



ADAPTATION FUND

AFB/EFC.27/6
11 March 2021

Adaptation Fund Board
Ethics and Finance Committee
Twenty-seventh Meeting
Bonn, Germany (held virtually), 24-25 March 2021

**ADMINISTRATIVE BUDGETS OF THE BOARD AND
SECRETARIAT, AND TRUSTEE FOR FISCAL YEAR 2022,
AND THE AF-TERG AND ITS SECRETARIAT FOR FISCAL
YEARS 2022-2023**

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 2022 (FY22), i.e. 1 July 2021 to 30 June 2022 as well as the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and its secretariat for fiscal years 2022 and 2023 (FY22 and FY23), i.e. 1 July 2021 to 30 June 2023. Table 1 below presents an overview of the budget proposals of the Board and secretariat, and the Trustee for FY22 and the AF-TERG and its secretariat for FY22 and FY23, which are explained in detail in the next two sections of the document: Section II presents the budget proposal for the Board and secretariat, Section III the budget proposal of the AF-TERG and its secretariat, and Section IV the budget proposal of the Trustee.

Table 1: Approved FY21 and proposed FY22 budget of the Board and Secretariat, and the Trustee and FY22 and 23 budgets of the AF-TERG and its secretariat

All amounts in US\$	FY21	FY21	FY22	
	Approved	Estimate	Proposed	
BOARD AND SECRETARIAT				
1 Personnel	3,247,224	3,131,130	4,111,220	
2 Travel	492,000	5,000	456,000	
3 General operations	479,700	390,000	508,875	
4 Meetings	247,362	70,000	236,980	
Sub-total secretariat administrative services [a]	4,466,286	3,596,130	5,313,075	
5 Accreditation [b]	548,250	441,300	608,550	
6 Readiness Programme [c]	652,960	100,100	756,950	
Total Board and Secretariat [a] + [b] + [c]	5,667,496	4,137,530	6,678,575	
All amounts in US\$	FY21	FY21	FY22	FY23
	Approved	Estimate	Proposed Revised	Proposed
AF-TERG AND ITS SECRETARIAT				
1 Personnel	350,929	440,016	408,083	414,197
2 Travel	130,779	-	134,702	138,744
3 General operations	113,320	100,581	136,327	126,564
4 Meetings	10,000	-	10,000	10,200
Sub-total general operations	605,028	540,597	689,112	689,705
5 Evaluation	458,191	366,735	611,717	603,344
Total AF-TERG and its secretariat	1,063,219	907,332	1,300,829	1,293,049
All amounts in US\$	FY21	FY21	FY22	
	Approved	Estimate	Proposed	
TRUSTEE				
1 CER Monetization	180,000	170,000	180,000	
2 Financial and Program Management	227,000	320,000	320,000	
3 Investment Management	216,000	245,000	245,000	
4 Accounting and Reporting	40,000	60,000	60,000	
5 Legal Services	45,000	55,000	56,000	
Total trustee	708,000	850,000	861,000	
GRAND TOTAL ALL COMPONENTS	7,438,715	5,894,862	8,840,404	

Recommendation

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

Board and secretariat

- (i) The proposed budget of **US\$ 6,678,575** to cover the costs of the operations of the Board and secretariat over the period 1 July 2021 to 30 June 2022, comprising **US\$ 5,313,075** for the secretariat administrative services (the main secretariat budget), **US\$ 608,550** for the accreditation services and **US\$ 756,950** for the Readiness Programme.

AF-TERG and its secretariat

- (ii) The proposed revised budget of US\$ 1,300,829 to cover the costs of the operations of the AF-TERG and its secretariat for FY22, from 1 July 2021 to 30 June 2022, comprising US\$ 689,112 for the management component and US\$ 611,717 for the evaluation component. The resulted increase of US\$ 113,758 to the originally approved AF-TERG budget for FY22 comprises the carry-over of US\$ 52,739 from FY21 and a net increase of **US\$ 61,019** which requires an additional transfer from the trust fund.
- (iii) The proposed budget of **US\$ 1,293,049** to cover the costs of the operations of the AF-TERG and its secretariat for FY23, from 1 July 2022 to 30 June 2023, comprising US\$ 689,705 for the management component and US\$ 603,344 for the evaluation component.

Trustee

- (iv) The proposed increase of **US\$ 142,000** in the Trustee budget for FY21.
- (v) The proposed budget of **US\$ 861,000** for the Trustee services to be provided to the Adaptation Fund during FY22.
- (b) Authorised the Trustee to transfer the amounts in subparagraphs (a) (i), (ii) and (iii) to the respective secretariats, and the amounts in subparagraphs (a) (iv) and (v) to the Trustee.

SECTION II: BOARD AND SECRETARIAT PROPOSED BUDGET FOR THE PERIOD 1 JULY 2021 – 30 JUNE 2022 (FY22)

Background

3. The Board, during the intersessional period between the first and second sessions of its thirty-fifth meeting:

(a) Approved, from the resources available in the Adaptation Fund Trust Fund:

- (i) The proposed budget of US\$ 5,667,496 to cover the costs of the operations of the Board and the 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;
- (ii) The proposed two-year budget to cover the costs of the operations of the Technical Evaluation Reference Group of the Adaptation Fund (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;
- (iii) The proposed increase of US\$ 34,850 in the Trustee budget for fiscal year 2020; and
- (iv) The proposed budget of US\$ 708,000 for the Trustee services to be provided to the Adaptation Fund over the period 1 July 2020 to 30 June 2021; and

(b) Authorised the Trustee to transfer the amounts in subparagraphs a) (i) and (ii) to the respective secretariats, and the amounts in subparagraphs a) (iii) and (iv) to the Trustee.

(Decision B.35.a-35.b/27)

4. Details of the budgets for FY21 can be found in Tables 2-5 which also include estimates of the year-end actuals of FY21 and the proposed budgets for FY22 (1 July 2021 – 30 June 2022).

5. Funds for approved concrete adaptation projects and programme, project formulation grants as well as other small grants such as 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.

FY21 current estimates vs. approved budget

6. As at 31 December 2020, the funds available for new funding decisions in the Adaptation Fund Trust Fund amounted to US\$ 253.50 million, as reflected in the Financial report prepared by the Trustee. This represents an increase of US\$ 61.77 million that had been available as at 31 December 2019.

7. In FY21 to date, the pandemic of Coronavirus disease 2019 (COVID-19) has substantially affected the implementation of activities and events planned in a physical format. None of the planned travels has been undertaken during the reporting period, therefore the travel related budgets have remained unused. The production of communications and knowledge sub-products from the organization of the above-mentioned events has also been affected by their cancellation or conversion to virtual format. The FY21 year-end actuals are estimated by factoring the remaining activities and events which can be implemented in a virtual format by the end of FY21. In the first half of FY21, the secretariat implemented a project monitoring mission in Costa Rica and readiness country exchange in Senegal in a virtual format and achieved certain results. As the pandemic situation will unlikely improve adequately and soon enough during the remainder of FY21, the secretariat will keep pursuing opportunities for virtually implementable activities and re-programme resources towards the end of FY21, to make a good use of available resources approved for FY21.

8. Based on the actuals to date and remaining planned activities to implement in FY21, the estimated FY21 year-end actuals as of 30 June 2021 are US\$ 3,596,130 for the main secretariat budget, which is 80.5 per cent of the approved FY21 budget (US\$ 4,466,286), US\$ 441,300 for the accreditation component, which is 80.5 per cent of the approved FY21 budget (US\$ 548,250), and US\$ 100,100 for the readiness programme, which is 15.3 per cent of the approved FY21 budget (US\$ 652,960).

9. The secretariat will continue implementing the planned or virtual implementable alternative activities until the end of FY21. The final actual expenditure for FY21 as of 30 June 2021 will be reported at the first board meeting in FY22.

Implications of the COVID-19 pandemic to the administrative budgets for FY22

10. There are still no reliable predictions on when the situation related to the pandemic may improve, to what extent and in which regions globally. However, due to the gradually increasing availability of vaccines and other developments, the outlook for FY22 gives somewhat more hope for resumption of normal operations compared to FY21. Therefore, like for FY21, the secretariat believes that the administrative budgets for FY22 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. Accordingly, the FY22 budget proposals incorporate costs of physical participation and organization of global events such as the Board meetings, the Bonn Climate Conference, the United Nations Climate Change Conference in Glasgow, UK (COP 26) as well as the Fund level events such as readiness workshops and seminars.

11. In contrast to the above-mentioned “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.

12. 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 FY22

13. In FY22, the secretariat proposes the creation of two staff positions. Since having been launched in 2007, the Fund’s work has grown with increasing pace. In calendar years 2019 - 2020, despite the pandemic, the size of the Fund’s portfolio of projects grew by more than 50 per cent and amounts now to 115 projects and programmes totalling US\$ 787 million. In addition to the growth in the bulk of the Fund’s work, which is concrete climate change adaptation projects and programmes funded by the Fund, also the diversity of the Fund’s areas of work has increased, in line with the medium-term strategy for 2018-2022 approved by the Board in 2017, which built on the Fund’s comparative advantages, and included complementary areas of finance, on adaptation innovation and adaptation knowledge management. Apart from working with a portfolio of projects (technical review before approval, portfolio monitoring and management after approval), the secretariat operates a programme to build developing countries’ readiness to access funding, and an accreditation programme which independently reviews prospective implementing agencies’ capacity to access funding. There is also a communications team and the independent AF-TERG. Given the growth of the Adaptation Fund portfolio and workload, it has become imperative to make changes to the secretariat staffing structure. This will help both in managing the multitude of work streams and in shouldering the increasing amount of volume.

14. The two proposed positions are Senior Programme Officer and Climate Change Specialist¹. The Senior Programme Officer, with the main responsibility to coordinate country and agency relations, will oversee and coordinate separate but interlinked work streams of accreditation, readiness and resource mobilization. The new position would enable efficient and coordinated management of the different work streams aimed at enabling countries' access to the Fund (readiness and accreditation) and support for it (resource mobilization). The Climate Change Specialist will bolster management of the project portfolio. Results-based management (RBM) of the active portfolio of projects and programs in the Fund is coordinated by a Senior Climate Change Specialist, who has worked with shared (part-time) analysts and part-time STCs. With the growing volume and diversity of the Fund's work, a dedicated Specialist working on portfolio management will be necessary to strengthen portfolio management.

15. The position of the Junior Professional Officer (JPO) has been externally funded by the government of Germany for its first and second year (August 2020 – August 2022). The extension of the JPO position is being planned. The government of Germany will fund its third year (August 2021 to August 2022) on the condition that the Adaptation Fund commits to fund the position for its fourth and fifth years (August 2022 to August 2024) from the Fund's budget. The extension of the JPO position for the third year has no associated impact on the staff costs in the administrative budget of FY22. However, the arrangement will create a provision of the staff costs covering the JPO position in FY23 and FY24.

16. The proposed changes to the secretariat staffing structure referred to above are in line with the general expectation envisaged in the implementation plan for the Fund's medium-term strategy endorsed by the Board, which outlined that the secretariat number of staff might grow by 2-5 term staff (15-40 percent) in the course of the 5 years covered by the strategy (the variation mostly depending on the growth of portfolio volume). Since 2018, the secretariat has not added any new Fund-financed term staff to its core functions: the only changes have been an addition of an externally-funded JPO in FY20 and an evaluation officer in FY19 (the latter function is within the AF-TERG and was not explicitly covered by the strategy). Therefore, the two positions would represent an 18 percent increase to the number of staff over the pre-2018 level and be well within what the Board planned in the implementation plan.

17. 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.

18. In addition, the secretariat proposes a dedicated budget allocation for resource mobilization. The Fund's resource mobilization activities have been undertaken by the manager and available staff members mainly through office-based remote work and organizing events back-to-back with the major international climate conferences which the Board and the secretariat routinely participate in. The allocation of a dedicated, even if moderate, budget for resource mobilization will enable the Board and the secretariat to undertake dedicated resource

¹ The positions titles are provisional.

mobilization activities and use external expertise on resource mobilization, which is useful for the upcoming update of the resource mobilization policy and action plans as well as for the seamless follow up with contributors and future contributors. This is expected to help boost the Fund's resource mobilization efforts in the coming years.

19. The budget request for the secretariat administrative services for FY22 amounts to **US\$ 5,313,075** and consists of the following components:

a) *Personnel component.*

The total request for the personnel component is **US\$ 4,111,220**.

- i. Full-time staff: The estimate of **US\$ 2,912,080** is to cover staff costs (salary, benefits and staff training cost²) of the 13 full-time staff positions comprising the 11 existing staff positions and the two proposed new positions mentioned above. The position of the Junior Professional Officer (JPO) has been externally funded. The complete list of full-time staff positions is as follows.

List of full-time staff positions

1. Manager
2. Senior Climate Change Specialist
3. Senior Climate Change Specialist
4. Operations Officer (Accreditation)
5. Program Officer (Readiness)
6. Communications Officer
7. Knowledge Management Officer
8. Governance Specialist
9. Program Analyst (Project review/Monitoring)
10. Financial Analyst
11. Senior Programme Assistant
-
12. [New position] Senior Program Officer
13. [New position] Climate Change Specialist
-
14. Junior Professional Officer (externally funded)

- ii. GEF Secretariat staff cross-support: The estimate of **US\$ 150,000** is to cover the part of the staff costs (salary and benefits) of the GEF Secretariat staff outside of the Adaptation Fund Board secretariat dedicated team, that provides cross-support to the

² 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.

operations of the secretariat. The budget consists of a 10% fixed staff cost of the GEF Chief Executive Officer (CEO) and actual costs of other GEF staff members including the Advisor to the CEO, Program Analyst (HR), Resource Management Officer and project co-reviewers. Except the fixed percentage-based cost of the GEF CEO, the staff costs of the GEF cross-support are based on the estimated number of staff hours/days of the respective cross-supporters. Like FY21, the proposed budget for FY22 includes some amounts for contingency in case the number of submitted proposals and the volume of the project review increases.

iii. Consultants and others:

The total request for the consultants and others is **US\$ 1,049,140**.

- The secretariat support (US\$ 102,300) covers legal support from the World Bank including *DocuSign* (the online agreement signing tool), staff retreat facilitators and management advisory services. As the ongoing term of the Medium-term strategy is going to end in FY22, potential costs for review, research and development of the strategy is also included in this budget item.
- The design and operations of dedicated website (US\$ 33,000) covers the hosting and maintenance of the Fund's public website.
- The communications strategy (US\$ 67,000) covers costs of short-term consultants who will support communications activities including events, publications, social media and website content management on a part-time basis. Costs of communications support for knowledge management and/or readiness events are also included in this budget item.
- The environmental and social safeguards (E&S safeguards) and gender (US\$ 96,020) covers consultancy fees of E&S safeguards experts for non-project/programme review services such as the review of the policies and guidance documents, consultancy fees of gender experts who will engage in the updated gender policy and action plans related work, and costs for gender training for the Fund's stakeholders.
- The knowledge management (KM) (US\$ 213,000) covers costs of consultants who will support the production of knowledge publications, learning events and the community of practice. This budget item also includes a share of the sponsorship for the bi-annual Adaptation Futures conference in 2022.
- The result-based management (RBM) (US\$ 231,000) covers costs of portfolio monitoring missions, cost of short-term consultants for the review of the project performance reports (PPRs), the production of the annual performance report (APR) and the maintenance and enhancement of the Financial Intermediary Funds (FIFs) collaboration platform. As the project portfolio of the Fund grows, a bigger budget allocation to the RBM is deemed necessary to provide the quality and timely provision of the services to the post-approval project operations in the secretariat.
- The project review (incl. innovation) (US\$ 246,820) covers costs of short-term and extended-term consultants who support the review of concrete project proposals,

concepts and pre-concepts. This budget item also covers the review of innovation grant proposals and emerging innovation related activities.

- The resource mobilization (US\$ 60,000), a new line item, covers costs of short-term consultants who support the update of the resource mobilization strategy and strategy implementation.

b) Travel component

The total request for the travel component is **US\$ 456,000**.

- The secretariat staff travel (US\$ 280,500) covers the participation of selected secretariat staff members³ in two Board meetings, the Bonn Climate Change Conference, the 26th UN Climate Change Conference (COP 26) in Glasgow, the United Kingdom, and other ad-hoc meetings.
- 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 mobilization engagement.
- 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* allowances⁴ are provided according to the UN rules with the support of the UNCCD Secretariat in Bonn and the expected amount is transferred from the Adaptation Fund Trust Fund to the UNCCD Secretariat directly before each Board meeting. Therefore, it is not part the administrative budget of the Board and secretariat.

c) General operations component

The total request for the general operations component is **US\$ 508,875**.

- The 'office space, equipment and supplies' (US\$ 200,000) covers the office rental spaces, desk-top/lap-top computers and telephone leases, remote access systems and audio-conference systems for the full-time staff members and office-based consultants of the secretariat.
- The 'support to the Chair' (US\$ 20,000) covers his travels and communications activities representing the Fund.
- The 'publications and outreach' (US\$ 163,875) 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, which could potentially be very high. This

³ From FY18, the secretariat has rotated its staff members who attend the Board meetings based on agenda items.

⁴ 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. No Board meeting took place in a physical format in 2020, therefore no per diem payment to the eligible Board members incurred.

budget item also includes a share of the sponsorship for the bi-annual Adaptation Futures conference in 2022.

- iv. The 'IT services from the World Bank' (US\$ 125,000) covers the IT support provided by the World Bank for a series of the secretariat operations such as email, internet, intranet, applications, files, storage, back up, security, online conferencing and so on.

d) Meetings component

The total request for the meetings component is **US\$ 236,980**.

- i. The 'logistics, interpretation, report writing etc.' (US\$ 160,980) covers the organisational costs of two Board meetings, two accreditation panel meetings and other small events including staff retreats and group training.
- ii. The translation costs (US\$ 76,000) will cover the translation of two Board meeting reports into five UN languages and other policy and guidance documents as necessity arises.

Table 2: Approved FY21 budget, FY21 estimate and proposed FY22 budget of the Board and the secretariat

All amounts in US\$		FY21	FY21	FY22
		Approved	Estimate	Proposed
PERSONNEL COMPONENT				
<u>Full-time staff (including benefits):</u>				
01	11 staff positions (Existing)			
02	1 Junior Professional Officer (externally funded)			
03	2 proposed new positions			
	(14 staff positions in total)			
	<u>sub-total AFB staff</u>	2,277,716	2,337,130	2,912,080
<u>GEF staff cross-support (including benefits):</u>				
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)			
	<u>sub-total GEF staff</u>	160,000	100,000	150,000
<u>Consultants & Others</u>				
01	AFB Secretariat Support (Legal support etc.)	47,300	40,000	102,300
02	Design and Operation of dedicated websites	33,000	32,000	33,000
03	Communications Strategy	58,750	50,000	67,000
04	Environment and social safeguards & Gender	96,520	70,000	96,020
05	Knowledge Management	204,460	162,000	213,000
06	Result Based Management	175,000	150,000	231,000
07	Project review (incl. innovation)	194,478	190,000	246,820
08	Resource mobilization [New]	-	-	60,000
	<u>sub-total Consultants</u>	809,508	694,000	1,049,140
	SUB-TOTAL PERSONNEL COMPONENT	3,247,224	3,131,130	4,111,220
TRAVEL COMPONENT				
01	AF Secretariat staff	316,500	5,000	280,500
02	Awareness Raising	45,500	-	45,500
03	Board - Non-Annexed eligible members	130,000	-	130,000
	SUB-TOTAL TRAVEL COMPONENT	492,000	5,000	456,000
GENERAL OPERATIONS COMPONENT				
01	Office Space, Equipment and Supplies	200,000	200,000	200,000
02	Support to Chair (communications)	20,000	-	20,000
03	Publications and Outreach	159,700	90,000	163,875
04	IT services from the World Bank	100,000	100,000	125,000
	SUB-TOTAL GENERAL OPERATIONS COMPONENT	479,700	390,000	508,875
MEETINGS COMPONENT				
01	Logistics, interpretation, report writing etc.	167,362	40,000	160,980
02	Translation	80,000	30,000	76,000
	SUB-TOTAL MEETINGS COMPONENT	247,362	70,000	236,980
	TOTAL ALL COMPONENTS	4,466,286	3,596,130	5,313,075

Accreditation Programme

20. The budget request for the accreditation services for FY22 amounts to **US\$ 608,550**.

- a) The Accreditation Panel (fees) (US\$ 394,650) covers fees of four Accreditation Panel experts for 80 days each. Considering the potential future development in the accreditation programme, a modest amount for contingency is included in this budget item in FY22.
- b) The Accreditation Panel/staff travel (US\$ 107,400) covers travel costs of the Panel members' participation (including one non-Annex I Board member) in two 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 year to year depending on rates and residing cities of the experts forming the Accreditation Panel.
- c) The Accreditation system (US\$ 106,500) 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 supports the accreditation operations on a part-time basis as well as a consultant fee for potential support to the Panel on E&S safeguards and gender.

Table 3: Approved FY21 budget, FY21 estimate and proposed FY22 budget for the accreditation services

ACCREDITATION				
All amounts in US\$				
		FY21	FY21	
		Approved	Estimate	
			FY22	
			Proposed	
01	Accreditation Panel (fees)	370,800	340,000	394,650
02	Accreditation Panel/Staff (travel)	121,100	-	107,400
03	Accreditation System & others	56,350	101,300	106,500
TOTAL ACCREDITATION		548,250	441,300	608,550

Readiness Programme

21. The budget request for the Readiness Programme for FY22 amounts to **US\$ 756,950** and consists of the following components:

- a) *Personnel component (Consultants & Others)*

The total request for the personnel component is **US\$ 158,400**.

- i. Secretariat support: The estimate of **US\$ 117,500** covers costs of an office-based consultant and logistics/administration temporary who will support the activities under the readiness programme on a part-time basis. Costs of innovation support in the readiness programme is also included in this budget item in FY22.
- ii. Environmental and social safeguards (E&S safeguard) and gender: The estimate of **US\$ 17,700** covers costs of E&S safeguard and gender experts to participate in readiness seminars and workshops as resource persons.
- iii. Accreditation: The estimate of **US\$ 23,200** 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\$ 512,000**. The AF secretariat staff (US\$ 140,000) and the meeting participants (US\$ 372,000) cover the respective travel costs for the participation in planned readiness events including the 2021 annual seminar for National Implementing Entities (NIEs), workshops on accreditation and innovation, a country exchange and community of practice. Until FY20, the Board members' travel was allocated in case it is necessary for Board members participate in the readiness events to participate in their residing regions. Due to its recent development of the readiness programme, it is not factored in FY22.

c) Meetings component

The total request for the meetings component (logistics) is **US\$ 86,550**, 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.

Table 4: Approved FY21 budget, FY21 estimate and proposed FY22 budget of the readiness programme

All amounts in US\$		FY21	FY21	FY22
		Approved	Estimate	Proposed
PERSONNEL COMPONENT (Consultants & others)				
01	Secretariat Support	98,360	40,000	117,500
02	Environment and social safeguards & Gender	22,500	-	17,700
03	Accreditation	12,600	-	23,200
SUB-TOTAL PERSONNEL COMPONENT		133,460	40,000	158,400
TRAVEL COMPONENT				
01	AF Secretariat staff	132,000	-	140,000
02	Meeting participants	307,500	100	372,000
03	Board members	-	-	-
SUB-TOTAL TRAVEL COMPONENT		439,500	100	512,000
MEETINGS COMPONENT				
01	Logistics	80,000	60,000	86,550
SUB-TOTAL MEETINGS COMPONENT		80,000	60,000	86,550
TOTAL ALL COMPONENTS		652,960	100,100	756,950

SECTION III: EVALUATION FUNCTION PROPOSED BUDGETS FOR THE PERIOD FROM 1 JULY 2021 – 30 JUNE 2023 (FY22 – 23)

Background

18. On 4 June 2020, the Board approved a two-year budget for the AF-TERG covering FY21 and FY22 (Decision B.35.a-35.b/27). The Board also approved the draft strategy and work programme of the AF-TERG as contained in Annex 1 of the document AFB/EFC.26.a-26.b/3 (Decision B.35.a-35.b/29), which included a proposal for two-year budgets with adjustments on a rolling basis. The process for carry over and adjustments on a rolling basis was further explained in document AFB/EFC.26.a-26.b/1, 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.

FY21 current estimates vs approved budget

19. The estimated FY21 year-end actual for the AF-TERG and its secretariat as of 30 June 2021 is US\$ 907,332 (85.3 per cent) of the approved FY20 budget (US\$ 1,063,219).

20. The COVID-19 pandemic has influenced the way AF-TERG work elements have been / are being implemented, in part due to travel restrictions preventing field missions and the inability of the AF-TERG to meet in person. Consequently, online engagement and virtual stakeholder consultation have been the main vehicle to ground AF-TERG work elements in contextual realities. The AF-TERG members have taken on a more active role in the outreach and interviews with key stakeholders. The above has led to a lack of spending in the travel budget component and a marginal increase in the personnel budget component.

21. The AF-TERG and its secretariat are likely to continue implementing planned and/or virtual implementable alternative work elements until the end of FY21 and beyond. The final year-end actual for FY21 will be reported in the reconciliation budget as of 30 June 2021.

22. The paragraphs below will discuss, when relevant for a specific budget component, whether there will be carryover from the current fiscal (FY21) to the next (FY22). This would be the case if certain activities have started or are projected to start in FY21 but will not be completed before the end of the fiscal year, or when the activities are not anticipated to start in FY21 and will carry over entirely to FY22. A second element discussed, when relevant for a specific budget component, is any proposed adjustments to the FY22 budget as it was approved 4 June 2020. Proposed adjustments are the sum of carryover cost elements from FY21 and adjustments in FY22 due to changes in budget projections or new work elements that have been requested of the AF-TERG since the approval of the proposed FY22 budget. As a third element, the proposed budget for FY23 will be discussed for each budget component.

23. The proposed upward adjustment for the AF-TERG approved budget for FY22 totals **US\$ 113,758** of which US\$ 52,739 is carry over from FY21 and US\$ 61,019 is a net increase due to changes in budget projections for FY22.

- a) Under the personnel component an upward adjustment of US\$ 49,312 is requested for FY22, which is due to a revised projection in the fixed staff cost (salaries and benefits) by the World Bank.
- b) Under the general operations component an upward adjustment of US\$ 1,508 is requested for FY22 due to a change in the cost of Zoom virtual conferencing software, now provided through World Bank IT as an enterprise package.
- c) Under the general operations component, a total of US\$ 12,739 carryover is requested because of outreach activities are anticipated to materialize in FY22 instead of FY21.
- d) Under the evaluation component an upward adjustment of US\$ 10,200 is requested for FY22 for continued work in FY22 on the mid-term review of the Medium-Term Strategy.
- e) Under the evaluation component, a total of US\$ 40,000 carryover is requested for one thematic evaluation which is now planned for FY22 instead of FY21.

24. No changes are being proposed to the travel budget component of the approved FY22 budget. While being cognizant of the FY21 COVID-19 related travel restrictions and work limitations, the past COVID-19 situation is a poor indicator to inform future cost projections. Hence, no adjustment is being proposed.

25. With the above-listed adjustments, the proposed revised budget for FY22 (1 July 2021 to 30 June 2022) amounts to US\$ 1,300,829, comprising US\$ 689,112 for the management component and US\$ 611,717 for the evaluation component.

26. The total request for the AF-TERG budget for FY23 amounts to **US\$ 1,293,049**.

- a) The sub-total of the management component is **US\$ 689,705** for FY23.

- i. *Personnel component*

The total request for the personnel cost component is **US\$ 414,197**. The cost includes 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 100 days in short-term consultant AF-TERG secretariat support for FY23.

A total of 276 days in data analysis support through short-term consultants is included under the evaluation part, with the work being in full support of the evaluation work elements. These consultants are housed within the AF-TERG secretariat.

ii. *Travel component*

The total request for the travel cost component is **US\$ 138,744**. The cost includes participation in two Board meetings for the staff member and the AF-TERG Chair, participation in two 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.

iii. *General operations component*

The total request for the general operations cost component is **US\$ 126,564**. The request covers office space, equipment and supplies for the AF-TERG staff and short-term consultants, and publications, outreach and online presence cost.

iv. *Meetings component*

The total request for the meetings component is **US\$ 10,200** for organisational costs of the AF-TERG meetings, such as venue, equipment and catering cost.

- b) The total request for the evaluation component is **US\$ 603,344** for FY23. The planned evaluation activities are as follows. (The amount in bracket for each activity is an indicative estimate.)
- i. Co-learning and capacity building, linked to the AF-TERG's advisory function (US\$ 90,000)
 - ii. Thematic studies and evaluations during FY23. 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 (US\$ 100,000)
 - iii. The execution of two ex-post evaluations of strategically selected projects that have closed 3-5 years before, that would provide learning on the sustainability of climate change actions and accountability of results financed by the Fund (US\$ 90,000)
 - iv. The synthesis of final evaluations, which will be produced yearly – if sufficient final evaluations are received - with a focus on lessons learned (US\$ 20,000)
 - v. The overall evaluation of the performance of the Fund (US\$ 200,000)
 - vi. 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 cost component, discussed earlier (US\$ 103,344)

Table 5: Approved and estimate FY21, approved and proposed revised FY22, proposed FY23 budget of the AF-TERG and its secretariat

All amounts in US\$		Approved FY21	Estimate FY21	Carry-over FY21 -> FY22	Approved FY22	Proposed increase in Approved FY22	Proposed Revised FY22	Proposed FY23
MANAGEMENT COMPONENT								
PERSONNEL COMPONENT								
01	Personnel - Staff (AF-TERG Secretariat Coordinator / Evaluation Officer)							
02	Personnel - Office support (STC)							
03	Personnel - Consultant (TERG members)							
SUB-TOTAL PERSONNEL COMPONENT		350,929	440,016	-	358,772	49,312	408,083	414,197
TRAVEL COMPONENT								
01	Staff members	40,739	-	-	41,961	-	41,961	43,220
02	TERG members	90,040	-	-	92,741	-	92,741	95,523
SUB-TOTAL TRAVEL COMPONENT		130,779	-	-	134,702	-	134,702	138,744
GENERAL OPERATIONS COMPONENT								
01	Office space, equipment and supplies	48,000	48,581	-	48,960	1,508	50,468	51,982
02	Publications, outreach	65,320	52,000	12,739	73,120	12,739	85,859	74,582
SUB-TOTAL GENERAL OPERATIONS COMPONENT		113,320	100,581	12,739	122,080	14,247	136,327	126,564
MEETINGS COMPONENT								
01	Logistics	10,000	-	-	10,000	-	10,000	10,200
SUB-TOTAL MEETINGS COMPONENT		10,000	-	-	10,000	-	10,000	10,200
SUB-TOTAL NON-EVALUATION COMPONENT		605,028	540,597	12,739	625,554	63,558	689,112	689,705
EVALUATION COMPONENT								
SUB-TOTAL EVALUATION COMPONENT		458,191	366,735	40,000	561,517	50,200	611,717	603,344
TOTAL AF-TERG AND ITS SECRETARIAT		1,063,219	907,332	52,739	1,187,071	113,758	1,300,829	1,293,049

SECTION IV: ADAPTATION FUND – TRUSTEE ESTIMATED COSTS AND EXPENSES FOR THE PERIOD FROM 1 JULY 2021 TO 30 JUNE 2022 (FY22)

Background

27. The following sections present the trustee’s estimate of costs for trustee services to be provided during the period 1 July 2021 to 30 June 2022.

ESTIMATED COSTS FROM 1 JULY 2021 TO 30 JUNE 2022

Table 6: FY21 approved and FY22 estimated costs (USD)

Trustee Costs: FY21 approved and FY22 estimate			
Trustee Services	FY21 Approved	FY21 Estimated Actuals	FY22 Proposed
Monetization	180,000	170,000	180,000
Financial and Program Management	227,000	320,000	320,000
Investment Management	216,000	245,000	245,000
Accounting and Reporting	40,000	60,000	60,000
Legal Services	45,000	55,000	56,000
TOTAL	708,000	850,000	861,000

28. As part of the World Bank’s continued endeavor to enhance efficiency in trustee services, the World Bank rolled out an updated activity-based approach to determine the trustee administrative budgets for financial and program management, accounting and reporting, and legal services beginning 1 July 2020. In addition, at the start of FY21 the World Bank revised the fees for Financial Intermediary Fund (FIF) Trustee Services by applying a uniform indirect rate to fully recover associated indirect costs.

29. This approach allows the Trustee to standardize the budget for FIFs receiving similar scope and level of services based on the FIF size and activities. It has been used to determine trustee budgets for all FIFs from FY21 onwards. The Trustee continues to be reimbursed for its services based on the principle of full cost-recovery and will continue to present budgets to the Adaptation Fund Board for approval, including adjustments as required at the end of each fiscal year, should there be changes in FIF activities during the year as compared to the previous years. The investment management fee is calculated as a flat fee of 4.5 basis points on the average annual liquidity balance.

30. **The Adaptation Fund Board is hereby requested to approve the increase of USD 142,000 in the FY21 budget.** The increase is due to the increased activity in FY21 and is also reflective of the updated approach and uniform applicability to recover indirect

cost for financial and program management, accounting and reporting, and legal services. The increase in investment management cost is due to higher annual average cash balances than initially anticipated.

31. **The Adaptation Fund Board is hereby requested to approve an estimated budget of USD 861,000 for the period 1 July 2021 to 30 June 2022** to cover estimated costs 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.⁵

The FY22 proposed budget estimate is comprised of the following components:

- a) **Monetization (USD 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 FY21 and FY22 (USD)

<u>Monetization - FY21 Adjusted</u>			
	<u>Gross Labour*</u>	<u>Travel</u>	<u>Total</u>
Senior Traders	130,000	-	130,000
Back Office	40,000	-	40,000
TOTAL	170,000	-	170,000
<u>Monetization - FY22 Estimate</u>			
	<u>Gross Labour*</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

* Gross labor costs include all related overhead amounts.

- b) **Financial and program management (USD 320,000)**: This fee covers service related to management and execution of financial transactions, including processing of receipts of CERs and other sales proceeds, donations, and other

⁵ Actuals will be used as of the date the budget is prepared and estimates for the remainder of the fiscal year.

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 cost 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, if any, for trustee representatives to attend regular Adaptation Fund Board meetings.

- c) **Investment management (USD 245,000):** The 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 520 million, assuming the same pace of inflows and outflows as in FY21.
- d) **Accounting and reporting (USD 60,000):** 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 (USD 56,000):** These costs include drafting, negotiation and processing of donation agreements, funds transfer agreements and other legal agreements as needed. The estimate also covers providing 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).