect the Trustee's best estimate of the fees, costs and expenses for the fiscal year 2018, 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. As a cost-saving measure, the Adaptation Fund Board is also requested to approve an indefinite suspension of the preparation of annual externally audited financial statements, relying instead on the annual Single Audit of Trust Funds and financial reports on the status of the AF Trust Fund provided periodically by the World Bank as AF Trustee. The regular financial reports prepared by the AF Trustee will continue to contain information on monetization, donations, investment management, funds held in trust and available for commitment, etc. This information will also be available publicly through the World Bank's fiftrustee website.

15. 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 180,000)**: This cost comprises World Bank Treasury staff time and expenses, and exchange and settlement and other trading-related 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 7.

Table 7: Monetization Costs FY17 and FY18 (USD)

<u>Monetization - FY17 Approved</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Traders	153,000	15,000	168,000
Back Office	35,000	-	35,000
TOTAL	188,000	15,000	203,000
<u>Monetization - FY18 Estimate</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Traders	130,000	15,000	145,000
Back Office	35,000	-	35,000
TOTAL	165,000	15,000	180,000

¹ 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, governance issues that may impact the role of the trustee (e.g. linkages with the GCF, etc.); 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 8: Financial and Program Management Costs FY17 and FY18 (USD)

<u>Financial and Program Management - FY17</u>			
<u>Approved</u>			
	<u>Gross</u>		
	<u>Labour</u> ¹	<u>Travel</u>	<u>Total</u>
Senior Financial Officers	120,000	25,000	145,000
Finance Officers/Analysts	80,000	-	80,000
Staff Costs	200,000	25,000	225,000
<u>Financial and Program Management - FY18</u>			
<u>Estimate</u>			
	<u>Gross</u>		
	<u>Labour</u> ¹	<u>Travel</u>	<u>Total</u>
Senior Financial Officers	120,000	25,000	145,000
Finance Officers/Analysts	80,000	-	80,000
TOTAL	200,000	25,000	225,000

¹ 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 48,000):** 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. This amount has fallen by USD 8,000 from FY17 on the assumption that the preparation of externally audited financial statements will no longer be required. The Adaptation Fund will continue to be covered under the Single Audit in FY18.

Table 9: Accounting and Reporting Costs FY17 and FY18 (USD)

<u>Accounting and Reporting - FY17 Approved</u>				
		<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Accountants		56,000	-	56,000
	TOTAL	56,000	-	56,000
<u>Accounting and Reporting - FY18 Estimate</u>				
		<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Accountants		48,000	-	48,000
	TOTAL	48,000	-	48,000

¹ 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 10: Legal Service Costs FY17 and FY18 (USD)

<u>Legal Services - FY17 Approved</u>				
		<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Counsel		20,000	-	20,000
	TOTAL	20,000	-	20,000
<u>Legal Services - FY18 Estimate</u>				
		<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Counsel		20,000	-	20,000
	TOTAL	20,000	-	20,000

¹ Gross labour costs includes all related overhead amounts.

- f) **External audit (nil):** Prior to FY18, an annual budget of approximately USD 50,000 was required to cover the external auditor's costs associated with the

external audit of financial statements for the Adaptation Fund Trust Fund. From FY18, it is expected that the preparation of externally audited financial statements will not be required, and the Adaptation Fund Trust Fund will continue to be covered under the World Bank's Single Audit of Trust Funds, at no cost to the Adaptation Fund.