



ADAPTATION FUND

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Ethics and Finance Committee
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Agenda item: 7 c)

ADMINISTRATIVE BUDGETS OF THE BOARD AND SECRETARIAT, AND TRUSTEE FOR FISCAL YEAR 2020

SECTION I: DOCUMENT STRUCTURE

Budget overview

1. This document presents administrative 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 2020 (FY20), i.e. 1 July 2019 to 30 June 2020. Table 1 below presents an overview of the budgets of the Board and secretariat, the newly established evaluation function, and of the trustee, for FY20, which are explained in detail in the next two sections of the document: Section II presents the Board and Secretariat budget, Section III the Evaluation Function budget, and Section IV the Trustee budget.

Table 1: Approved FY19 and proposed FY20 budget of the Board and Secretariat, the Evaluation Function, and the Trustee

All amounts in US\$	Approved FY19	Estimate FY19	Proposed FY20
BOARD AND SECRETARIAT			
1 Personnel	2,924,519	2,789,984	2,996,361
2 Travel	422,000	408,244	415,500
3 General operations	333,284	340,992	413,500
4 Meetings	250,800	240,000	229,362
Sub-total secretariat administrative services [a]	3,930,603	3,779,220	4,054,723
6 Accreditation [b]	546,040	493,501	537,900
7 Readiness Programme [c]	624,550	512,250	654,814
Total secretariat [a] + [b] + [c]	5,101,193	4,784,971	5,247,437
EVALUATION FUNCTION			
1 Personnel	301,272	80,000	376,843
2 Travel	76,000	35,000	81,000
3 General operations	-	7,500	31,000
4 Meetings	5,000	2,500	5,000
Sub-total evaluation function	382,272	125,000	493,843
5 Evaluation	-	-	300,000
Total evaluation function	382,272	125,000	793,843
TRUSTEE			
1 CER Monetization	180,000	180,000	180,000
2 Financial and Program Management	225,000	198,000	225,000
3 Investment Management	131,250	156,158	192,150
4 Accounting and Reporting	30,000	30,000	40,000
5 Legal Services	20,000	20,000	45,000
6 External Audit	-	-	-
Sub-total trustee	586,250	584,158	682,150
GRAND TOTAL ALL COMPONENTS	6,069,715	5,494,129	6,423,430

Recommendation

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

- a) The proposed budget of **US\$ 5,247,437** to cover the costs of the operations of the Board and secretariat over the period 1 July 2019 to 30 June 2020, comprising **US\$ 4,054,723** for the secretariat administrative services (the main secretariat budget), **US\$ 537,900** for the accreditation services and **US\$ 654,814** for the Readiness Programme.
- b) The proposed budget of **US\$ 793,843** to cover the costs of the operations of the evaluation function of the Adaptation Fund over the period 1 July 2019 to 30 June 2020, comprising **US\$ 493,843** for the general operations and **US\$ 300,000** for evaluations.
- c) The proposed budget of **US\$ 682,150** for the trustee services to be provided to the Adaptation Fund over the period 1 July 2019 to 30 June 2020.
- d) The Board is requested to authorize the trustee to transfer the amounts in para a) and b) to the secretariat, and the amount in para c) to the trustee.

SECTION II: BOARD AND SECRETARIAT PROPOSED BUDGET FOR THE PERIOD 1 JULY 2019 – 30 JUNE 2020

Background

3. The Board, at its thirty-first meeting in March 2018, approved the administrative budget of the Board and secretariat of **US\$ 5,101,193** (Decision B.31/29) for the period 1 July 2018 to 30 June 2019. The budget consists of **US\$ 3,930,603** for the secretariat administrative services (the main secretariat budget), **US\$ 546,040** for accreditation services and **US\$ 624,550** for the readiness programme.

4. In addition, the Board approved the budget of the start-up costs of the operations of the evaluation function of **US\$ 382,272** (Decision B.31/29) for the period 1 July 2018 to 30 June 2019.

5. The Board approved a budget of **US\$ 586,250** for the trustee services to be provided to the Adaptation Fund over the period 1 July 2018 to 30 June 2019 (Decision B.31/29).

6. Details of the budgets for FY19 can be found in Tables 2-5 which also include estimates of the actual expenses for FY19, and the proposed budgets for FY20 (1 July 2019 – 30 June 2020).

7. Funds for approved concrete adaptation projects and programme, project formulation grants as well as other small grants including the Technical Assistance Grant, South-South Cooperation Grant, Project Formulation Assistance Grant, Project Scale-up Grant, Learning Grant and Innovation Grant are not part of the administrative budget of the Board and secretariat. Those funds are maintained in the Adaptation Fund Trust Fund and transferred to implementing entities by the trustee directly upon the Board's approval.

FY19 current estimates vs. approved budget

8. As at 31 December 2018, the funds available for new funding decisions in the Adaptation Fund Trust Fund amounted to US\$ 273.49 million, as reflected in the Financial report prepared by the Trustee (AFB/EFC.24/6). This represented an increase from US\$ 216.98 million that had been available as at 31 December 2017.

9. Based on the actual expenditure as of 31 December 2018, the estimated FY19 expenditure for the main secretariat budget as of 30 June 2019 is US\$ 3,779,220 (96.1 per cent) of the approved FY19 budget (US\$ 3,930,603).

10. The estimated FY19 expenditure for the accreditation component as of 30 June 2019 is US\$ 493,501 (90.4 per cent) of the approved FY19 budget (US\$ 546,040).

11. The estimated FY19 expenditure for the readiness programme as of 30 June 2019 is US\$ 512,250 (82.0 per cent) of the approved FY19 budget (US\$ 624,550).

12. The estimated FY19 expenditure for the evaluation function as of 30 June 2019 is US\$ 125,000 (32.7 per cent) of the approved FY19 budget (US\$ 382,272)

13. The secretariat will continue the planned activities until the end of FY19. The final actual expenditure for FY19 will be reported in the reconciliation budget as of 30 June 2019.

Proposal of the main secretariat budget for FY20

14. In the FY20 budget, the secretariat proposes to upgrade the Operations Analyst (accreditation and gender) position to an Operations Officer, which requires an increase in the staff cost for the position. The Operations Analyst has supported the Fund's accreditation process and gender activities. She has also supported emerging issues including the reorganization of implementing entities during the project implementation, which has required legal analysis, as well as the development of Fund policy in multiple areas. She has also played an instrumental role in the Fund's representation and negotiations at the Climate Change Conferences and the Green Climate Fund Board meetings. In coming years, the need for such work is expected to increase. Due to the added mandate of the Fund to serve the Paris Agreement, the Board needs to undertake work on institutional review and development in coming years. The Operations Officer position is expected to provide extensive support in these areas and to engage with a wide range of stakeholders around the Paris Agreement at the key events and through routine operations. The Operations Officer position will continue supporting the accreditation process and gender activities and contribute to the Fund's emerging needs around the new climate change architecture and its positioning.

15. A Junior Professional Officer will join the secretariat in the latter half of FY19. The staff costs for the position will be generously funded by the government of Germany. However, the secretariat is required to cover other costs associated to the position, such as the office space and IT services from its administrative budget.

16. The budget request for the secretariat administrative services for FY20 amounts to **US\$ 4,054,723** and consists of the following components:

a) Personnel component.

The total request for the personnel component is **US\$ 2,996,361**.

- i. Full-time staff: The estimate of **US\$ 2,261,381** is to cover the staff costs (salary, benefits and staff training cost¹) of a Manager, two Senior Climate Change Specialists, an Operations Officer (accreditation), another Operations Officer (accreditation and gender – upgraded position from the Operations Analyst), a Program Officer (Readiness Programme), a Communications Officer, a Knowledge Management

¹ 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 the manager's approval.

- Officer, a Program Analyst (Project Review and Monitoring), a Financial Analyst and a Senior Program Assistant.
- ii. GEF Secretariat staff cross-support: The estimate of **US\$ 160,000** is to cover the part of the staff costs (salary and benefits) of the Global Environment Facility (GEF) staff outside of the Adaptation Fund Board Secretariat dedicated team, that provides cross-support to the operations of the secretariat. The budget consists of a 10% fixed staff cost of the Chief Executive Officer (CEO; the Head of the Adaptation Fund Board Secretariat) and other GEF staff members including Advisor, Program Analyst (HR), Resource Management Officer and project co-reviewers. The costs for the GEF cross-support follow, apart from the percentage-based cost of the Head of the Secretariat, actual cross-support hours of the respective persons. The downward budget difference from FY19 is attributed to a change in the accounting estimate from an earlier fixed-percentage based method to one based on the actuals of FY18 and FY19 mid-year.
- iii. Consultants and others: The total request for the consultants and others is **US\$ 574,980**. The secretariat support (US\$ 27,300) covers legal advising support from the World Bank and costs for staff retreat. The design and operations of dedicated websites (US\$ 90,000) covers the hosting and maintenance of the Fund's external website and the enhancement and maintenance of the FIF collaboration platform. The communications strategy (US\$ 49,000) covers consultancy fees of short-term consultants who will support communications activities including events, publications, social media and website contents on a part-time basis. The environmental and social safeguards and gender (US\$ 70,440) covers consultancy fees of an environmental and social safeguards experts for project/programme review, consultancy fees of gender experts and costs to organize gender training for the Board members. The knowledge management and results-based management (KM/RBM) (US\$ 213,660) covers the portfolio monitoring missions to two concrete adaptation projects under implementation, production of knowledge publications and the support for learning events and the community of practice. The project review (US\$ 124,580) covers consultancy fees of short-term consultants who support the review of concrete project proposals, concepts and pre-concepts as well as innovation grants applications.

b) Travel component

The total request for the travel component is **US\$ 415,500**. The secretariat staff travel (US\$ 237,000) covers the participation of selected secretariat staff members² in two Board meetings, the Bonn Climate Change Conference, the Pre-COP in Costa Rica and the COP 25 in Chile. The awareness raising staff travel (US\$ 58,500) covers the participation in meetings of the Standing Committee on Finance, the Green Climate Fund Board, the Adaptation Committee, and other ad-hoc meetings. The travels for non-Annex I eligible Board members (US\$ 120,000) covers the travel costs of the eligible Board members to

² From FY18, the secretariat rotates its staff members who attend the Board meetings based on agenda items. Out of 11 staff members and the incoming Junior Professional Officer, the travel budget for 8 staff members is allocated per the Board meeting.

participate in two Board meetings. *Per diem* allowances for the non-Annex I eligible Board members and alternates for the participation in the Board meetings³ are provided according to the UN rules with the support of the UNCCD Secretariat in Bonn and the bulk amount is transferred from the Adaptation Fund Trust Fund to the UNCCD Secretariat directly. Therefore, the *per diem* allowances for the eligible Board members and alternates are not included in the administrative budget of the Board and secretariat.

c) *General operations component*

The total request for the general operations component is **US\$ 413,500**. The office space, equipment and supplies (US\$ 200,000) covers the office rental spaces, PC and telephone leases, remote access systems and audio-conference systems for 12 full time staff members and in-office consultants of the secretariat. The support to the Chair (US\$ 20,000) covers her representing travels and communications activities for the Fund. The publications and outreach (US\$ 103,500) covers costs for the production of the Fund's promotional goods, videos, podcasts, project stories, flyers and briefing notes including graphic design. It also covers the sponsoring costs for the biennial "Adaptation Futures" conference held in 2020 and the pilot promotional activity in collaboration with the Climate Home News. The IT services from the World Bank (US\$ 90,000) covers costs for email, internet, intranet, standard set of applications, file, storage, back up, and IT security.

d) *Meetings component*

The total request for the meetings component is **US\$ 229,362**. The logistics, interpretation, report writing etc. (US\$ 159,362) covers the organizational costs of two Board meetings, three accreditation panel meetings and a staff retreat. The translation costs (US\$ 70,000) will cover the translation of two Board meeting reports into five UN languages.

³ This is included in the cash transfer amounts reported by the Trustee and US\$ 36,725.66 for AFB31 and US\$ 35,000 for AFB32.

Table 2: Approved FY19 budget, FY19 estimate and proposed FY20 budget of the Board and the secretariat

All amounts in US\$		FY19	FY19	FY20
		Approved	Estimate	Proposed
PERSONNEL COMPONENT				
Full-time staff (including benefits):				
01	Manager			
02	Senior Climate Change Specialist			
03	Senior Climate Change Specialist			
04	Operations Officer (Accreditation)			
05	Operations Officer (Accreditation and gender)			
06	Program Officer (Readiness)			
07	Communications Officer			
08	Knowledge Management Officer			
09	Program Analyst (Project Review/Monitoring)			
10	Financial Analyst			
11	Senior Programme Assistant			
12	Junior Professional Officer (funded by Germany)			
sub-total AFB staff		2,141,905	2,091,905	2,261,381
GEF staff cross-support (including benefits):				
01	Head of the AFB Secretariat (10% fixed)			
02	Advisor			
03	Project co-reviewers (multiple staff)			
04	Program Analyst (HR)			
05	Resource Management Officer (Accounting)			
sub-total GEF staff		192,339	151,115	160,000
Consultants & Others				
01	AFB Secretariat Support (Legal support etc.)	37,300	37,300	27,300
02	Design and Operation of dedicated websites	76,000	89,664	90,000
03	Communications Strategy	61,800	50,000	49,000
04	Environment and social safeguards & Gender	74,440	70,000	70,440
05	Knowledge Management/Result Based Management	251,400	200,000	213,660
06	Project review	89,335	100,000	124,580
sub-total Consultants		590,275	546,964	574,980
SUB-TOTAL PERSONNEL COMPONENT		2,924,519	2,789,984	2,996,361
TRAVEL COMPONENT				
01	AF Secretariat staff	220,000	245,650	237,000
02	Awareness Raising	62,000	62,594	58,500
03	Board - Non-Annexed eligible members	140,000	100,000	120,000
SUB-TOTAL TRAVEL COMPONENT		422,000	408,244	415,500
GENERAL OPERATIONS COMPONENT				
01	Office Space, Equipment and Supplies	179,534	199,644	200,000
02	Support to Chair (communications)	20,000	6,000	20,000
03	Publications and Outreach	73,750	60,000	103,500
04	IT services from the World Bank	60,000	75,348	90,000
SUB-TOTAL GENERAL OPERATIONS COMPONENT		333,284	340,992	413,500
MEETINGS COMPONENT				
01	Logistics, interpretation, report writing etc.	175,800	150,000	159,362
02	Translation	75,000	90,000	70,000
SUB-TOTAL MEETINGS COMPONENT		250,800	240,000	229,362
TOTAL ALL COMPONENTS		3,930,603	3,779,220	4,054,723

Accreditation Programme

17. The budget request for the accreditation services for FY20 amounts to **US\$ 537,900**.

18. The Accreditation Panel (fees) (US\$ 362,800) covers 80-day fees of four Accreditation Panel experts and a consultant fee for the study on lessons learned from the accreditation process.

19. The Accreditation Panel/staff travel (US\$ 153,100) covers travel costs of the Panel members' participation (including one non-Annex I Board member) in three Accreditation Panel meetings in Washington, DC, and experts' and staff's visits to applicant entities when necessity arises. The consultancy fees and travel costs for the Accreditation Panel experts vary every year depending on their rates and residing cities of the experts composing the Accreditation Panel.

20. The Accreditation system (US\$ 22,000) covers the hosting and maintenance costs of the online accreditation workflow system through which accreditation applications are submitted and reviewed.

Table 3: Approved FY19 budget, FY19 estimate and proposed FY20 budget for the accreditation services

ACCREDITATION				
All amounts in US\$				
		FY19	FY19	
		Approved	Estimate	
			FY20	
			Proposed	
01	Accreditation Panel (fees)	366,640	333,092	362,800
02	Accreditation Panel/Staff (travel)	122,900	120,949	153,100
03	Accreditation System	56,500	39,460	22,000
	TOTAL ACCREDITATION	546,040	493,501	537,900

Readiness Programme

21. The budget request for the Readiness Programme for FY20 amounts to **US\$ 655,814** and consists of the following components:

a) *Personnel component (Consultants & Others)*

The total request for the personnel component is **US\$ 171,614**.

- i. Secretariat support: The estimate of **US\$ 83,400** is to cover fees and travels of temporary supports for general operations of the readiness programme, review of readiness grants applications and readiness event facilitators.

- ii. Website: The estimate of **US\$ 7,500** is to cover the costs of hosting and maintenance of the knowledge exchange platform “Climate Finance Ready” which were built and has been maintained since FY15.
- iii. Communications strategy (Knowledge exchange): The estimate of **US\$ 19,750** is to cover communications and knowledge exchange activities particularly for the readiness seminars and workshops.
- iv. Environmental and social safeguards and gender: The estimate of **US\$ 24,640** is to cover fees and travels of environment and social safeguard experts and gender experts to participate in readiness seminars and workshops as resource persons.
- v. Accreditation: Similar to the environmental and social safeguards and gender, the estimate of **US\$ 36,324** covers fees and travels of accreditation experts to participate in readiness seminars and workshops as resource persons.

b) Travel component

The total request for the travel component is **US\$ 419,000**. The AF secretariat staff (US\$ 120,000), the meeting participants (US\$ 297,000) and the Board members (US\$ 2,000) cover the respective travel costs for the participation in a series of readiness events including the sixth NIE seminar, a joint workshop, an accreditation training workshop, a country exchange and community of practice events. The Board members’ travel is allocated in case it is necessary for Board members in the region of the readiness event to participate.

c) General operations component

The total request for the general operations is **US\$ 21,200**, which covers publications and outreach related to readiness programme including a production of short videos focusing on the readiness activities and direct access related publications.

d) Meetings component

The total request for the meetings component (logistics) is **US\$ 43,000**, which covers local arrangements such as venues, interpretation services, equipment, catering and local transportation, for the readiness events mentioned in section b) above.

Table 4: Approved FY19 budget, FY19 estimate and proposed FY20 budget of the readiness programme

READINESS PROGRAM				
All amounts in US\$		FY19	FY19	FY20
		Approved	Estimate	Proposed
PERSONNEL COMPONENT (Consultants & others)				
01	Secretariat Support	25,800	50,000	83,400
02	Web sites	16,000	7,500	7,500
03	Communications strategy (Knowledge exchange)	9,000	3,500	19,750
04	Environment and social safeguards & Gender	31,830	22,000	24,640
05	Accreditation	35,920	22,000	36,324
SUB-TOTAL PERSONNEL COMPONENT		118,550	105,000	171,614
TRAVEL COMPONENT				
01	AF Secretariat staff	60,000	60,000	120,000
02	Meeting participants	363,500	260,000	297,000
03	Board members	3,000	-	2,000
SUB-TOTAL TRAVEL COMPONENT		426,500	320,000	419,000
GENERAL OPERATIONS COMPONENT				
01	Publications, Outreach	28,500	27,250	21,200
SUB-TOTAL GENERAL OPERATIONS COMPONENT		28,500	27,250	21,200
MEETINGS COMPONENT				
01	Logistics	51,000	60,000	43,000
SUB-TOTAL MEETINGS COMPONENT		51,000	60,000	43,000
TOTAL ALL COMPONENTS		624,550	512,250	654,814

SECTION III: EVALUATION FUNCTION

22. The total request for the evaluation function amounts to **US\$ 793,843**. The administrative budget of the evaluation function will be presented by the general operations part and evaluation part separately. The request, particularly as it pertains to planned evaluation-related work, has been prepared in close consultation with the Chair of the Technical Evaluation Reference Group (TERG).

General Operations

23. The total request for the general operations budget amounts to **US\$ 493,843**.

a) Personnel component

The total request for the personnel component is **US\$ 376,843**. The costs include staff costs (salary and benefits) of an Evaluation Officer, fees of the Chair and four other members of the TERG (short-term consultants) and the temporary office support (short-term temporary or consultant).

b) Travel component

The total request for the travel component is **US\$ 81,000**. The costs include the staff members (Evaluation Officer) (US\$ 13,000) to participate in two Board meetings; and the TERG members (US\$ 68,000) to participate in two Board meetings (the Chair only), two TERG meetings and other Adaptation Fund events for advisory or familiarization purposes such as the annual NIE seminar and project monitoring missions that the secretariat organizes.

c) General operations component

The total request for the general operations is **US\$ 31,100**, which covers the office space, equipment and supplies (US\$ 30,000) for the Evaluation Officer and temporary office supports and potential publications and outreach activities (US\$ 1,000) including a potential creation of web pages for the Fund's evaluation function.

d) Meetings

The estimate for the meetings component (logistics) is **US\$ 5,000**, which covers organizational costs such as venues, equipment and catering for the TERG meetings.

Evaluation

24. The total request for the evaluation budget amounts to **US\$ 300,000**. One medium-scale and three small-scale evaluations are provisionally planned in FY20. FY20 will still be an operational start-up year for the evaluation function and there is certain amount of uncertainty in scopes and specifics of the evaluations. These will be discussed when all

the TERG members and the Evaluation Officer are on board and presented to the Board intersessionally. Depending on the discussions, the plans of evaluation may be changed but will be managed within the requested amount of US\$ 300,000.

Table 5: Approved FY19 budget, FY19 estimate and proposed FY20 budget of the evaluation function

All amounts in US\$		<u>FY19</u>	<u>FY19</u>	<u>FY20</u>
		<u>Approved</u>	<u>Estimate</u>	<u>Proposed</u>
PERSONNEL COMPONENT				
01	Personnel - Staff (Evaluation Officer)			
02	Personnel - Office support (short term consultant/temporary)			
03	Personnel - Consultant (TERG members)			
SUB-TOTAL PERSONNEL COMPONENT		301,272	80,000	376,843
TRAVEL COMPONENT				
01	Staff members	13,000	5,000	13,000
02	TERG members	63,000	30,000	68,000
SUB-TOTAL TRAVEL COMPONENT		76,000	35,000	81,000
GENERAL OPERATIONS COMPONENT				
01	Office Space, Equipment and Supplies	-	7,500	30,000
02	Publications, Outreach	-	-	1,000
SUB-TOTAL GENERAL OPERATIONS COMPONENT		-	7,500	31,000
MEETINGS COMPONENT				
01	Logistics	5,000	2,500	5,000
SUB-TOTAL MEETINGS COMPONENT		5,000	2,500	5,000
TOTAL ALL COMPONENTS		382,272	125,000	493,843
 				
All amounts in US\$		<u>FY19</u>	<u>FY19</u>	<u>FY20</u>
		<u>Approved</u>	<u>Estimate</u>	<u>Proposed</u>
EVALUATION COMPONENT				
01	Evaluation (provisionally 1 medium and 3 small scale)	-	-	300,000
SUB-TOTAL EVALUATION COMPONENT		-	-	300,000
TOTAL ALL COMPONENTS		382,272	125,000	793,843

SECTION IV: ADAPTATION FUND – TRUSTEE ESTIMATED COSTS AND EXPENSES FOR FY20**BACKGROUND**

25. The following sections present the trustee’s estimate of costs and expenses for trustee services to be provided during the period 1 July 2019 to 30 June 2020.

ESTIMATED COSTS AND EXPENSES FROM 1 JULY 2019 TO 30 JUNE 2020**Table 6: FY19 approved and FY20 estimated costs and expenses (USD)**

Trustee Services	FY19 Approved	FY19 Estimate	FY20 Proposed
Monetization	180,000	180,000	180,000
Financial and Program Management	225,000	198,000	225,000
Investment Management	131,250	156,158	192,150
Accounting and Reporting	30,000	30,000	40,000
Legal Services	20,000	20,000	45,000
External Audit	-	-	-
TOTAL	586,250	584,158	682,150

26. As part of the World Bank’s Trust Fund Reform initiative, a revised methodology will be used to calculate trustee costs and expenses for *financial and program management*, *accounting/reporting* and *legal services* from FY20. This revised methodology establishes a flat fee for each of these categories based on the size of the trust fund, as determined by the sum of the previous fiscal year’s total paid-in contributions, cash transfers, and average fund balance⁴. The fee for *investment management* will also be increased as part of this initiative, as further described below, and will be adjusted at the end of the period, based upon the actual average annual fund balance over the period.

27. **The Adaptation Fund Board is hereby requested to approve an estimated budget of USD 682,150 for the period 1 July 2019 to 30 June 2020** to cover estimated costs and expenses for monetization services, financial and program management, investment management, accounting and reporting, and legal services. Details for each of the service components are presented below.

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

⁴ Actuals will be used as of the date the budget is prepared and estimates for the remainder of the fiscal year.

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 overall costs of monetization activities are detailed in Table 7. As reference, the total revenue generated from CER monetization activities during 2018 amounted to USD 0.99 million.

Table 7: Monetization Costs FY19 and FY20 (USD)

<u>Monetization - FY19 Approved</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
<u>Monetization - FY20 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):** This fee covers staff time required for the management of financial transactions, including processing of receipts of CER and other sales proceeds, donations, and other cash proceeds 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; maintenance of systems for reporting and transactional processes and procedures for the Trust Fund; and travel costs for one trustee representative to attend regular AF Board meetings. This fee is based upon the anticipated volume of transactions as measured by the total paid-in contributions, disbursements and average fund balance of the previous fiscal year.
- c) **Investment management (USD 192,150):** From FY20, investment management fees are calculated as a flat fee of 4.5 basis points (i.e. 0.045%) 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 427 million, reflecting increased balances compared to FY19, due to inflows of donations exceeding the

pace of cash transfers. This fee has been increased across all World Bank trust funds (from 3.5 basis points to 4.5 basis points) effective from FY20, reflecting general increased costs for Treasury services since the fee was last reviewed in 2003. In keeping with the pace of evolving industry trends and to continue delivering first class asset management service for trust funds, additional resources are needed by World Bank Treasury for adding more complex investment options, process implications of regulatory requirements imposed on counterparties and markets and increased cost of compliance and systems. Finally, fees charged by the World Bank for asset management services are lower than averages charged by other providers in the fixed income market.

- d) **Accounting and reporting (USD 40,000):** 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; and to maintain appropriate records, accounts and systems to support modified cash basis financial reporting. This fee is based upon the anticipated volume of transactions as measured by the total paid-in contributions, disbursements and average fund balance of the previous fiscal year.

- e) **Legal services (USD 45,000):** 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; and to provide policy advice and amend existing legal documents as required (e.g. amendments to the Terms and Conditions that may be required due to decisions under UNFCCC processes). The FY20 amount is the fee charged to perform these services based upon the anticipated volume of transactions as measured by the total paid-in contributions, disbursements and average fund balance of the previous fiscal year.