



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

## **WORK PLANS AND ADMINISTRATIVE BUDGETS OF THE BOARD AND SECRETARIAT, AF-TERG AND ITS SECRETARIAT, AND TRUSTEE FOR FISCAL YEAR 2027**

### **Strategic Issues**

- a) The fiscal year 2027 (July 1, 2026 to June 30, 2027) workplans and budgets for the Board, Secretariat, AF-TERG and its Secretariat, and the Trustee were developed in a rapidly changing 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) The Secretariat's workplan and budget structure and process were changed starting with the FY26 workplan and budget, which that Adaptation Fund Board approved at its April 2025 meeting.
- d) Changes to the workplan and budget align the budget with the team-based structure of the Secretariat and aim to improve the Secretariat's workplanning and budgeting by clearly identifying fixed costs at the Secretariat level and variable costs at the team level, enhancing the Secretariat's budgetary control and making actual costs of Secretariat, Board, AF-TERG and its Secretariat, and Trustee operations more transparent to the Board.

### **Purpose**

1. This board document presents the fiscal year 2027 (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.37/2 recommends for the Board's decision:
  - a) To take note of the budget proposals contained in document AFB/EFC.37/2 and approve, from the resources available in the Adaptation Fund Trust Fund:

#### Board and secretariat

- (i) The proposed budget of **US\$ 15,885,706** to cover the costs of the operations of the Board and Secretariat for fiscal year 2027, from 1 July 2026 to 30 June 2027.

- (ii) The estimated World Bank hosting fees of **US\$ 1,747,000** for the Secretariat and Board for fiscal year 2027.

AF-TERG and its Secretariat

- (iii) The proposed budget of **US\$ 2,063,115** 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 2027, from 1 July 2026 to 30 June 2027.
- (iv) The estimated World Bank hosting fee of **US\$ 227,000** for the AF-TERG and its Secretariat for fiscal year 2026.

Trustee

- (v) The increase of **US\$ 302,800** for the Trustee in the FY26 estimated actuals;
  - (vi) The proposed budget of **US\$ 1,174,900** for trustee services to be provided during fiscal year 2027.
- (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 experienced rapid growth over the past few years, responding to direction from the Parties to the CMP and CMA, as well as that of the Board as articulated in the Medium-Term Strategy 2023-2027, to fulfil the Fund’s mandate to deliver financing for country driven concrete adaptation projects and programmes.
4. The Secretariat’s work is organized around a team-based structure that allocates responsibility for the Secretariat’s business functions to five teams. The Secretariat 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, Impact, and Knowledge team, and a Governance and Operations team. The Manager and these Team Leads comprise a Secretariat management team, that supports the Manager in organizing and implementing the work of the Secretariat.
5. This approach strengthens the alignment between team level work programme and budget planning and the Medium-Term Strategy 2023-2027 and its Implementation Plan, as well as strengthens Secretariat work plan and budget planning and management. 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 FY27 Secretariat budget has three key aspects, described below:

(a) *Fixed Cost Portion*

As was introduced for the FY26 Secretariat budget, the FY27 budget is organized into fixed and variable costs portions, with the variable portion of the budget using cost categories that allows the Secretariat to clearly identify types of costs and to analyse 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.

In this proposed budget for FY27, the Secretariat proposes the introduction of a new line item under its fixed budget portion of the Secretariat budget to cover staff travel costs related to the Fund's Board meetings and global events organized under the UNFCCC, such as the COP, the Subsidiary Bodies (SBs) and Climate Weeks. Given the predictable nature of these travel requirements and that travel involves cross-team delegations, locating these travel costs in the fixed budget instead of individual team budgets in the variable portion of the Secretariat budget will allow the Secretariat to more easily control travel expenditure and more effectively plan delegation travel.

(b) *Variable Cost Portion*

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 and independent contractors hired for specific time-bound assignments, travel for staff (excluding travels for the events listed in the fixed cost portion), consultants and Board members, procurement of firms, and meetings and events (e.g. logistics for external events and workshops). These costs require regular active management by Team Leads to effectively deliver team level workplans and allows some flexible responsiveness to unexpected business needs.

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

Similar to the previous year, the Secretariat's workplan and budget development process for FY27 was launched by the all-staff retreat. Under the leadership of Team Leads, teams undertook a detailed and rigorous process of developing team level workplans that set team level objectives to support delivery of the Medium-Term Strategy 2023-2027 and its Implementation Plan. Team level objectives were linked to activities, for which resources were dedicated in the variable portion of team level budget 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 FY27 team budgets, making adjustments to planned activities and resource levels to reasonably support the work of the Secretariat.

During the course of FY26, workplan and budget management has followed a year-round approach, with the Secretariat's finance officer preparing monthly budget 'burn rate' reports for the fixed portion of the budget and for each team at the level of cost drivers. In addition, the Manager convenes quarterly budget review meetings with Team Leads where each team's budget expenditure rate is presented and discussed. These measures involve both closer budget management of the Secretariat's budget using the fixed and variable portions of the budget, including at the team level, and establishes a data base for preparing cost estimates for the FY27 Secretariat budget. This same year-round approach will be continued and refined in FY27.

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 December 31, 2025, the funds available for new funding decisions in the Adaptation Fund Trust Fund amounted to US\$ 715.20 million, as presented in the Financial Report prepared by the Trustee. This

represents an increase of US\$ 100.90 million from the amount available as of December 31, 2024 (US\$ 614.30 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 FY27. The information in these tables is explained in detail in subsequent sections.



ADAPTATION FUND

**Table 1: Approved and Estimated Year-End Actuals for FY26 and Proposed FY27 Budgets of the Board and Secretariat, the AF-TERG and its Secretariat, and the Trustee<sup>12</sup> (US\$)**

All amounts in US\$	<b>FY26</b>	<b>FY26</b>	<b>FY27</b>
	<b>Approved</b>	<b>Estimate</b>	<b>Proposed</b>
<b>BOARD AND SECRETARIAT</b>			
<b>Fixed component</b>			
1 Personnel	8,418,477	6,310,000	8,296,646
2 General Operations	1,057,000	1,054,000	1,701,000
<b>Sub-total fixed component</b>	<b>9,475,477</b>	<b>7,364,000</b>	<b>9,997,646</b>
<b>Variable component</b>			
1 Front Office (including communications)	556,753	559,819	629,462
2 Programming and Innovation Team	689,247	998,000	1,592,600
3 Country Partnership Team	1,899,489	1,777,000	1,789,921
4 Result, Impact. and Knowledge Team	840,579	850,000	907,235
5 Governance and Operations Team	1,028,943	1,051,905	968,842
<b>Sub-total variable component</b>	<b>5,015,011</b>	<b>5,236,724</b>	<b>5,888,060</b>
<b>Total Board and Secretariat</b>	<b>14,490,488</b>	<b>12,600,724</b>	<b>15,885,706</b>
<b>AF-TERG AND ITS SECRETARIAT</b>			
<b>Fixed component</b>			
1 Personnel	941,749	941,749	980,705
2 General operations	80,000	75,000	82,000
<b>Sub-total fixed component</b>	<b>1,021,749</b>	<b>1,016,749</b>	<b>1,062,705</b>
<b>Variable component</b>			
1 Travel	163,010	163,010	167,085
2 Consultants	68,000	68,000	69,700
3 Meetings	5,000	5,000	5,125
4 Evaluation vendors	740,000	740,000	758,500
<b>Sub-total variable component</b>	<b>976,010</b>	<b>976,010</b>	<b>1,000,410</b>
<b>Total AF-TERG and its secretariat</b>	<b>1,997,759</b>	<b>1,992,759</b>	<b>2,063,115</b>
<b>TRUSTEE</b>			
1 Monetization	180,000	180,000	180,000
2 Financial and Program Management	320,000	320,000	340,000
3 Investment Management	446,100	530,200	514,900
4 Accounting and Reporting	58,000	58,000	62,000
5 Legal Services	64,000	282,700	78,000
<b>Total Trustee</b>	<b>1,068,100</b>	<b>1,370,900</b>	<b>1,174,900</b>
<b>GRAND TOTAL ALL OFFICES</b>	<b>17,556,347</b>	<b>15,964,383</b>	<b>19,123,721</b>

<sup>1</sup> In addition to the proposed budget above, World Bank hosting fees will be incurred for fiscal year 2027, an estimated \$1.747 million for the Secretariat and Board and \$227,000 for the AF-TERG and its secretariat. The World Bank hosting fees are calculated at 11% of total direct costs, in line with its payment cap 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.

<sup>2</sup> Daily Substance Allowance (DSA) for eligible Board members to attend board meetings (calculated at approximately US\$ 50,000 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.

## **FY26 Approved Budget vs. Current Estimated FY26 Actual Budget**

11. In the first half of FY26, the Secretariat continued to execute its FY26 budget through its team-based structure and a management team consisting of the Manager and four Team Leads, under the oversight of the Manager.
12. Based on the actuals to date and remaining planned activities in FY26, FY26 year-end actuals as of 30 June 2026 are projected to be US\$ 12,600,724 for the overall secretariat budget, which is 86.9 per cent of the approved FY26 budget (US\$ 14,490,488).
13. The expected FY26 budget underrun primarily reflects delays in recruiting newly approved staff and ETC positions. Recruitment has required more steps and justifications and taken longer than planned due in part to the World Bank-wide hiring slowdown associated with broader fiscal austerity measures, notwithstanding the distinct funding arrangements of the Adaptation Fund.
14. In addition, since FY24, the World Bank has implemented cost recovery for the hosting fee. As in FY25, the World Bank has continued this approach in FY26, executing cost recovery for the first half of the fiscal year on a quarterly basis. Fund transfers have been made from the administrative parent account into which the budget approved specifically for hosting fees is deposited. In line with the relevant GEF Council decision (Decision 23/2024), the amount recovered corresponds to 11 percent of total administrative expenses incurred. As previously reported by the Secretariat to the Ethics and Finance Committee (EFC) at its thirty-sixth meeting, any unrecovered portion of the full hosting fee (18.35 percent) is recorded by the World Bank as a liability for the respective units within the GEF Vice Presidency.
15. The Secretariat will continue implementing the planned activities until the end of FY26. The final actual expenditure for FY26 as of 30 June 2026 will be reported at the October board meeting in FY27.

**Table 2: Proposed FY27 Budgets of the Board and Secretariat (US\$)**

All amounts in US\$		<b>FY26</b>	<b>FY26</b>	<b>FY27</b>
		<b>Approved</b>	<b>Estimate</b>	<b>Proposed</b>
<b>BOARD AND SECRETARIAT FIXED COSTS</b>				
<b>1. Personnel</b>				
01	Staff	7,008,223	5,600,000	7,108,984
02	Extended-term Consultants	1,255,254	600,000	1,062,663
04	Staff development	155,000	110,000	125,000
	<b>Sub-total Staff</b>	<b>8,418,477</b>	<b>6,310,000</b>	<b>8,296,646</b>
<b>2. General Operations</b>				
01	Office lease	650,000	650,000	650,000
02	Equipment & Freight	72,000	77,000	96,000
03	IT systems	125,000	127,000	230,000
04	Travel (for fixed events)			490,000
05	Secretariat support	140,000	120,000	145,000
06	GEF cross-support	70,000	80,000	90,000
	<b>Sub-total General Operations</b>	<b>1,057,000</b>	<b>1,054,000</b>	<b>1,701,000</b>
<b>SUB-TOTAL Board and Secretariat Fixed Costs</b>		<b>9,475,477</b>	<b>7,364,000</b>	<b>9,997,646</b>
<b>BOARD AND SECRETARIAT VARIABLE COSTS</b>				
01	Front Office (including communications)	556,753	559,819	629,462
02	Programming and Innovation Team	689,247	998,000	1,592,600
03	Country Partnership Team	1,899,489	1,777,000	1,789,921
04	Result, Impact. and Knowledge Team	840,579	850,000	907,235
05	Governance and Operations Team	1,028,943	1,051,905	968,842
<b>SUB-TOTAL Board and Secretariat Variable Costs</b>		<b>5,015,011</b>	<b>5,236,724</b>	<b>5,888,060</b>
<b>GRAND TOTAL (Fixed + Variable costs)</b>		<b>14,490,488</b>	<b>12,600,724</b>	<b>15,885,706</b>

**Section II: Proposed Workplans and Budgets for the Board and Secretariat for Fiscal Year 2027 (July 1, 2025 – June 30, 2026)**

**Workplans of the Adaptation Fund Board and Secretariat for FY27**

16. 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. Teams took an in-depth look at the functions they implement and co-implement jointly with other Teams, and in conjunction with analysis of past workplan implementation and lessons learned from budget management practices in FY26 to date, constructed workplans and budgets for FY27. The key activities that each Secretariat team intends to undertake in FY27 are outlined below.

*Front Office (including Communications)*

17. 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.
18. 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.
19. Delivery of the FY27 communications work plan will rely on in-house capacity complemented by targeted external expertise during peak periods such as COP31 and the 20th Anniversary, and for continued work in phased website improvements, strategy updates and special graphics products. Given the expanded scope and complexity of planned activities, it is essential to maintain sufficient in-house communications capacity to ensure effective coordination, continuity, quality assurance, and value for money across all deliverables.

Key objectives of the communications function include:

- Producing targeted communications highlighting on-the-ground results, innovative programs, and achievements across the Adaptation Fund's strategic and cross-cutting pillars, emphasizing its contribution to meeting rising adaptation needs under the Paris Agreement.
- Supporting high-visibility coverage of priority events, including National Implementing Entity exchanges and seminars, Board meetings, UNFCCC COPs, and project monitoring missions (PMM), to elevate locally led adaptation, innovative financing approaches, Fund leadership, and key partnerships.
- Strengthening media and communications partnerships to extend the reach of the Fund, including collaboration with media organizations and closer coordination with implementing entities, other climate funds, civil society, and media partners. Communication efforts will also include strengthening website and social media performance through improved monitoring, analytics, and content scheduling, and scale content production through more efficient use of design and production tools.
- A focused campaign to celebrate the 20<sup>th</sup> anniversary of the operationalization of the Adaptation Fund, highlighting the Fund's evolution, impact, and continued relevance through targeted storytelling and multimedia.
- Advancing phases 2-3 of the website modernization, focusing on simplified structure, improved usability and accessibility, and country-centered content. The site will further integrate photos, videos, and stories that demonstrate the Fund's impact in a more dynamic and coherent way.

### *Programming and Innovation Team*

20. The Programming and Innovation Team will continue to coordinate and undertake technical reviews of proposals, support the overall policy and process work, and in particular the updating of policies and processes for the pre-approval stage of projects to 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, in support of the Fund's readiness and accreditation functions, provide direct support to Implementing Entities (IEs) in the preparation of grant proposals. The team will also coordinate support to the Project and Programme Review Committee (PPRC), including preparation and presentation of documents. 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 RIK team, continue exploring strategic partnerships with research and academia.

#### Key objectives Include:

- Strengthen the project approval process, including increasing the number and quality of proposal submissions and facilitating their approval through the technical review process.
- Further development of and support for Locally-Led Adaptation and Innovation work streams.
- Support the scaling-up of successful projects.
- Support outreach during key climate events, such as COP.
- Support the capacity of Implementing Entities to work with the Fund through the readiness function.
- Grow partnerships, such as in the innovation funders community.
- Contribute to the strategic and analytical work in preparation for MTS-III.

### *Country and Partnerships Team*

21. The Countries and Partnerships Unit brings together three complementary workstreams, Accreditation, Readiness, and Resource Mobilization and Partnerships and the Unit ensures that countries are equipped, supported and empowered to access climate finance and implement high-impact adaptation projects.
22. The Accreditation team reviews and manages an expanding pipeline of applicant entities, supports the Accreditation Panel in technical assessments and field verifications ensuring the entities meet the Fund's environmental, social, gender and fiduciary standards, maintains and improves the accreditation platform.
23. The Readiness and Capacity Building workstream delivers tailored support to strengthen Direct Access and implementing entities. Through outreach, technical assistance, regional workshops, webinars, helps the accreditation process, the design, implement and report on adaptation projects while deepening long-term institutional capacity in vulnerable countries.
24. The Resource Mobilization and Partnerships workstream enables the Fund's growth and sustainability. It develops and executes the RM strategy, engages government donors through sustained outreach and dialogues, mobilizes private sector support via partners like the UN Foundation, and the operationalizing of Art. 6 of the Paris Agreement and cultivates strategic

alliances across the climate finance landscape to broaden and diversify the Fund's base of support.

25. Together, these three workstreams reinforce one another: strong accreditation builds trust, readiness builds capability, and resource mobilization secures the means and partnerships needed to turn adaptation priorities into measurable impact.

Key objectives include:

#### Accreditation

- Accreditation Panel services: Supports the review of the 95-application portfolio, including technical assessments by the Accreditation Panel. Funding also covers field verifications where Panel members will participate to strengthen direct interface with applicant entities on their applications.
- Workflow management and enhancements: Ensures ongoing maintenance and upgrades of the accreditation platform to improve user experience, processing efficiency, and policy-driven functionalities. These investments reduce bottlenecks and support timely progression of the applications closer to finish line.
- Accreditation Panel meetings and travel: Provides resources to host two in-person Panel meetings annually and cover travel and per diems for Panel members and E&S experts to Washington, DC. This is a central function of the accreditation team under CPU.
- Specialized consultant support: Procure services of external experts to conduct environmental, social, gender, and legal assessments, and to support policy and procedural updates tied to the evolving re-accreditation process. This ensures rigor to our application assessments, analytical depth, and maintains standards integrity while building coherence with different functions of the Fund.

#### Readiness

- Delivering demand-driven, inclusive and tailored readiness, technical assistance (TA) and capacity building support
- Expanding the scope and recipients of the readiness program in line with MTS-II
- Delivering readiness finance through new and improved grants
- Enhancing strategic collaboration and partnerships
- Enhancing data tracking and evidence-based capacity building
- Enhancing use of digital tools and Artificial Intelligence (AI) in readiness and capacity building, and
- Strengthening awareness of the value add of the Fund's Readiness

#### Resource mobilization

- Develop and launch new resource mobilization strategy and develop related action plan to increase the Fund's RM ambition and advocacy
- Continue outreach and engagement with existing and potential new contributor governments through bilateral meetings and dedicated capital visits, informal contributor

dinner events, a high-level Contributor Dialogue during COP31, with dedicated outreach and advocacy materials

- Outreach to private sector organizations to advocate for private sector contributions via the United Nations Foundation
- Continue to build strategic partnerships with other climate finance providers and initiatives

*Results Impact and Knowledge Team*

26. The Results, Impact, and Knowledge (RIK) team (formerly named the Results Based Management and Knowledge Management team) plays a central role in enabling the Fund to deliver on its Medium-Term Strategy (MTS) by strengthening results management, enhancing data-driven decision-making, advancing knowledge and learning, and improving organizational effectiveness. The team's work directly contributes to ensuring that Fund operations deliver measurable, high-quality adaptation outcomes while strengthening country capacity and supporting equitable access to climate finance.
27. The work plan supports all major pillars of the AF strategy, particularly delivering impactful adaptation programming and results management, strengthening institutional capacity and access, enhancing knowledge, learning, and innovation, and improving operational efficiency, governance, and organizational effectiveness. Through systematic portfolio monitoring, strengthened data systems, and proactive knowledge dissemination, the RIK team ensures that evidence and learning continuously inform strategic, operational, and policy decisions.
28. The team's work also contributes to broader global adaptation priorities, including advancing the Global Goal on Adaptation (GGA), supporting locally led adaptation and vulnerable countries, strengthening stakeholder engagement, and enhancing coherence across climate funds. These efforts position the Adaptation Fund as a leader in results-based adaptation programming and learning.
29. The team's workplan in FY27 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 Secretariat's focal point for the Fund's Technical Evaluation Reference Group (TERG).

Key objectives include:

Effective Portfolio Management to Maximize Impact

- Proactively Track, Report and Manage Project Performance
- Ensure Compliance with Board Direction and Policy Requirements
- Enhance MEL Capacity in IEs

Enhance Data Management and Systems to support Decision Making

- Collect and analyze data through use of AI/dashboards and advanced analytics
- Mainstream use of data for decision making, operational and strategic

- Continuously improve data systems with a focus on quality assurance, verification and validation
- Enhance current web-based systems

#### Effective Knowledge Management to Maximize Learning

- Share Lessons with and between IEs, with a focus on impact
- Provide Thought Leadership to the Adaptation Field at-large
- Develop Strategic Knowledge and Learning Partnerships/Collaborations
- Contribute to Strategy and Access to Finance

#### Strengthen Organizational Effectiveness of AF Secretariat

- Provide Evidence and Knowledge for Internal Strategic Decision Making
- Enhance Internal MEL Capacity and Related Infrastructure
- Annual Planning, Strategy, and Performance Management
- Support organizational culture

#### *Governance and Operations Team*

30. The Governance and Operations Team is tasked with supporting the Fund’s governance (both Board and Committee operations and reporting to the CMA and CMP), policy, legal, gender work, and internal operations, such as work plan and budget preparation and standard operating procedures for key business processes.
31. In FY27 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, creating fit for purpose policies to guide the Fund’s operations, and creating financing systems to deliver the Board’s funding decisions for a robust pipeline. The team will also support putting in place policies and processes that will guide the Fund’s work, as well as standardizing operating procedures to enhance efficiency through better internal coordination and greater clarity of roles and workflow between Secretariat teams.

Key objectives include:

#### *Governance*

##### Board and Committee Meetings

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

##### CMP/CMA Governance

- Support the Board’s reporting to and receiving guidance from the CMP and CMA and the positioning of the Fund among Parties to the CMP and CMA as an effective financing vehicle to help deliver the Parties’ commitments under the Paris Agreement.

##### Policy

- Coordinate the development and updating of Fund policies to successfully deliver the Board’s financing and programmatic directions under the MTS II and according to guidance from the CMP/CMA.

## Gender

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

## **Commentary on the FY27 Fixed and Variable Budget for the Board and Secretariat**

32. The following section provides commentary on key aspects of the Board and Secretariat's FY27 fixed and variable budget. For FY27, the Secretariat has endeavoured to project as near a flat budget as possible compared to FY26.

### **A. Fixed Budget**

#### *a) Personnel*

33. Personnel costs in the fixed budget portion of the Secretariat budget consist of salaries and benefits of the staff and extended-term consultants, and staff development costs. Personnel costs in FY27 slightly decreased by 1% compared to FY26, primarily due to changes in the staff cost estimation methodology.

34. The FY27 budget reflects 29 full-time staff positions and ten extended-term consultants in the Secretariat. Extended-term consultants offer the benefit of full-time staff support to the Secretariat for a one to three year period while maintaining the operational flexibility to respond to future business needs. The five staff positions and two extended-term consultants the Board approved for FY26 are all under recruitment. One new staff position is requested in the FY27 budget, to strengthen support for the Result, Impact, and Knowledge team and alleviate persistent staffing shortages.

35. 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 decrease from FY26.

#### *b) General Operations*

36. 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). Costs increased by 60% driven mainly by the addition of a centrally managed travel budget for fixed global events and increased IT system costs to respond to increasing operational needs. Travel costs for global events were included in the variable budget under each team in FY26 and those costs are not included in the variable budget portion for FY27.

37. The Secretariat’s IT systems include 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 in response to new operational demands on the Secretariat from the Board or Parties.
38. As mentioned above, a new budget line for cross-cutting Secretariat travel was added to the fixed budget, with small decrease in travel estimates in the team level variable budget. This was added to facilitate travel logistics for cross-team delegations to key events or meetings, such as Board meetings, the SBs, climate weeks, and COP.

**B. Variable Budget**

39. The Secretariat’s FY27 variable portion of the budget was developed by each of the five Secretariat teams to fund team level activities. Variable budgets are constructed by costing use of short-term consultants, independent contractors, travel, firms, and costs associated with meeting and event venue costs to deliver work plans.

**Table 3: FY27 Variable Costs for the Board and Secretariat (US\$)**

	STCs	Individual Contractors	Travel	Firm	Meetings and events	Variable costs total
FY26 approved	1,406,003	-	1,668,426	1,145,500	795,082	5,015,011
FY27 proposed	1,252,572	993,463	1,403,044	1,645,250	593,731	5,888,060

a) *Short-Term Consultants (STCs)*

40. Starting mid-FY27, on December 31, 2026, the World Bank will discontinue the use of short-term consultants and will begin to use an independent contractor approach for the provision of short-term services. Independent contractors (IC) will function like vendors within the World Bank, with implications on availability of services, new requirements in sourcing short-term services, and challenges with pricing the provision of services. The use of independent contractors is not included in the FY26 approved budget as this approach is new but is reflected in the Secretariat’s FY27 variable budget as another resource option to deliver team level work plans.
41. The proposed FY27 Secretariat budget for short-term consultants is therefore largely only for the first six months of the fiscal year in light of the World Bank’s phase out of STCs. The Secretariat will use STCs in the first six months of the FY27 to support grant proposal review, policy implementation, and other limited duration work needs such as producing analytical products, communications products, and upgrades to the Fund’s grant management system. STC use in FY27 is expected to be 11% less than in FY26, reflecting the discontinuation of STC hiring modality that will be replaced by individual contractors (ICs) in the second half of FY27.

b) *Independent Contractors*

42. The second half of the FY27 variable budget will include for the first time use of independent contractors, as mentioned above. This approach is new for the Secretariat and is intended to be a modality that will provide short duration services currently supported by STCs. Use of ICs will involve operational and financial adjustments for the Secretariat and will generate some lessons learned as the Secretariat gains experience with this new approach. As this change in approach is new for FY27, there is no comparative data from FY26.

c) *Travel*

43. Travel for staff, Board members and alternate members, accreditation panel members, consultants, and independent contractors was planned through team level work planning efforts, resulting in an informed estimate of expected travel costs. The budget allocation for travel within team level budgets in the variable portion of the Secretariat budget is lower in FY27 than in FY26 by 1%. In general, budget allocations for travel have increased over the past few years as costs of travel have increased and the number of mission trips has increased with the increase in business needs for meeting the Fund's mandate. This pattern of increased travel costs reflects increased external engagement with IEs, contributors, and key events, conferences, and workshops where Secretariat staff are to participate. Lastly, the costs of accommodations and a physical presence at COPs have significantly increased in recent years.

d) *Vendors (Firms)*

44. The Secretariat proposes to allocate US\$1,645,250 for vendor contracts in FY27 compared to FY26, which is 44% more. This is attributed to increased use of external vendors to supplement internal capacity with specialized expertise and fresh perspectives required for complex analytical work and strategic development. The vendor costs are for developing outreach materials and plans for contributors and private sectors, the production of in-field communications video products, enhancing the Adaptation Fund websites, and preparing materials for the Fund's participation at COP30. Vendor support will also be for 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 for automation and data visualization needs.

e) *Meeting and Event Costs*

45. The proposed meeting and event costs for the Board and Secretariat are US\$593,731 in FY27, which is 25% less than for FY26. Meeting and event costs in FY27 reflect the costs of board and committee meeting logistics and the costs of logistics for Readiness events and workshops planned for FY27.

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

#### **Budget for FY26**

46. The proposed budget for FY27 is aligned with the indicative budget for FY 2027 included in the second multi-year work programme of AF-TERG. (See document AFB/EFC.33/.6/Rev. 1)

#### **Fixed costs**

47. The fixed costs of the AF-TERG operations include staff costs (AF-TERG secretariat staff and ETCs, and fees of AF-TERG members), as well general operations costs, such as office space rent.

48. It is noted that due to the World Bank's decision to replace the STC system (under which fees are generally tax free) with a new Independent Contractor (IC) systems (where fees will be subject to income and other taxes), the fees of AF-TERG members have been increased to absorb the expected new tax burden on AF-TERG members, while not leading to any increase of the fees in real (after tax) terms.

49. The proposed fixed costs component of the AF-TERG budget for FY26 amounts to a total of USD 1,062,705.

**Variable Costs**

50. The variable cost component of the AF-TERG budget is fully aligned with the indicative budget of the AF-TERG for FY27.

51. 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 ToR (Decision B.42/47), as well as participation in site visits conducted as part of the ongoing evaluations, potential portfolio monitoring missions and strategic events.

52. The consulting component includes independent contractor costs related to specialized needs such as communication, graphic design, proof-reading, translation to other languages besides English and other specialized services supporting the implementation of evaluations, knowledge management and dissemination of learning.

53. 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.

54. 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, ex-post evaluations, a new thematic evaluation and the independent review of the AF-TERG. Most of these evaluations are planned to be contracted in FY26 and start implementation in FY27, except for the comprehensive evaluation, which will be a continuation of the work done in FY25 and FY26.

55. The variable cost component of the AF-TERG budget for FY26 amounts to USD 1,000,410 USD.

**Total budget**

56. The total proposed AF-TERG budget for FY27 is USD 2,063,115.

**Table 4: FY27 Fixed and Variable Costs for the AF-TERG and its Secretariat (US\$)**

All amounts in US\$	<u>FY26</u> <u>Approved</u>	<u>FY26</u> <u>Estimate</u>	<u>FY27</u> <u>Proposed</u>
<b>AF-TERG AND ITS SECRETARIAT</b>			
<b>Fixed component</b>			
1 Personnel	941,749	941,749	980,705
2 General operations	80,000	75,000	82,000
<b>Sub-total fixed component</b>	<b>1,021,749</b>	<b>1,016,749</b>	<b>1,062,705</b>
3 Travel	163,010	163,010	167,085
4 Consultants	68,000	68,000	69,700
5 Meetings	5,000	5,000	5,125
6 Evaluation vendors	740,000	740,000	758,500
<b>Sub-total variable component</b>	<b>976,010</b>	<b>976,010</b>	<b>1,000,410</b>
<b>Total AF-TERG and its secretariat</b>	<b>1,997,759</b>	<b>1,992,759</b>	<b>2,063,115</b>

## **Section IV: Adaptation Fund Trustee FY26 Approved and Estimated Actual and Proposed FY27 Budget**

### **Background**

57. 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 (T&Cs). The Trustee's costs for its services provided to the Adaptation Fund (AF) are presented in five categories i.e., Monetization, Financial and Program Management, Investment Management, Accounting and Reporting, and Legal Services.

58. 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, and any costs for external legal documents and agreements as required (e.g. amendments to the T&Cs that may be required due to decisions under UNFCCC processes).

Additional legal costs are expected due to ongoing work to revise the T&Cs in the context of the Adaptation Fund's transition to serving the Paris Agreement, including the hiring of external counsel to undertake due diligence on the tax, regulatory and other implications of monetization of emission reductions under Article 6.4 of the Paris Agreement.

The Trustee has initiated the process for the engagement of a law firm to conduct due diligence within the following scope of work:

- The relevant regulatory obligations and restrictions in the US and Germany applicable to the trustee's monetization activities of emission reductions (ERs) under Article 6.4 of the Paris Agreement, which may include the cancellation of ERs on behalf of a counterparty (in lieu of delivery of the ERs to the counterparty);
- Key regulatory approvals, registrations and filings required by the trustee to carry out monetization activities in the US and Germany;
- Regulatory restrictions imposed, if any, on the nature and scope of the information and marketing materials that can be provided by the trustee to offerees and buyers of Article 6.4 ERs;
- Tax consequences (including in respect of income or corporate tax, sales or value added tax or withholding tax, as applicable) for the trustee in the US and Germany; and
- The implications of the market infrastructure transition from the Kyoto Protocol to the Paris Agreement, including interfaces with the Article 6.4 registry.

The fee estimates received from the identified firms for legal counsel within the above scope of work are approximately USD 175,000. The Trustee will finalize the procurement process following AF Board approval of the estimated budget to cover the external legal fees. The scope of work and fee may change as needed to complete the due diligence process.

### **FY26 End of Year Actual Costs and FY27 Proposed Budget (US\$)**

50. The following sections present the trustee's estimate of actual costs for services provided during the current fiscal year 2026 (FY26, July 1, 2025 – June 30, 2026) and the proposed budget for trustee services to be provided during the fiscal year 2027 (FY27, July 1, 2026 - June 30, 2027).

**Table 5: FY26 Approved, Estimated Actuals, and FY27 Proposed Budget for the Trustee (US\$)**

<b>Trustee Services</b>	<b>FY26 Approved</b>	<b>FY26 Estimated Actuals</b>	<b>FY27 Proposed</b>
Monetization	180,000	180,000	180,000
Financial and Program Management	320,000	320,000	340,000
Investment Management	446,100	530,200	514,900
Accounting and Reporting	58,000	58,000	62,000
Legal Services	64,000	107,700	78,000
External Counsel	-	175,000	-
<b>TOTAL</b>	<b>1,068,100</b>	<b>1,370,900</b>	<b>1,174,900</b>

51. In April 2025, the Adaptation Fund Board approved a budget estimate of USD 1,068,100 for FY26 to cover Trustee’s services. The actual costs for FY26 are estimated to be USD 1,370,900, which is USD 302,800 higher than the approved FY26 budget. This increase is due to: (i) a higher investment management fee, which is driven by a higher expected average cash balance (USD 1.18 billion) in FY26 compared to the initial estimate of USD 991 million; (ii) higher legal services costs due to the ongoing work on legal arrangements for the transition to serving the Paris Agreement; and (iii) external counsel fees for the due diligence of the monetization of emission reductions under Article 6.4 of the Paris Agreement.
52. The FY27 proposed budget is lower by USD 196,000 compared to the FY26 estimated actuals. The Trustee has maintained a flat budget for the previous fiscal years across the three Trustee services: Financial and Program Management, Accounting and Reporting, and Legal Services. For the purpose of the budget estimate for FY27, the slight increase for each of these Trustee services reflects adjustments related to inflationary costs while continuing to assume the same level of activity. In addition, an average annual cash balance of USD 1.14 billion is estimated for the calculation of the investment management fee. Actual investment management costs may vary depending on the actual average liquidity balance in the Trust Fund during FY27.