

Adaptation Fund Board
Ethics and Finance Committee
Thirty-fifth Meeting
Bonn, Germany

WORK PLANS AND ADMINISTRATIVE BUDGETS OF THE BOARD AND SECRETARIAT, AF-TERG AND ITS SECRETARIAT, AND TRUSTEE FOR FISCAL YEAR 2026

Strategic Issues

- a) The fiscal year 2026 (FY26 – July 1, 2025 to June 30, 2026) workplans and budgets for the Board, Secretariat, AF-TERG and its Secretariat, and the Trustee were developed in a rapidly evolving context.
- b) Under the Medium-Term Strategy 2023-2027 and guided by its Implementation Plan, the Secretariat has continued to strive to fulfil the mandate of the Adaptation Fund to deliver financing for country driven concrete adaptation projects and programmes.
- c) Towards strengthening the operational effectiveness of the Board and Secretariat, the Secretariat consolidated structural changes to organize itself in five teams each headed by a Team Lead.
- d) To improve the Secretariat's workplan and budget development and in alignment with structural changes to the Secretariat, as well as to improve the clarity of the Secretariat's budgeting, the FY26 budget is constructed in two parts of fixed and variable costs, with variable costs planned in a bottom-up approach. As well, the workplan narratives and budgets are combined into a single board document for coherence.

Purpose

1. This board document presents the fiscal year 2026 (FY26) workplans and budgets for the Adaptation Fund Board and Secretariat, AF-TERG and its Secretariat, and the Trustee to the Ethics and Finance Committee (EFC) for the EFC's recommendation for approval to the Board.

Recommended Decision

2. The Ethics and Finance Committee (EFC), having considered the workplans and budgets for the Board and Secretariat, AF-TERG and its Secretariat, and the Trustee in document AFB/EFC.35/2 recommends for the Board's decision:
 - a) To take note of the budget proposals contained in document AFB/EFC.35/2 and approve, from the resources available in the Adaptation Fund Trust Fund:

Board and secretariat

- (i) The proposed budget of **US\$ 14,871,272** to cover the costs of the operations of the Board and secretariat for fiscal year 2026, from 1 July 2025 to 30 June 2026.
- (ii) The estimated World Bank hosting fees of US\$ 1,560,000 for the Secretariat and Board for fiscal year 2026.

AF-TERG and its Secretariat

- (iii) The proposed budget of **US\$ 1,997,759** to cover the costs of the operations of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and its secretariat for fiscal year 2025, from 1 July 2024 to 30 June 2025.
- (iv) The estimated World Bank of US\$ 212,000 for the AF-TERG and its secretariat for fiscal year 2026.

Trustee

- (v) The increase of US\$ 104,600 for the Trustee in the FY25 estimated actuals;
 - (vi) The proposed budget of US\$ 1,068,100 for trustee services to be provided during fiscal year 2026.
- (b) To authorise the Trustee to transfer the amounts in subparagraphs (a) (i), (ii), (iii) and (iv) to the respective Secretariats, and the amounts in subparagraphs (a) (v) and (vi) to the Trustee.

Background

3. The Secretariat has, through steady growth over the past few years, strengthened the ability of the Board and Secretariat to fulfil the Fund's mandate to deliver financing for country driven concrete adaptation projects and programmes in line with Board's expectations articulated in the Medium-Term Strategy 2023-2027.
4. In response to the Board's expectations and recent Secretariat growth, the Secretariat has concluded a restructuring to clarify the team structures that would be responsible for the Secretariat's business functions. The Secretariat now has a Front Office (including Communications) headed by the Manager directly, as well as four teams headed by a Team Lead each: a Programming and Innovation team, a Country and Partnership team (Accreditation, Readiness, and Resource Mobilization), a Result-Based Management and Knowledge Management team, and a Governance and Operations team. The Manager and these Team Leads now comprise a Secretariat management team, and the Secretariat work planning and budgeting has been adjusted to align with the Secretariat's team-based structure.
5. This approach will strengthen the alignment between team level work programme and budget planning and the Medium-Term Strategy 2023-2027 and its Implementation Plan, as well as strengthen Secretariat work planning and budgeting quality and results orientation. As well, this approach also gives the Board greater visibility on the business functions and costs of the Secretariat's operations, enhancing the Board's control and decision-making.
6. The FY26 Secretariat budget has three important changes for the Board's awareness:
 - (a) *Combination of Secretariat Workplan and Administrative Budget in a Single Board Document*

For FY26, the Secretariat's work plan and budget are combined into a single document that reduces the combined length of the two documents by reducing very detailed accounts of the Secretariat's activities.

(b) *New Budget Structure: Fixed and Variable Costs*

The FY26 Secretariat budget is organized into fixed and variable costs, using cost categories that allow to clearly identify types of costs and what is driving those costs.

Fixed costs include Secretariat wide costs that are predictable and unlikely to change over the course of a fiscal year. These costs include real estate, IT systems, staff salaries and benefits, extended-term consultants salaries and benefits, staff development (e.g. retreats, training), office equipment and supplies, and GEF cross support.

Variable costs are team specific costs that while planned for according to the Medium-Term Strategy 2023-2027 and its Implementation Plan and team level objectives, may fluctuate over the course of the year as business needs shift. Costs under this category would include short-term consultants hired for specific time-bound assignments, travel for staff, consultants and Board members, procurement of firms, and meetings and events (e.g. Board meeting logistics, COP and other external events, workshops). These costs require regular active management by Team Leads to effectively deliver team level workplans and allow some flexible responsiveness to unexpected business needs.

(c) *Workplan and Budget Development Process: Bottom-Up Planning and Management*

The revised approach to the Secretariat's workplan and budget development process was rolled out through a staff retreat and a workshop for Secretariat teams on preparing the FY26 workplan and budget. Under the leadership of Team Leads, teams undertook a detailed and rigorous process of setting team level objectives that would support delivery of the Medium-Term Strategy 2023-2027 and its Implementation Plan. Objectives were linked to activities and their associated variable costs to create as much as possible concrete team level workplans and budget reflective of the work of the Secretariat and Board. The Manager of the Secretariat and Team Leads reviewed the proposed FY26 team budgets, making adjustments to planned activities and resource levels to reasonably support the work of the Secretariat but within the bounds of what is prudent.

7. The following sections of this board document include: Section I: Overview of the Adaptation Fund Trust Fund, Section II: Proposed Workplans and Budgets for the Board and Secretariat for FY26, Section III: Proposed AF-TERG and Secretariat Workplan and Budget for FY26, and Section IV: Adaptation Fund Trustee FY25 Approved and Estimated Actual and Proposed FY26 Budget.

Section I: Overview of the Adaptation Fund Trust Fund

Funds in the Adaptation Fund Trust Fund

8. As of 31 December 2024, the funds available for new funding decisions in the Adaptation Fund Trust Fund amounted to US\$ 614.30 million, as presented in the Financial Report prepared by the Trustee. This represents an increase of US\$ 87.85 million from the amount available as of 31 December 2023 (US\$ 526.45 million).
9. Funds for approved concrete adaptation projects and programmes, project formulation grants as well as other grants such as readiness, innovation and learning 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.

Budget Overview

10. This budget overview provides the administrative budgets of the Adaptation Fund Board and the Adaptation Fund Board Secretariat, the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and its Secretariat, and the Trustee for FY26 in two versions comparing the format used in past budget papers with the new format used for FY26 for the Board's comparison this time while transitioning between reporting formats. The information in these tables is explained in detail in subsequent sections.



ADAPTATION FUND

Table 1 (Previous format): Approved and Estimated Year-End Actuals for FY25 and Proposed FY26 Budgets of the Board and Secretariat, the AF-TERG and its Secretariat, and the Trustee¹² (US\$)

All amounts in US\$	FY25	FY25	FY26
	Approved	Estimate	Proposed
BOARD AND SECRETARIAT			
1 Personnel	7,915,177	6,771,844	10,532,189
2 Travel	969,500	960,000	1,275,833
3 General operations	1,168,000	913,000	1,123,000
4 Meetings	249,020	350,000	373,276
Sub-total secretariat administrative services [a]	10,301,697	8,994,844	13,304,298
5 Accreditation [b]	566,800	536,666	738,020
6 Readiness Programme [c]	1,289,625	910,000	828,954
Total Board and Secretariat [a] + [b] + [c]	12,158,122	10,441,510	14,871,272
AF-TERG AND ITS SECRETARIAT			
1 Personnel	629,358	629,358	660,326
2 Travel	156,043	156,043	163,010
3 General operations	175,886	155,000	148,000
4 Meetings	10,664	5,000	5,000
Sub-total management	971,951	945,401	976,336
5 Evaluation	969,705	850,000	1,021,423
Total AF-TERG and its secretariat	1,941,656	1,795,401	1,997,759
TRUSTEE			
1 Monetization	180,000	180,000	180,000
2 Financial and Program Management	320,000	320,000	320,000
3 Investment Management	369,000	473,600	446,100
4 Accounting and Reporting	58,000	58,000	58,000
5 Legal Services	64,000	64,000	64,000
Total trustee	991,000	1,095,600	1,068,100
GRAND TOTAL ALL COMPONENTS	15,090,778	13,332,511	17,937,131

¹ In addition to the proposed budget above, the World Bank hosting fees will be incurred for fiscal year 2026, for both (1) the Secretariat and Board and (2) the AF-TERG and its secretariat. The World Bank hosting fees are calculated at 11% of total direct costs less the lease costs, in line with the hosting fee negotiated between GEF and the World Bank. The World Bank hosting fees are taken from the parent account that is at the level above the child (disbursing) accounts that the secretariat has its control, therefore not part of the secretariat's administrative budget.

² Daily Substance Allowance (DSA) for eligible Board members to attend board meetings (calculated at approximately US\$ 40,000 per board meeting) is transferred directly from the Adaptation Fund Trust Fund to the UNFCCC and is therefore not part of the administrative budget of the Board and Secretariat.

FY25 Approved Budget vs. Current Estimated FY25 Actual Budget

11. In the first half of FY25, the Secretariat completed its transition to the new organizational structure with the clearly defined five teams and a management team consisting of the Manager and the four team leads. In its transition, the Secretariat has changed the reporting lines and has still been working on matters necessary for the execution of work in teams. To facilitate the transition, the Secretariat organized a series of retreats for all Secretariat staff members, the management team, as well as individual teams, and resulting in an increase in meeting costs. There will be changes in budget implementation due to the Secretariat restructuring in other areas too, but the secretariat is continuing to keep them within an acceptable range.
12. In addition, the World Bank executed the cost recovery of the FY24 hosting fee in arrears, taking approximately US\$ 1.7 million from the administrative budgets of the Board and Secretariat for FY25 at the beginning of the fiscal year. US\$ 1.7 million was calculated at 19% of the total administrative expenses for FY24, and it was collected as a deposit of the hosting fee by the World Bank. When the Secretariat proposed the administrative budgets for FY25, the negotiation between the World Bank and the GEF that hosts the Adaptation Fund Board Secretariat was still ongoing, and the plan of the Secretariat was to allocate the hosting fee when the Secretariat was notified of the conclusion of the negotiation between the GEF and World Bank, including the rate of the hosting fee. Therefore, the hosting fee was not factored in the FY25 administrative budgets. Later in FY25, the World Bank agreed to cap the payment of its hosting fee at 11% of the total administrative expenses for units in the GEF Vice Presidency, including the Adaptation Fund, as per the associated GEF Council decision (Decision 23/2024). Against US\$ 1.7 million that was collected as a deposit of the hosting fee by the World Bank, approximately US\$ 1 million was charged as the FY24 hosting fee. Shortly before the issuance of the present document, the Secretariat was notified that the hosting fee for FY25 had been charged against the remainder of the deposit on a quarterly basis. The secretariat will be notified by the World Bank again when the deposit is exhausted by the hosting fees for FY25. The Secretariat is closely monitoring the budget implementation status to see whether the shortfall of US\$ 1.7 million and potentially more can be absorbed by estimated underruns within the FY25 budget.
13. Based on the actuals to date and remaining planned activities in FY25, FY25 year-end actuals as of 30 June 2025 are projected to be US\$ 8,994,844 for the main secretariat budget, which is 87.3 per cent of the approved FY25 budget (US\$ 10,301,697), US\$ 536,666 for the accreditation component, which is 94.7 per cent of the approved FY25 budget (US\$ 566,800), and US\$ 910,000 for the readiness programme, which is 70.6 per cent of the approved FY25 budget (US\$ 1,289,625).
14. The secretariat will continue implementing the planned activities until the end of FY25. The final actual expenditure for FY25 as of 30 June 2025 will be reported at the October board meeting in FY26.

Table 2 (New format): Proposed FY26 Budgets of the Board³ and Secretariat (US\$)^{4 5}

All amounts in US\$		FY26
		Proposed
BOARD AND SECRETARIAT FIXED COSTS		
1. Personnel		
01	Staff	5,924,461
02	Extended-term Consultants	1,241,195
03	Proposed new staff positions and externally-funded staff	1,478,605
04	Staff development	155,000
<u>Sub-total Staff</u>		8,799,261
2. General Operations		
01	Office lease	650,000
02	Equipment & Freight	72,000
03	IT systems	125,000
04	Secretariat support	140,000
05	GEF cross-support	70,000
<u>Sub-total General Operations</u>		1,057,000
SUB-TOTAL Board and Secretariat Fixed Costs		9,856,261
BOARD AND SECRETARIAT VARIABLE COSTS		
01	Front Office (including communications)	556,753
02	Programming and Innovation Team	689,247
03	Country Partnership Team (Accreditation, Readiness, and Resource	1,899,489
04	Result Based Management and Knowledge Management Team	840,579
05	Governance and Operations Team	1,028,943
SUB-TOTAL Board and Secretariat Variable Costs		5,015,011
GRAND TOTAL (Fixed + Variable costs)		14,871,272

³ Daily Substance Allowance (DSA) for eligible Board members to attend board meetings (calculated at approximately US\$ 40,000 per Board meeting) is transferred directly from the Adaptation Fund Trust Fund to the UNFCCC and is therefore not part of the administrative budget for the Board and Secretariat.

⁴ In addition to the proposed budget above, World Bank hosting fees will be incurred for fiscal year 2026, an estimated \$1.56 million for the Secretariat and Board and \$212,000 for the AF-TERG and its secretariat. The World Bank hosting fees are calculated at 11% of total direct costs less the lease costs, in line with the hosting fee negotiated between GEF and the World Bank. The World Bank hosting fees are taken from the parent account that is at the level above the child (disbursing) accounts that the secretariat has its control, therefore not part of the secretariat's administrative budget.

⁵ GEF cross-support represents services received from GEF staff.

Section II: Proposed Workplans and Budgets for the Board and Secretariat for Fiscal Year 2026 (July 1, 2025 – June 30, 2026)

Workplans of the Adaptation Fund Board and Secretariat for FY26

15. The FY26 workplans for the Secretariat's teams were developed through a rigorous bottom-up process that constructed a results chain that cascaded down from the Medium-Term Strategy 2023-2027 and its Implementation Plan. Building on the momentum of recent restructuring of the Secretariat, teams took a fresh and in-depth look at the functions they implement and co-implement jointly with other Teams. On the basis of this careful analysis and workplan development, the below outlines the key activities that each Secretariat Team will undertake in FY26.

Front Office (including Communications)

16. The Front Office directly supports the Manager, who will continue to provide overall strategic and policy leadership for the Secretariat, as well as lead the positioning of the Fund in external engagements. The Manager will also provide overall leadership of the Secretariat's teams and their functions, with the support of Team Leads who together comprise the Secretariat's management team. The Manager will also provide leadership to the development of the next Medium Term Strategic Plan, including supporting the future ambition and growth of the Fund.
17. The communications function will continue to communicate the Fund's mission, strategic pillars, and importance of its role in accelerating adaptation action, scalability and accessibility in developing countries, particularly in the context of the Paris Agreement. Using communications stories, multimedia and diverse outreach channels, the Fund's projects and programmes and their impacts on the ground to address rising and urgent adaptation needs in developing countries will be showcased

Key objectives of the communications function include:

- Leverage effective communications strategies and diverse platforms to reach growing target audiences with engaging content on the Fund's work that ensures strong external positioning of the Fund
- Show the Fund's climate adaptation project impacts on people's lives and livelihoods, ecosystems and infrastructure
- Highlight the Fund's comparative advantage in funding a large, growing base of effective, concrete and scalable projects and its diverse grant funding windows and opportunities for countries
- Promote thought leadership through the Fund's innovative and pioneering programmes, fostering of country ownership in adaptation via Direct Access, locally led actions and building national capacities
- Highlight ongoing record demand for projects and the Fund's funding needs, and the overall growing global adaptation urgency and finance gap
- Leverage media and communications partnerships to multiply audience reach

Programming and Innovation Team

18. The Programming and Innovation Team will continue to coordinate and undertake technical reviews of proposals, support the development of policies and processes for the pre-approval stage of projects, and ensure the efficiency of the proposal submission process. It will also lead on the implementation of the innovation pillar of the Fund's Medium-term Strategy, and, together with the readiness team, provide direct support to Implementing Entities (IEs) in the preparation of grant proposals. The team will also provide support to collaborative partnerships, such as the coordination of the Adaptation Fund Climate Innovation Accelerator (AFCIA), the meetings of the UNFCCC technology mechanism (Technology Executive Committee, TEC, and the Climate Technology Centres and Network, CTCN), and of the World Adaptation Science Programme (WASP). The team will, in collaboration with the RBM/KM team, organize Innovation Days again at the Adaptation Futures conference this year, and will continue exploring strategic partnerships with research and academia.

Key objectives Include:

- Increase in approvals of high-quality proposals (number and volume, NIEs, etc.)
- Increase in Innovation, Locally-Led Adaptation (LLA) and other proposal submissions
- Enhanced workflow and improved efficiency of processes, within and across teams (e.g. RBM)
- Greater number of scaled-up projects, clarity and collaboration with multilateral climate funds (Scaling in context of criteria and templates/ guidelines)

Country and Partnerships Team

19. The Country and Partnerships Team is comprised of Accreditation, Readiness, Resource Mobilization, and Strategic Partnerships. In FY26 the accreditation and readiness functions will continue to support Implementing Entities and Designated Authorities to better engage with Adaptation Fund policies, access and grant processes. The resource mobilization function will continue to mobilize resources from various sources, including public government contributions, private sector donations and alternative sources such as carbon market levies. As well, the Country and Partnerships team will continue to enhance complementarity, coherence and synergies with other climate finance providers and initiatives with the goal of establishing and maintaining strategic partnership to help maximize the Fund's impact and access for developing countries.

Key objectives include:

- Facilitate access to finance through readiness and accreditation processes
- Develop and launch an enhanced readiness programme
- Develop and launch a new resource mobilization strategy and action plan to increase the Fund's resource mobilization ambition and advocacy
- Increase resource mobilization from various sources including
 - Government contributions
 - Private sector donations
 - Carbon market initiatives

- Increase and further strengthen strategic partnerships with other climate finance providers and initiatives

Results Based Management and Knowledge Management Team

20. The Results Based Management and Knowledge Management Team is responsible for managing project performance during implementation and sharing knowledge to maximize learning and impact. The work of the team extends to the entire portfolio of the Fund.
21. The team's workplan in FY26 will include proactively tracking the Fund's portfolio and ensuring policy compliance, with an enhanced focus on building monitoring, evaluation and learning (MEL) capacity in implementing entities (IEs). The team will also roll out the revised Strategic Results Framework once approved by the Board and support the IEs in applying it. The team will continue to support programming, readiness, accreditation, and resource mobilization of the Fund through its various activities related to capacity development, monitoring, knowledge generation, and development of various impact and other briefs. The team is also the focal point for the Fund's Technical Evaluation Reference Group (TERG).
22. Under the knowledge function, the team will develop multiple studies to capture lessons from the Fund's portfolio, develop new e-learning courses on various topics, proactively represent the Fund on various knowledge platforms and communities, as well as organize knowledge and learning events.

Key objectives include:

- Effectively manage and monitor portfolio to maximize impact
 - Proactively track and manage project performance
 - Ensure compliance with Board direction and policy requirements
 - Enhance monitoring, evaluation and learning (MEL) capacity of IEs
- Capture and share knowledge on adaptation to maximize learning
 - Share lessons with and between IEs
 - Provide thought leadership to the adaptation field at-large
 - Develop strategic knowledge and learning partnerships
- Support scale, sustainability and access to finance
- Enhance organizational effectiveness of secretariat
 - Provide evidence and knowledge for internal strategic decision making
 - Enhance internal MEL capacity and related infrastructure
 - Support annual planning, strategy, and performance management

Governance and Operations Team

23. The Governance and Operations Team is a newly formed team as of 2024, tasked with supporting the Fund's governance (both Board/ Committee operations and reporting to the CMA and CMP), internal operations (such as work plan and budget preparation and standard operating procedures for administrative processes, policy work, and gender).
24. In FY26 the Governance and Operations team will continue to support the effectiveness of Board and Committee processes, deliberations and decision making, which are vital to establishing

the strategic direction of the Fund. The team will also support putting in place policies and processes that will guide the Fund's work and creating a learning culture to guide the work of the Fund. As well, the Team will continuously review and enhance the Secretariat's internal operating systems.

Key objectives include:

Governance

Board and Committee Meetings

- Ensure effective and efficient Board and Committee deliberations and decision making

CMP/CMA Governance

- Support the positioning of the Fund among Parties to the CMP and CMA as an effective financing vehicle to help deliver the Parties' commitments to the NCQG and the Paris Agreement

Policy

- Coordinate the development and updating of Fund policies to successfully deliver the Board's financing, programming, and learning directions under the MTS II and according to guidance by the CMP/CMA

Gender

- Position the AF as a leader in gender mainstreaming within climate change adaptation
- Strengthen gender-responsiveness of AF work and resources
- Strengthen IEs' gender mainstreaming capacities
- Enhance collection of the gender data (quantitative and qualitative) in the AF portfolio

Operations

Finance

- Improve the financial efficiency of the Fund through effective work planning and budgeting processes

Operational Efficiency

- Improve secretariat processes and practices and increase its operational capacity
- Report on carbon performance of the secretariat

Commentary on the FY26 Fixed and Variable Budget for the Board and Secretariat

25. The following section provides commentary on key aspects of the Board and Secretariat's FY26 fixed and variable budget.

A. Fixed Budget

a) *Personnel*

26. Personnel costs in the fixed budget portion of the Secretariat budget consist of salaries and benefits of existing and new staff, extended-term consultants, and staff development costs.

27. The FY26 budget reflects the current 23 full-time staff positions, two externally funded positions⁶, and six extended-term consultants in the Secretariat. Extended-term consultants offer the benefit of full-time staff support to the Secretariat while maintaining the operational flexibility to respond to future business needs. Three staff positions approved by the Board for FY25 and four extended-term consultant positions are either filled or under recruitment.
28. The FY26 budget also includes five additional requested staff positions, including a Senior External Affairs Officer position to enhance the Secretariat's communications and outreach capabilities, a Governance Operations and Finance Officer to provide greater support to the Secretariat's Board and Committee governance and reporting to the CMP/ CMA, as well as provide additional financial management capacity to the Secretariat, a Programme Officer to enhance the capacity in the country and partnership team, a Programme Officer to enhance the capacity of the RBM and KM operations, and a Programme Assistant to provide great administrative support to the entire Secretariat to allow Team Leads, Officers, and Analysts to focus on their work programme deliverables consistent with their level within the Secretariat.
29. As well, the FY26 budget includes two additional extended-term consultants to add carbon market expertise to the resource mobilization function in the Country and Partnerships team and grant proposal processing capacity in the Programming and Innovation Team. Staff costs for FY26 would therefore be in part higher in FY26 than in FY25 because of the addition of five staff positions and two extended-term consultants.
30. Staff development costs include a staff retreat and investment in staff learning and training for professional growth and to enhance staff capacity to deliver the Secretariat's work plan more effectively. Staff development costs will remain flat with no increase from FY25.

b) General Operations

31. Costs under General Operations support the Secretariat's real estate lease for its office space, office supplies and equipment (e.g. personal computers and cell phones).
32. The general operations line also include funds to maintain the Secretariat's IT systems, such as the platform used for grant management and financial monitoring, and the hosting and routine maintenance of the Adaptation Fund website. The secretariat support covers emerging needs that are to be managed by the secretariat centrally, and this line item includes an allocation for vendor such as a management consulting firm that would undertake a comprehensive analysis of the Secretariat's required capabilities to deliver a higher level of ambition. The last item under the general operations is the GEF cross support.

B. Variable Budget

33. The Secretariat's FY26 variable portion of the budget was developed by each of the five Secretariat teams to resource team level activities with short-term consultants, travel, firms, and costs associated with meeting and event venue costs.

⁶ Externally funded staff are funded by contributor governments and therefore do not appear as costs in the Secretariat budget. The current externally funded mid-career professional is supported by the Government of Sweden and the Junior Professional Officer is supported by the Government of Japan. Staff costs of the Junior Professional Officer will be incurred from the fourth year of his term, i.e. January 2026. Those of the mid-career professional will be incurred from the fourth year of his term, i.e. May 2026.

Table 3: FY26 Variable Costs for the Board and Secretariat (US\$)

	STCs	Travel	Vendor	Meetings and events	Variable costs total
FY25 approved	1,278,405	1,350,700	771,000	1,102,300	4,502,405
FY26 proposed	1,406,003	1,668,426	1,145,500	795,082	5,015,011

a) Short-Term Consultants (STCs)

34. The proposed FY26 Secretariat budget for short-term consultants is slightly increased from FY25, to support project and grant proposal review, the accreditation process, the production of communications media products, the development of Adaptation Fund policies and associated guidelines, enhancement of the IT systems and websites, as well as resource mobilization. STC contracts are typically about 20-30 days in-length to produce specific deliverables in support of teams' work programmes.

b) Travel

35. Travel for staff, Board members and alternate members, accreditation panel members, and consultants was planned through the team level work planning process, resulting in an informed estimate of actual expected travel costs. The travel budget that was centrally managed until FY25, will now be allocated to each team's variable budget. Proposed travel costs for FY26 are higher compared to FY25 reflecting increased external engagement with IEs, contributors, and key events, conferences, and workshops where Secretariat staff are to participate. As well, the Secretariat is expecting increased costs associated with participation at COP30.

c) Vendors

36. The Secretariat proposes a higher number of vendor contracts in FY26 compared to FY25. The proposed increase in vendor costs is for the production of in-field communications video products, enhancing the Adaptation Fund websites, and preparing materials for the Fund's participation at COP30; developing materials and delivering a number of training workshops for IEs; supporting the development of the Fund's resource mobilization; analytical work and post-production publication work; and enhancements to the Adaptation Fund's IT platform.

d) Meeting and Event Costs

37. The proposed meeting and event costs for the Board and Secretariat are lower in FY26 than for FY25 because of efforts to streamline and focus Readiness workshops. Meeting and event costs are comprised of costs for venues, logistics, and catering, and other meeting support for Board and Committee meetings, training workshops for IEs and the Adaptation Fund's participation at thematic or regional conferences. This cost category also funds non-Board or staff participants' travels and lodging to Adaptation Fund convened workshops.

Section III: Proposed AF-TERG and Secretariat Workplan and Budgets for Fiscal Year 2026 (July 1, 2025 – June 30, 2026)

Budget for FY26

38. The proposed budget for FY26 is aligned with the indicative budget for FY 2026 included in the second multi-year work programme of AF-TERG.

Fixed costs

39. The fixed costs of the AF-TERG operations include staff costs (Secretariat staff and ETCs, and fees of AF-TERG members), as well general operations costs, such as office space rent. As the AF-TERG is maturing and the Fund is growing, sustainability of the AF-TERG operations becomes crucial for the execution of the multi-year work programme. The current practice of using short-term consultants (STCs) has presented various challenges, including high turnover and unavailability during crucial periods of the evaluation oversight and implementation. The lack of full-time positions also posed challenges in the procurement of corporate vendors, as this process cannot be handled by short-term consultants. Therefore, the proposed budget for FY26 suggest addition of one more extended term consultants (ETC) position at level ETC1 and the replacement of that STC position that is currently supporting the AF-TERG day-to-day operations. The proposed fixed costs component of the AF-TERG budget for FY26 amounts to a total of US\$ 1,021,749.

Variable Costs

40. The variable cost component of the AF-TERG budget is fully aligned with the indicative budget of the AF-TERG for FY26 except for a decrease in the costs related to consultants who will be replaced by the proposed new two staff positions.
41. The travel component is aligned with the workplan and includes costs associated with participation in Board meetings and AF-TERG in-person meetings, as mandated in the AF-TERG terms of reference (Decision B.42/47), as well as participation in site visits conducted as part of the ongoing evaluations, portfolio monitoring missions and strategic events.
42. The consulting component individual consultant costs related to specialized needs such as graphic design, proof-reading, translation to other languages besides English and other specialized services supporting the implementation of evaluations and dissemination of learning.
43. The logistic costs of the mandated annual AF-TERG in-person meeting are also included here and cover the costs of securing venue and catering for the meetings.
44. Finally, the evaluation vendor costs include the cost of retaining the services of corporate vendors for the implementation of the evaluations including the second multi-year work programme, such as the comprehensive evaluation, MTR of MTS2, and the Evaluation of Processes and Systems Supporting Governance (G/PS) for Enhanced Performance of the Adaptation Fund. Most of these evaluations are planned to be contracted in FY25 and will continue implementation in FY26, except for the new batch of two ex post evaluations.
45. The variable cost component of the AF-TERG budget for FY26 amounts to US\$ 976,010.

Total budget

46. The total proposed AF-TERG budget for FY26 is USD 1,997,759.

Table 4: FY26 Fixed and Variable Costs for the AF-TERG and its Secretariat (US\$)

All amounts in US\$	<u>FY25</u> <u>Approved</u>	<u>FY25</u> <u>Estimate</u>	<u>FY26</u> <u>Proposed</u>
AF-TERG AND ITS SECRETARIAT			
Fixed component			
1 Personnel	629,358	629,358	941,749
2 General operations	100,000	80,000	80,000
Sub-total fixed component	729,358	709,358	1,021,749
3 Travel	156,043	156,043	163,010
4 Consultants	75,886	75,000	68,000
5 Meetings	10,664	5,000	5,000
6 Evaluation vendors	969,705	850,000	740,000
Sub-total variable component	1,212,298	1,086,043	976,010
Total AF-TERG and its secretariat	1,941,656	1,795,401	1,997,759

Section IV: Adaptation Fund Trustee FY25 Approved and Estimated Actual and Proposed FY26 Budget

Background

47. The Trustee provides a range of services for the Adaptation Fund as defined in the Terms and Conditions of Services to be provided by the International Bank for Reconstruction and Development as Trustee of the Adaptation Fund. The Trustee's costs for its services provided to the Adaptation Fund are presented in five categories i.e., Monetization, Financial and Programme Management, Investment Management, Accounting and Reporting, and Legal Services.

48. The details of Trustee services for each category are provided below:

- a) **Monetization** services provided by the World Bank Treasury includes the management of monetization procedures and systems, outreach and relationship management with existing and potential counterparties, daily sales on exchanges, settlement of sales transactions, and management of direct, over-the-counter, and other transactions. This also includes the reimbursable transactions related to preparation, execution and settlement of trades.
- b) **Financial and programme management** services relate to management and execution of financial transactions, including receiving and processing of receipts of CERs and other sales proceeds, donations, and other cash proceeds in the Adaptation Fund Trust Fund. It includes recording allocations and commitments, executing cash transfers to implementing entities using World Bank financial systems and procedures, and regular financial reporting for the Trust Fund. It also includes collaboration with the Adaptation Fund Board and Secretariat, responding to day-to-day enquiries from the Secretariat, donors and other Adaptation Fund constituencies and stakeholders, and travel, if any, for trustee representatives to attend regular Adaptation Fund Board meetings.
- c) **Investment management** services include the investment of the cash balance in Adaptation Fund. The investment management fees are calculated as a flat fee of 4.5 basis points (i.e. 0.045%) of the average annual cash balances in the Trust Fund.

- d) **Accounting and reporting** services include managing the accounting model for the Trust Fund, clearance of agreements and maintenance of appropriate records, accounts and systems to support financial reporting.
- e) **Legal** services include drafting, negotiating and preparing donation agreements/arrangements, and other legal agreements as needed, as well as providing policy advice and legal review on issues raised by the AF Board and Secretariat and others as they may impact the Adaptation Fund Trust Fund and the services of the Trustee. It also includes providing policy advice, consulting with the AF secretariat and others on amending existing legal documents and agreements, as required (e.g. amendments to the Terms and Conditions that may be required due to decisions under UNFCCC processes).

FY25 End of Year Actual Costs and FY26 Proposed Budget (US\$)

49. The following sections present the trustee's estimate of actual costs for services provided during the current fiscal year 2025 (FY25, July 1, 2024 – June 30, 2025) and the proposed budget for trustee services to be provided during the fiscal year 2026 (FY26, July 1, 2025 - June 30, 2026).

Table 5: FY25 Approved, Estimated Actuals, and FY26 Proposed Budget for the Trustee (US\$)

Trustee Services	FY25 Approved	FY25 Estimated Actuals	FY26 Proposed
Monetization	180,000	180,000	180,000
Financial and Program Management	320,000	320,000	320,000
Investment Management	369,000	473,600	446,100
Accounting and Reporting	58,000	58,000	58,000
Legal Services	64,000	64,000	64,000
TOTAL	991,000	1,095,600	1,068,100

50. In April 2024, the Adaptation Fund Board approved a budget estimate of US\$ 991,000 for FY25 to cover Trustee's services. The actual costs for FY25 are estimated to be US\$ 1,095,600, which is US\$ 104,600 higher than the approved FY25 budget. This increase is due to a higher investment management fee, which is driven by a higher expected average cash balance (US\$ 1.05 billion) in FY25 compared to the initial estimate of USD 819 million.

51. The FY26 proposed budget is lower by US\$ 27,500 compared to the FY25 estimated actuals. For the purpose of the budget estimate for FY26, the Trustee assumes the same level of activity for each of the Trustee services and an average annual cash balance of US\$ 991 million for the investment management fee. Actual investment management costs may vary depending on the actual average liquidity balance in the Trust Fund during FY26.