



ADAPTATION FUND

AFB/EFC.26.a-26.b/1
4 May 2020

Ethics and Finance Committee

**ADMINISTRATIVE BUDGETS OF THE BOARD AND
SECRETARIAT, AND TRUSTEE FOR FISCAL YEAR 2021 AND
THE AF-TERG AND ITS SECRETARIAT FOR FISCAL YEARS
2021-2022**

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 the interim trustee (the Trustee), for fiscal year 2021 (FY21), i.e. 1 July 2020 to 30 June 2021 as well as the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and its secretariat for fiscal years 2021 and 2022 (FY21 and 22), i.e. 1 July 2020 to 30 June 2022. Table 1 below presents an overview of the budgets of the Board and secretariat, and the Trustee, for FY21 and the AF-TERG and its secretariat for FY21 and 22, which are explained in detail in the next two sections of the document: Section II presents the Board and secretariat budget, Section III the AF-TERG and its secretariat budget, and Section IV the Trustee budget.

Table 1: Approved FY20 and proposed FY21 budget of the Board and secretariat, and the Trustee and FY21 and 22 budgets of the AF-TERG and its secretariat

| | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| All amounts in US\$ | FY20 | FY20 | FY21 | | |
| | Approved | Estimate | Proposed | | |
| BOARD AND SECRETARIAT | | | | | |
| 1 Personnel | 2,996,361 | 2,843,000 | 3,247,224 | | |
| 2 Travel | 415,500 | 446,000 | 492,000 | | |
| 3 General operations | 413,500 | 375,000 | 479,700 | | |
| 4 Meetings | 229,362 | 235,000 | 247,362 | | |
| Sub-total secretariat administrative services [a] | 4,054,723 | 3,899,000 | 4,466,286 | | |
| 5 Accreditation [b] | 537,900 | 330,000 | 548,250 | | |
| 6 Readiness Programme [c] | 654,814 | 374,000 | 652,960 | | |
| Total secretariat [a] + [b] + [c] | 5,247,437 | 4,603,000 | 5,667,496 | | |
| | | | | | |
| All amounts in US\$ | FY20 | FY20 | FY21 | FY22 | FY21-22 |
| | Approved | Estimate | Proposed | Proposed | Proposed |
| AF-TERG AND ITS SECRETARIAT | | | | | |
| 1 Personnel | 376,843 | 350,685 | 350,929 | 358,772 | 709,701 |
| 2 Travel | 81,000 | 49,725 | 130,779 | 134,702 | 265,481 |
| 3 General operations | 31,000 | 48,840 | 113,320 | 122,080 | 235,400 |
| 4 Meetings | 5,000 | 10,500 | 10,000 | 10,000 | 20,000 |
| Sub-total evaluation function | 493,843 | 459,750 | 605,028 | 625,554 | 1,230,582 |
| 5 Evaluation | 300,000 | 225,649 | 458,191 | 561,517 | 1,019,708 |
| Total evaluation function | 793,843 | 685,399 | 1,063,219 | 1,187,071 | 2,250,290 |
| | | | | | |
| All amounts in US\$ | FY20 | FY20 | FY21 | | |
| | Approved | Estimate | Proposed | | |
| TRUSTEE | | | | | |
| 1 CER Monetization | 180,000 | 180,000 | 180,000 | | |
| 2 Financial and Program Management | 225,000 | 229,000 | 227,000 | | |
| 3 Investment Management | 192,150 | 226,000 | 216,000 | | |
| 4 Accounting and Reporting | 40,000 | 40,000 | 40,000 | | |
| 5 Legal Services | 45,000 | 42,000 | 45,000 | | |
| Sub-total trustee | 682,150 | 717,000 | 708,000 | | |
| | | | | | |
| GRAND TOTAL ALL COMPONENTS | 6,423,430 | 5,779,750 | 6,980,524 | | |

Recommendation

2. The Ethics and Finance Committee (EFC) is requested to recommend the Board to approve, from the resources available in the Adaptation Fund Trust Fund:

- a) The proposed budget of **US\$ 5,667,496** to cover the costs of the operations of the Board and secretariat over the period 1 July 2020 to 30 June 2021, comprising **US\$ 4,466,286** for the secretariat administrative services (the main secretariat budget), **US\$ 548,250** for the accreditation services and **US\$ 652,960** for the Readiness Programme.
- b) The proposed two-year budget to cover the costs of the operations of the AF-TERG and its secretariat for fiscal years 2021 (FY21) and 2022 (FY22); **US\$ 1,063,219** for FY21, from 1 July 2020 to 30 June 2021, comprising **US\$ 605,028** for the general operations and **US\$ 458,191** for evaluations, and **US\$ 1,187,071** for FY22 from 1 July 2021 to 30 June 2022, comprising **US\$ 625,554** for the general operations and **US\$ 561,517** for evaluations.
- c) The proposed increase of **US\$ 34,850** in the Trustee budget for FY20.
- d) The proposed budget of **US\$ 708,000** for the Trustee services to be provided to the Adaptation Fund during FY21.
- e) The Board is requested to authorise the Trustee to transfer the amounts in para a) and b) to the respective secretariats, and the amount in para c) and d) to the Trustee.

SECTION II: BOARD AND SECRETARIAT PROPOSED BUDGET FOR THE PERIOD 1 JULY 2020 – 30 JUNE 2021 (FY21)

Background

3. The Board, at its thirty-third meeting in March 2019, approved:
 - (i) 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;
 - (ii) The proposed budget of US\$ 793,843 to cover the costs of the operations of the AF-TERG and its secretariat over the period 1 July 2019 to 30 June 2020, comprising US\$ 493,843 for the general operations and US\$ 300,000 for evaluations; and
 - (iii) 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

(Decision B.33/50)

4. Details of the budgets for FY20 can be found in Tables 2-5 which also include estimates of the actual expenses for FY20 and the proposed budgets for FY21 (1 July 2020 – 30 June 2021).

5. Funds for approved concrete adaptation projects and programme, project formulation grants as well as other small grants including the technical assistance grants, south-south cooperation grants, project formulation assistance grants, project scale-up grants, learning grants and innovation grants are not part of the administrative budget of the Board and secretariat. Those funds are held in the Adaptation Fund Trust Fund and directly transferred to implementing entities by the Trustee upon the Board's approval.

FY20 current estimates vs. approved budget

6. As at 31 December 2019, the funds available for new funding decisions in the Adaptation Fund Trust Fund amounted to US\$ 191.73 million, as reflected in the Financial report prepared by the Trustee. This represents a decrease from US\$ 81.76 million that had been available as at 31 December 2018.

7. The pandemic of COVID-19 has largely affected activities and events which were scheduled from March to June 2020, particularly those which take a form of physical meetings and travels. The FY20 current estimates are made with those activities and events which still have a possibility to be implemented by the end of FY20, including the physical Board meeting scheduled in late June. Those which have been completely cancelled or postponed to the

following fiscal year (FY21) are not included in the estimates. In the fluid situation, the secretariat has identified opportunities for virtually implementable alternative activities to re-programme resources towards the end of FY20, to make a good use of available resources approved in FY20 and to avoid redundancy. Those activities include the translations of the e-Learning modules on the Fund's processes, production of the Fund promotional videos using already available footage shot in the past events and project monitoring missions instead of new footage planned to be taken from the future readiness events; issuance of an additional news article through the Climate Home News, translation of the Fund's guidance and instruction documents for National Implementing Entities (NIEs) into French and Spanish, development of training materials and supporting resources on the innovation grants, development of the Fund's operational manual, and participation in key meetings through a virtual format.

8. Based on the actual expenditure as of 16 April 2020, the estimated FY20 expenditure for the main secretariat budget as of 30 June 2020 is US\$ 3,899,000 (96.2 per cent) of the approved FY20 budget (US\$ 4,054,723).

9. The estimated FY20 expenditure for the accreditation component as of 30 June 2020 is US\$ 330,000 (61.3 per cent) of the approved FY20 budget (US\$ 537,900).

10. The estimated FY20 expenditure for the readiness programme as of 30 June 2020 is US\$ 374,000 (57.1 per cent) of the approved FY20 budget (US\$ 654,814).

11. The estimated FY20 expenditure for the AF-TERG and its secretariat as of 30 June 2020 is US\$ 685,399 (86.3 per cent) of the approved FY20 budget (US\$ 793,843).

12. The secretariat will continue implementing the planned or virtual implementable alternative activities until the end of FY20. The final actual expenditure for FY20 will be reported in the reconciliation budget as of 30 June 2020.

Implications of the Novel Coronavirus (COVID-19) pandemic to the administrative budgets for FY21

13. The Novel Coronavirus (COVID-19) pandemic has caused unanticipated and large-scale negative impacts on lives and economies globally. The operation of the Adaptation Fund is not an exception. There are currently no reliable predictions on when the situation may improve, to what extent and in which regions globally. Given this, the secretariat believes that the administrative budgets for FY21 should be formulated normally, and the Fund should aim to implement its mandate and operations at the maximum extent, expecting that the global public health situation will allow the Fund to do so. In contrast to this "optimistic" approach, a more pessimistic approach would be to actively scale down the Fund's operations and set a lower goal for the overall Fund's achievement for the year. Such an approach in the administrative budget is not recommended, as it would mainly reduce variable costs (for activities) rather than the fixed costs such as dedicated staff costs and office spaces. If the budget is prepared according to the pessimistic scenario, and the actual situation should end up being better, the Fund would be

prevented from fully using available human resources (e.g. the fixed staff costs would incur but there would be no funds for them to scale-up implementation of activities). Further, in the current very unpredictable situation, it would be extremely difficult for the Fund to anticipate various scenarios and to assess their impact on the Fund. In the longer term, the scaled-down administrative budgets might also erode confidence in the Fund's ability to deliver on its mandate.

14. The secretariat will closely monitor the developments around the COVID-19 pandemic and make every effort to implement the budgeted activities as fully as possible. If the situation does not allow doing so, the secretariat will come up with alternative activities to re-programme on an ad-hoc basis, such as ones that are virtually implementable, which could be carried out within the approved budget and that would align with the objectives set for the original activities. In accordance with the rules of the trust fund management, all unspent administrative budget for the Board and secretariat will return to the Adaptation Fund Trust Fund after the end of fiscal year. Therefore, the secretariat has no incentive for the unspent portion of the budget as it can neither create a saving nor carry over to the next fiscal year.

Proposal of the main secretariat budget for FY21

15. In FY21, the secretariat will maintain its existing composition with 11 staff positions and the externally funded Junior Professional Officer's position. The operations of the secretariat will be supplemented by short-term and extended-term consultants as well as the cross-support from the Global Environment Facility (GEF) and the World Bank Group.

16. In the FY21 budget, the secretariat proposes a few changes in the composition of the itemised budget categories, the re-categorisation of some activities and the integration of a few readiness budget allocations to the main secretariat budget. Detailed explanations can be found in the respective sections of this document.

17. The budget request for the secretariat administrative services for FY21 amounts to **US\$ 4,466,286** and consists of the following components:

a) Personnel component.

The total request for the personnel component is **US\$ 3,247,224**.

- i. Full-time staff: The estimate of **US\$ 2,277,716** is to cover staff costs (salary, benefits and staff training cost¹) of a Manager, two Senior Climate Change Specialists, an Operations Officer (accreditation), a Governance Specialist (accreditation, legal and gender), a Program Officer (Readiness Programme), a Communications Officer, a Knowledge Management Officer, a Program Analyst (Project Review and Monitoring), a Financial Analyst and a Senior Program Assistant.

¹ The World Bank promotes continued training and learning of staff members. Within the 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.

- 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 GEF Secretariat staff outside of the Adaptation Fund Board (AFB) 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 AFB secretariat) and actual costs of other GEF staff members including Advisor to the CEO, Program Analyst (HR), Resource Management Officer and project co-reviewers. Except the percentage-based cost of the Head of the secretariat, staff costs of the GEF cross-support are calculated by estimate support hours of the respective persons. Similar to FY20, a proposed budget for FY21 includes some contingent amounts which may be required when the number of submitted proposals increased so as to the volume of the project review.
- iii. Consultants and others:

The total request for the consultants and others is **US\$ 809,508**. In FY21, the shared budget line item by the knowledge management (KM) and result-based management (RBM) will be divided and a discrete budget line item will be created for each thematic area, following the enhancement of the RBM workplan.

- The secretariat support (US\$ 47,300) covers legal advising support from the World Bank, staff retreat facilitators and management advisory services.
- The design and operations of dedicated websites (US\$ 33,000) covers the hosting and maintenance of the Fund's public website. The budget for the enhancement and maintenance of the Financial Intermediary Fund (FIF) collaboration platform, which has been allocated to this line item until FY20 will be moved to a new line item called "Result based management" from FY21. The reduction of the budget in this item from FY20 to FY21 is attributed by that.
- The communications strategy (US\$ 58,750) covers costs of short-term consultants who will support communications activities including events, publications, social media and website contents on a part-time basis. The budget for communications strategy allocated in the readiness programme until FY20 will be integrated to this line item in the main administrative budget from FY21.
- The environmental and social safeguards (E&S safeguards) and gender (US\$ 96,520) cover consultancy costs of E&S safeguards experts for non-project/programme review services, consultancy costs of gender experts and costs for gender training for the Board members, the secretariat staff and the National Implementing Entities (NIEs). In the FY21 proposal, the budget for the gender component is increased based on the enhanced gender workplan while the one for E&S safeguards is decreased due to the factor explained in the section of the project review below.
- The knowledge management (KM) (US\$ 204,460) covers costs of short-term and extended-term consultants who will support the production of knowledge publications, learning events and the community of practice.

- The result-based management (RBM) (US\$175,000) covers costs of portfolio monitoring missions to two countries, ad-hoc monitoring missions upon needs, cost of short-term consultants who engage in review of the project performance reports (PPRs), the production of the annual performance report (APR) and the maintenance and enhancement of the FIFs collaboration platform. The RBM and KM budgets have been bundled in the same line item until FY20, and the monitoring missions have been only an activity which was categorised as the RBM component. As the project portfolio of the Fund grows, a bigger budget allocation to the RBM is deemed necessary to provide the quality and timely services to the post-approval project operations in the secretariat. The maintenance and enhancement of the FIFs collaboration platform will be included in this line item from FY21 instead of the design and operations of dedicated websites due to its operational nature. Altogether, the secretariat will create a new budget line item dedicated to the RBM operations for better monitoring and reporting.
- The project review (US\$ 194,478) covers costs of short-term and extended-term consultants who support the review of concrete project proposals, concepts and pre-concepts as well as innovation grants applications. From FY21, this line item will also cover costs of a short-term consultant whose focus of the project review was E&S safeguards. The secretariat provided a training on E&S safeguards to project reviewers lately and is in the process of enhancing the capacity of the project reviewers in the area of E&S safeguards. In this direction, the review of E&S safeguards components in project proposals will be performed by all project reviewers respectively. The role of the E&S safeguards expert will be more supplemental and, as a result, his role will not be very different from other project reviewers. Given this reason, it is deemed more appropriate to allocate the costs of the E&S safeguards expert in this line item for his service in project/programme review. The increase from FY20 to FY21 in the project review budget is attributed by this. The costs for non-project/programme review services such as review of the policies, guidance documents and other technical support in the area will remain in the line item of the E&S safeguards and gender.

b) Travel component

The total request for the travel component is **US\$ 492,000**.

- The secretariat staff travel (US\$ 316,500) covers the participation of selected secretariat staff members² in two Board meetings, the Bonn Climate Change Conference (SBs), the COP 26 in Glasgow, the United Kingdom, and other ad-hoc meetings. Following the UNFCCC's recent announcement on the postponement of the SBs from June 2020 (FY20) to October 2020 (FY21), the secretariat is required

² From FY18, the secretariat rotates its staff members who attend the Board meetings based on agenda items. Out of 11 staff members, the Junior Professional Officer and consultants, the travel budget for 10 secretariat representatives is allocated per Board meeting.

to accommodate staff travels for two SBs to take place in FY21 and made an upward increase in this budget item for that.

- ii. The awareness raising staff travel (US\$ 45,500) covers the participation in meetings of the UNFCCC committees, the Green Climate Fund Board and other awareness raising travels including resource mobilisation engagement.
- iii. The travels for non-Annex I eligible Board members (US\$ 130,000) covers travel costs of the eligible Board members to participate in two Board meetings. *Per diem* allowances³ are provided according to the UN rules with the support of the UNCCD Secretariat in Bonn and the gross amount is transferred from the Adaptation Fund Trust Fund to the UNCCD Secretariat directly. Therefore, it is 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\$ 479,700**.

- i. The office space, equipment and supplies (US\$ 200,000) covers the office rental spaces, desk-top/lap-top and telephone leases, remote access systems and audio-conference systems for 12 full time staff members and in-office consultants of the secretariat.
- ii. The support to the Chair (US\$ 20,000) covers his representing travels and communications activities for the Fund.
- iii. The publications and outreach (US\$ 159,700) covers costs to produce the Fund's promotional videos and the podcasts, project stories, flyers and briefing notes including graphic design, printing and translating as well as the collaborative activity with the Climate Home News. It also covers the COP 26 related costs including office space, exhibits and potentially a pavilion. The budgets of the publications and outreach have been allocated in both the main administrative budget and readiness programme until FY20. From FY21, the budget for the publications and outreach activities will be consolidated in the main administrative budget since the readiness programme has been part of the Fund's mandate. The increase in the budget for this line item is attributed by this factor as well as the COP 26 related costs which could potentially be very high.
- iv. The IT services from the World Bank (US\$ 100,000) 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\$ 247,362**.

³ This is included in the cash transfer amounts reported by the Trustee and is not tied with a specific fiscal year: Recent transfers include US\$ 30,000 for AFB33, US\$ 15,000 for the additional meeting (AFB33b) and US\$ 34,000 for AFB34.

- i. The logistics, interpretation, report writing etc. (US\$ 167,362) covers the organisational costs of two Board meetings, three accreditation panel meetings and other small events including staff retreats and group training.
- ii. The translation costs (US\$ 80,000) will cover the translation of two Board meeting reports into five UN languages. Translation of guidance documents which has been allocated in the readiness programme until FY20 will be consolidated in this item under the main secretariat budget.

Table 2: Approved FY20 budget, FY20 estimate and proposed FY21 budget of the Board and the secretariat

| All amounts in US\$ | | FY20 Approved | FY20 Estimate | FY21 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 | Program Officer (Readiness) | | | |
| 06 | Communications Officer | | | |
| 07 | Knowledge Management Officer | | | |
| 08 | Governance Specialist | | | |
| 09 | Program Analyst (Project Review/Monitoring) | | | |
| 10 | Financial Analyst | | | |
| 11 | Senior Programme Assistant | | | |
| 12 | Junior Professional Officer (externally funded) | | | |
| sub-total AFB staff | | 2,261,381 | 2,200,000 | 2,277,716 |
| 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 | | 160,000 | 130,000 | 160,000 |
| Consultants & Others | | | | |
| 01 | AFB Secretariat Support (Legal support etc.) | 27,300 | 23,000 | 47,300 |
| 02 | Design and Operation of dedicated websites | 90,000 | 92,000 | 33,000 |
| 03 | Communications Strategy | 49,000 | 48,000 | 58,750 |
| 04 | Environment and social safeguards & Gender | 70,440 | 70,000 | 96,520 |
| 05 | Knowledge Management (+ RBM in FY20) | 213,660 | 200,000 | 204,460 |
| 06 | Result Based Management (New) | - | - | 175,000 |
| 07 | Project review | 124,580 | 80,000 | 194,478 |
| sub-total Consultants | | 574,980 | 513,000 | 809,508 |
| SUB-TOTAL PERSONNEL COMPONENT | | 2,996,361 | 2,843,000 | 3,247,224 |
| TRAVEL COMPONENT | | | | |
| 01 | AF Secretariat staff | 237,000 | 270,000 | 316,500 |
| 02 | Awareness Raising | 58,500 | 48,000 | 45,500 |
| 03 | Board - Non-Annexed eligible members | 120,000 | 128,000 | 130,000 |
| SUB-TOTAL TRAVEL COMPONENT | | 415,500 | 446,000 | 492,000 |
| GENERAL OPERATIONS COMPONENT | | | | |
| 01 | Office Space, Equipment and Supplies | 200,000 | 200,000 | 200,000 |
| 02 | Support to Chair (communications) | 20,000 | 5,000 | 20,000 |
| 03 | Publications and Outreach | 103,500 | 75,000 | 159,700 |
| 04 | IT services from the World Bank | 90,000 | 95,000 | 100,000 |
| SUB-TOTAL GENERAL OPERATIONS COMPONENT | | 413,500 | 375,000 | 479,700 |
| MEETINGS COMPONENT | | | | |
| 01 | Logistics, interpretation, report writing etc. | 159,362 | 150,000 | 167,362 |
| 02 | Translation | 70,000 | 85,000 | 80,000 |
| SUB-TOTAL MEETINGS COMPONENT | | 229,362 | 235,000 | 247,362 |
| TOTAL ALL COMPONENTS | | 4,054,723 | 3,899,000 | 4,466,286 |

Accreditation Programme

18. The budget request for the accreditation services for FY21 amounts to **US\$ 548,250**.

- i. The Accreditation Panel (fees) (US\$ 370,800) covers 80-day fees of four Accreditation Panel experts and a consultant fee for potential support to the Panel on E&S safeguards and gender.
- ii. The Accreditation Panel/staff travel (US\$ 121,100) 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 rates and residing cities of the experts composing the Accreditation Panel.
- iii. The Accreditation system (US\$ 56,350) covers the hosting and maintenance costs of the online accreditation workflow system through which accreditation applications are submitted and reviewed. It also includes a cost of a short-term consultant who support the accreditation operations on a part-time basis.

Table 3: Approved FY20 budget, FY20 estimate and proposed FY21 budget for the accreditation services

| ACCREDITATION | | | | |
|----------------------------|------------------------------------|-----------------|-----------------|-----------------|
| All amounts in US\$ | | FY20 | FY20 | FY21 |
| | | Approved | Estimate | Proposed |
| 01 | Accreditation Panel (fees) | 362,800 | 250,000 | 370,800 |
| 02 | Accreditation Panel/Staff (travel) | 153,100 | 20,000 | 121,100 |
| 03 | Accreditation System | 22,000 | 60,000 | 56,350 |
| TOTAL ACCREDITATION | | 537,900 | 330,000 | 548,250 |

Readiness Programme

19. The budget request for the Readiness Programme for FY21 amounts to **US\$ 652,960** and consists of the following components:

a) Personnel component (Consultants & Others)

The total request for the personnel component is **US\$ 133,460**.

- i. Secretariat support: The estimate of **US\$ 98,360** is to cover costs of temporary supports for logistics/administration of the readiness events as well as other operational supports such as review of readiness grant applications and event facilitators on a part-time basis.
- ii. Website: The Fund has been hosting the knowledge exchange platform "Climate Finance Ready" since FY15. Due to the withdrawal of the partner

organisation which maintained contents of the site, the continuation of maintaining the site is deemed unsustainable. The secretariat proposes a closure of the site and placing all relevant content on the main website, which brings no budget allocation for the hosting and maintenance of the site under the readiness programme.

- iii. Communications strategy: This line item has covered the cost of a short-term consultant for her support for the readiness programme until FY20. The budget for this support will be integrated to the main administrative budget from FY21, which brings no budget allocation for this line item under the readiness programme.
- iv. Environmental and social safeguards (E&S safeguard) and gender: The estimate of **US\$ 22,500** is to cover costs of E&S safeguard and gender experts to participate in readiness seminars and workshops as resource persons.
- v. Accreditation: Similar to the E&S safeguard and gender, the estimate of **US\$ 12,600** covers costs 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\$ 439,500**. The AF secretariat staff (US\$ 132,000) and the meeting participants (US\$ 307,500) cover the respective travel costs for the participation in a series of readiness events including the seventh NIE seminar, project development and accreditation training workshops, a country exchange and community of practice. The Board members' travel has been allocated in case it is necessary for Board members in the region of the readiness event to participate until FY20, which will not be factored in FY21.

c) General operations component

This line item has covered publications and outreach activities specifically for readiness programme until FY20. The budget for this line item will be integrated to the main administrative budget from FY21.

d) Meetings component

The total request for the meetings component (logistics) is **US\$ 80,000**, which covers local arrangements such as venues, interpretation services, equipment, catering and local transportation, for the readiness events mentioned in section b) above. The secretariat has found that the provision of interpretation service to the readiness stakeholders is essential and made an allocation for it to all readiness events. The increase of the meeting costs from FY20 to FY21 is attributed by this.

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

| READINESS PROGRAM | | | | |
|---|--|-----------------|-----------------|-----------------|
| All amounts in US\$ | | FY20 | FY20 | FY21 |
| | | Approved | Estimate | Proposed |
| PERSONNEL COMPONENT (Consultants & others) | | | | |
| 01 | Secretariat Support | 83,400 | 50,000 | 98,360 |
| 02 | Web sites (--> Main budget) | 7,500 | 8,000 | - |
| 03 | Communications strategy (--> Main budget) | 19,750 | 14,000 | - |
| 04 | Environment and social safeguards & Gender | 24,640 | 20,000 | 22,500 |
| 05 | Accreditation | 36,324 | 20,000 | 12,600 |
| SUB-TOTAL PERSONNEL COMPONENT | | 171,614 | 112,000 | 133,460 |
| TRAVEL COMPONENT | | | | |
| 01 | AF Secretariat staff | 120,000 | 47,000 | 132,000 |
| 02 | Meeting participants | 297,000 | 160,000 | 307,500 |
| 03 | Board members | 2,000 | - | - |
| SUB-TOTAL TRAVEL COMPONENT | | 419,000 | 207,000 | 439,500 |
| GENERAL OPERATIONS COMPONENT | | | | |
| 01 | Publications, Outreach (--> Main budget) | 21,200 | 30,000 | - |
| SUB-TOTAL GENERAL OPERATIONS COMPONENT | | 21,200 | 30,000 | - |
| MEETINGS COMPONENT | | | | |
| 01 | Logistics | 43,000 | 25,000 | 80,000 |
| SUB-TOTAL MEETINGS COMPONENT | | 43,000 | 25,000 | 80,000 |
| TOTAL ALL COMPONENTS | | 654,814 | 374,000 | 652,960 |

SECTION III: AF-TERG AND ITS SECRETARIAT PROPOSED BUDGET FOR THE PERIOD FROM 1 JULY 2020 – 30 JUNE 2022 (FY21 – 22)

20. The proposed AF-TERG strategy and work programme (AFB/EFC.26.a-26.b/3) takes a longer-term planning perspective covering fiscal years 2021 to 2023 for the work items, and fiscal years 2021 and 2022 budget-wise. Evaluative work items often have longer timeframes, follow a phased or iterative approach, and often cross fiscal year boundaries. Two-year budgeting enables the AF-TERG to enter into longer-term contracts beyond a fiscal year and enhances the continuity of activities being implemented across two fiscal years, otherwise the continuation is administratively disrupted at the end of a fiscal year. The AF-TERG considered a three-year budget aligned with its three-year strategy and work programme but decided on a two-year budget to balance continuity of work against budget accuracy; the longer the timeframe, the more difficult it is to make accurate cost projections.⁴

21. The practice of multi-year budgeting is seen more often in evaluation functions. The Food and Agriculture Organization of the United Nations (FAO) Office of Evaluation – for example – currently works with an indicative rolling three-year work plan of evaluations,⁵ and a rolling two-year program of work and budget.⁶ The evaluation function of United Nations Population Fund (UNFPA) works with a four-year budget, which is adjusted on a rolling basis.⁷

22. No changes to the Fund's trust fund structure are needed to facilitate two-year budgeting and transfers, and the budget will be adjusted on a rolling basis. The administrative budget request for the AF-TERG will cover two fiscal years; fiscal years 2021 (FY21) and 2022 (FY22). At the last Board meeting of FY21, there will be a preliminary budget reconciliation of that fiscal year; remaining funds will carry over to the next fiscal year, and proposed adjustments will be made for FY22 for money unspent and for budget adjustments needed for projected expenses in that second fiscal year. In that same Board meeting the AF-TERG will propose the budget for FY23 for consideration by the EFC and subsequent approval by the Board and transfer by the Trustee, creating a new two-year budget, consisting of the last year of the previous two-year budget, FY22, and one new upcoming fiscal year, FY23.

23. The total request for the AF-TERG amounts to **US\$ 2,250,290**, covering fiscal years 2021 and 2022, with the request covering **US\$ 1,063,219 for FY21** and **US\$ 1,187,071 for FY22**. The general operations part and the evaluation part of the administrative budget of the AF-TERG will be presented separately. The request has been

⁴ Even with a perfect longer-term budget projection it would be impossible to foresee new evaluation requests by the Board, or external events impacting the implementation of the work programme. The use of three-year budgets could be revisited when more accurate historical budget information becomes available from implementing the AF-TERG work programme.

⁵ FAO. 2019. Indicative Rolling Work Plan of evaluations 2020-2022. Document number PC 127/6.

⁶ FAO. 2019. Adjustments to 2020-21 Net Appropriation by department and office. Document number CL 163/3-WA6.

⁷ UNFPA. 2018. Quadrennial budgeted evaluation plan, 2018 – 2021. Document number DP/FPA/2018/1.

prepared by the Chair and Members of the AF-TERG, with guidance and support provided by the AFB secretariat.

General operations

24. The total request for the general operations budget amounts to **US\$ 1,230,582**, covering **US\$ 605,028 for FY21** and **US\$ 625,554 for FY22**.

a) Personnel component

The total request for the personnel component is **US\$ 709,701**, covering **US\$ 350,929 for FY21** and **US\$ 358,772 for FY22**. The costs include staff costs (salary and benefits) of the AF-TERG secretariat Coordinator / Evaluation Officer, fees of the AF-TERG Chair and Members (short-term consultants) and 200 days in short-term consultant AF-TERG secretariat support for FY21-22.

A total of 426 days, covering FY21-22, in data analysis support through short-term consultants is valued under the evaluation part, given the work is fully in support of the evaluation work element. These consultants are housed within the AF-TERG secretariat.

b) Travel component

The total request for the travel component is **US\$ 265,481**, covering **US\$ 130,779 for FY21** and **US\$ 134,702 for FY22**. The cost include participation in four Board meetings for the staff member and the AF-TERG Chair, participation in four AF-TERG meetings for the AF-TERG secretariat staff and consultants and the AF-TERG Chair and Members, as well as the travel component of the AF-TERG outreach work - further discussed in the AF-TERG strategy and work programme document (AFB/EFC.26.a-26.b/3), valued at US\$ 82,700 for FY21-22 for the AF-TERG secretariat staff and consultants and at US\$ 182,781 for FY21-22 for the AF-TERG Chair and Members.

c) General operations component

The total request for the general operations component is **US\$ 235,400**, covering **US\$ 113,320 for FY21** and **US\$ 122,080 for FY22**. The request covers office space, equipment and supplies (US\$ 96,960 for FY21-22) for the AF-TERG secretariat staff and short-term consultants, and publications, outreach and web development activities (US\$ 138,440 for FY21-22); US\$ 40,000 of this publications and outreach amount is reserved for the AF-TERG outreach work - further discussed in the AF-TERG strategy and work programme document (AFB/EFC.26.a-26.b/3).

d) Meetings

The total request for the meetings component (logistics) is **US\$ 20,000**, covering **US\$ 10,000 for FY21** and **US\$ 10,000 for FY22** for organisational costs of the AF-TERG meetings, such as venue, equipment and catering cost.

Evaluation

25. The total request for the evaluation part amounts to **US\$ 1,019,708**, comprised of **US\$ 458,191 under FY21** and **US\$ 561,517 under FY22**. A detailed explanation is provided in the AF-TERG strategy and work programme document (AFB/EFC.26.a-26.b/3) and a recap is provided below. Starting FY21, the AF-TERG will move from its preparatory and diagnostic start-up phase into its work programme for July 2020 – June 2023 (FY21-FY23), based on the strategic choices and priorities emerging from its scoping and diagnostic work.

- a) US\$ 30,000 will be used at the start of FY21 to develop operational guidelines for the AF-TERG, with external support;
- b) US\$ 165,000 (US\$ 85,000 under FY21 and US\$ 80,000 under FY22) is allocated for the reviewing and revision of the Evaluation Framework, with the aim to present a first draft of the revised Evaluation Framework to the Ethics and Finance Committee (EFC) for comments at its twenty-eighth meeting in March 2021;
- c) US\$ 155,000 (US\$ 65,000 under FY21 and US\$ 90,000 under FY22) is allocated for co-learning and capacity building, linked to the AF-TERG's advisory function, for a total of five workshops / seminars over the two fiscal years;
- d) US\$ 140,000 (US\$ 60,000 under FY21 and US\$ 80,000 under FY22) is allocated for the mid-term review (FY21) of the Medium-Term Strategy and preparatory work (FY22) for the final evaluation of the Medium-Term Strategy of the Fund;
- e) US\$ 200,000 has been reserved for thematic studies and evaluations during FY21-22. Studies and evaluations will be commissioned on issues and themes identified during AF-TERG consultations. Priorities will be made on an ongoing basis and reported to the EFC. Several topics have been tentatively identified during the Board members and observers' consultation in FY20, and are reported in the AF-TERG work programme;
- f) US\$ 135,000 (US\$ 45,000 under FY21 and US\$ 90,000 under FY22) is allocated for field testing of a developing ex-post evaluations approach (FY21) for the Fund and execution of two ex-post evaluations (FY22);
- g) Evaluation Syntheses of lessons learned from terminal evaluations will be produced yearly, and are costed at US\$ 40,000 for FY21-22;
- h) US\$ 154,707 (US\$ 53,191 under FY21 and US\$ 101,517 under FY22) is allocated for data analysis support towards evaluation activities. The work of short-term consultants, housed in the AF-TERG secretariat, that is direct data analysis support towards above evaluation activities is separated from the office support tasks provided, which is part of the personnel office support cost component, discussed earlier.

Table 5: Approved FY20 budget, FY20 estimate and proposed FY20 and FY21 budgets of the AF-TERG

| All amounts in US\$ | FY20 Approved | FY20 Estimate | FY21 Proposed | FY22 Proposed | FY21-22 Proposed |
|---|------------------|------------------|------------------|------------------|---------------------|
| PERSONNEL COMPONENT | | | | | |
| 01 Personnel - Staff (AF-TERG secretariat Coordinator / Evaluation Officer) | | | | | |
| 02 Personnel - Office support (STC) | | | | | |
| 03 Personnel - Consultant (TERG Chair and Members) | | | | | |
| SUB-TOTAL PERSONNEL | 376,843 | 350,685 | 350,929 | 358,772 | 709,701 |
| TRAVEL COMPONENT | | | | | |
| 01 Staff members | 13,000 | 19,844 | 40,739 | 41,961 | 82,700 |
| 02 TERG Members | 68,000 | 29,881 | 90,040 | 92,741 | 182,781 |
| SUB-TOTAL TRAVEL | 81,000 | 49,725 | 130,779 | 134,702 | 265,481 |
| GENERAL OPERATIONS COMPONENT | | | | | |
| 01 Office space, equipment and supplies | 30,000 | 29,000 | 48,000 | 48,960 | 96,960 |
| 02 Publications, outreach | 1,000 | 19,840 | 65,320 | 73,120 | 138,440 |
| SUB-TOTAL GENERAL OPERATIONS | 31,000 | 48,840 | 113,320 | 122,080 | 235,400 |
| MEETINGS COMPONENT | | | | | |
| 01 Logistics | 5,000 | 10,500 | 10,000 | 10,000 | 20,000 |
| SUB-TOTAL MEETINGS | 5,000 | 10,500 | 10,000 | 10,000 | 20,000 |
| TOTAL GENERAL OPERATIONS | 493,843 | 459,750 | 605,028 | 625,554 | 1,230,582 |

| All amounts in US\$ | FY20 Approved | FY20 Estimate | FY21 Proposed | FY22 Proposed | FY21-22 Proposed |
|-----------------------------|------------------|------------------|------------------|------------------|---------------------|
| EVALUATION COMPONENT | | | | | |
| 01 Evaluation | 300,000 | 225,649 | 458,191 | 561,517 | 1,019,708 |
| SUB-TOTAL EVALUATION | 300,000 | 225,649 | 458,191 | 561,517 | 1,019,708 |

| | | | | | |
|-----------------------------|----------------|----------------|------------------|------------------|------------------|
| TOTAL ALL COMPONENTS | 793,843 | 685,399 | 1,063,219 | 1,187,071 | 2,250,290 |
|-----------------------------|----------------|----------------|------------------|------------------|------------------|

SECTION IV: ADAPTATION FUND – TRUSTEE ESTIMATED COSTS AND EXPENSES FOR THE PERIOD FROM 1 JULY 2020 TO 30 JUNE 2021 (FY21)

Background

26. The Board, at its thirty-third meeting in March 2019, approved a proposed budget of US\$ 682,150 for the Trustee services to be provided to the Adaptation Fund during FY20.

27. The Terms and Conditions of services provided by the World Bank as Trustee to the Adaptation Fund stipulate that the budget "... may be subject to an end of year adjustment based on actual costs and expenses incurred...".

28. The following sections present estimates of the actual expenses for FY20 and the proposed budget for FY21.

Table 6: FY20 approved and FY21 estimated costs (US\$)

| Trustee Services | FY20 Approved | FY20 Estimate | FY21 Proposed |
|----------------------------------|------------------|------------------|------------------|
| Monetization | 180,000 | 180,000 | 180,000 |
| Financial and Program Management | 225,000 | 229,000 | 227,000 |
| Investment Management | 192,150 | 226,000 | 216,000 |
| Accounting and Reporting | 40,000 | 40,000 | 40,000 |
| Legal Services | 45,000 | 42,000 | 45,000 |
| TOTAL | 682,150 | 717,000 | 708,000 |

FY20 current estimates vs. approved budget

29. The estimated Trustee costs for FY20 are **US\$ 717,000** or equivalent to 105.1 per cent of the approved FY20 budget.⁸

30. The budget request to cover the cost over-run in FY20 is **US\$ 34,850**. The increased costs are mainly due to higher investment management fees which is the result of higher than previously anticipated average cash balances in the Adaptation Fund Trust Fund (the Trust Fund). During FY20 budget submission, the average cash balances in the Trust Fund were estimated at US\$ 427 million. The actual cash balances are projected at about US\$ 500 million.

Proposed trustee budget for FY21

31. The budget request for Trustee services for FY21 is **US\$ 708,000** and will to cover estimated costs for monetization services, financial and program management,

⁸ Actuals will be used as of the date the budget is prepared and estimates for the remainder of the fiscal year.

investment management, accounting and reporting, and legal services. Details for each of the service components are presented below.

- a) **Monetization (US\$ 180,000):** This cost comprises World Bank Treasury staff costs, and exchange, 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 overall costs of monetization activities are detailed in Table 7.

Table 7: Monetization Costs FY20 and FY21 (US\$)

| <u>Monetization - FY20 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 - FY21 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 (US\$ 227,000):** This fee covers staff time required for the management of financial transactions, including processing of receipts of CERs and other sales proceeds, donations, and other cash proceeds in the 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 trustee representatives to attend regular Adaptation Fund Board meetings.
- c) **Investment management (US\$ 216,000):** The investment management fees are calculated as a flat fee of 4.5 basis points (i.e. 0.045%) of the average annual cash balance in the Trust Fund. The projected average annual cash balance over the next fiscal year is estimated at US\$ 479 million, reflecting payment during the year of any contribution pledges made at the December 2019 UN Climate Change Conference (COP 25) or thereafter, while assuming cash transfers at the same pace as in the last years.

- d) **Accounting and reporting (US\$ 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.
- e) **Legal services (US\$ 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 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).