



ADAPTATION FUND

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Adaptation Fund Board
Ethics and Finance Committee
Twenty-first Meeting
Bonn, Germany, 10-11 October 2017

Agenda item 6 e)

**WORLD BANK GROUP WIDE
NON-SALARY STAFF COST RATE CHANGE**

Background

1. The Adaptation Fund Board Secretariat (the secretariat) hosted by the Global Environment Facility (GEF) is under administration by the World Bank Group (WBG), and its staff salaries and benefit payments are governed by WBG policies. The staff costs consist of a salary staff component and non-salary staff component. The non-salary staff component covers job expenses other than the salary, such as disability, pensions, healthcare and life insurances and relocation costs on appointment and termination. During recent years, the WBG has collected the non-salary staff component from each unit through a 50 per cent cost recovery rate on salaries of Washington-appointed staff, on top of those salaries.
2. A recent review of benefit cost trends performed by the World Bank (the Bank) Budget, Performance Review and Strategic Planning (BPS) Vice Presidency concluded that the actual cost of benefits for Washington-appointed staff has been around 70 per cent of salaries for several years and is expected to continue at that rate under current actuarial assumptions. The secretariat together with the GEF were informed only in April 2017 that the Bank would revise the rate used to calculate non-salary staff costs from 50 per cent to 70 per cent of Washington-appointed staff salaries regardless of funding source, effective 1 July 2017 (the beginning of fiscal year 2018 [FY18]).
3. At its twenty-ninth meeting in March 2017, having considered a recommendation by the Ethics and Finance Committee, the Adaptation Fund Board (the Board) approved the administrative budget for the Board and secretariat for FY18 contained in document AFB/EFC.20/8, with the total budget of US\$ 4,991,415 (decision B.29/37). The approved budget was formulated by the secretariat on an expected basis of 50 per cent cost recovery rate on the staff salaries, as it predated the Bank's announcement of the recovery rate change to 70 per cent. If the funds budgeted for staff salaries for FY18 are spent exactly as budgeted, the 70 per cent non-staff salary component rate will lead to a shortfall of approximately US\$ 300,000 at the end of FY18.
4. After being informed about the increase in the rate of the non-salary staff component, the secretariat coordinated closely with GEF in order to explore opportunities to amend the rate increase and to diminish its impact. However, it turned out not to be possible to waive or reduce this externally imposed cost increase. The GEF Council, at its meeting on 23-25 May 2017, approved the budget for the GEF Secretariat, the Scientific and Technical Advisory Panel, the Trustee and the GEF Independent Evaluation Office (GEF-IEO) for FY18. In the document presenting the budget for approval, the GEF Secretariat and the GEF-IEO stated that they did not have any realistic possibilities to absorb, without undermining operations, this externally-imposed cost increase, which in the case of the GEF Secretariat represented a cost impact of US\$ 1.920 million and in the case of the GEF-IEO a cost impact of US\$ 601,000 in FY18¹. However, the GEF Secretariat made a reference to efforts it had taken to partially offset the impact of the increased non-salary staff component rate, which led the proposed budget to be US\$ 35.485

¹ [Document GEF/C.52/06 "GEF Business Plan and Corporate Budget for FY18"](#)

million, instead of US\$ 35.157 million (a reduction of US\$ 328,000, or 0.92 per cent), and the Council acknowledged this effort.²

5. Like for its host organization, the GEF, the rate increase poses a serious budgetary challenge for the secretariat. However, the secretariat considers it possible to absorb the increased non-salary staff recovery rate either fully or partially, and therefore does not propose a budget increase at the present time. Instead, the secretariat will closely monitor expenditures of FY18 until the thirty-first meeting of the Adaptation Fund Board in March 2018 and consider potential areas for cost adjustments³. The secretariat will report back to the Board on this matter at the thirty-first meeting with a possible request of the additional budget approval.

6. From FY19 onwards, the secretariat will fully incorporate the 70 per cent non-salary staff cost recovery rate in the budget request.

² [Joint summary of the Chairs, 52nd GEF Council Meeting, May 23-25, 2017.](#)

³ For example, cost adjustments from vacant positions, annual staff salary assessment to be concluded in October 2017, large one-off projects such as the Fund's overall evaluation, the 10th anniversary events/publications as well as other activities/work plans to be materialized in later time.