

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

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

Strategic issues

- Budget reconciliation is a critical tool that enables users to assess the execution of planned workplans and determine the optimal allocation of future budgets.
- The FY26 budget, approved by the Board at its forty-fourth meeting in April 2025, introduced the new budget structure for the Secretariat and AF-TERG and its Secretariat constructed in two parts of fixed and variable costs, reflecting the Adaptation Fund Board Secretariats' consolidated structural changes. The budget reconciliation for FY26 is reported in the new budget structure.
- During FY26, the World Bank executed the cost recovery of the FY26 hosting fees on a quarterly basis, against the actual administrative expenditures.

Purpose

1. This board document presents the reconciliation of the administrative budgets of the Board and Secretariat, AF-TERG and its Secretariat, and Trustee for Fiscal year 2026 (FY26 – 1 July 2025 to 30 June 2026).

Recommendation

2. The Ethics and Finance Committee (EFC) may wish to take note of the reconciliation of the administrative budgets of the Board and Secretariat, AF-TERG and its Secretariat, and Trustee for Fiscal year 2026, presented in document AFB/EFC.38/4.

Introduction

3. This document reports final expenditures for the administrative budgets of the Adaptation Fund Board (the Board) and the Adaptation Fund Board Secretariat (the Secretariat), the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and its secretariat, and the trustee (the Trustee), for fiscal year 2026 (FY26), i.e., 1 July 2025 to 30 June 2026. Table 1 below presents an overview of the approved budgets and actuals for FY26 as well as the approved budgets for FY27 of the Board and Secretariat, the AF-TERG and its secretariat, and the Trustee.

4. From FY26, the budget structures for the Board and Secretariat as well as AF-TERG and its Secretariat were changed to the ones that are organized into fixed and variable costs, using cost categories that allow to clearly identify types of costs and what is driving those costs. In Table 1, the budget reconciliation for FY26 is reported in the new budget structure.

Table1: FY26 approved budget, FY26 actual, and FY27 approved budget of the Board and Secretariat, AF-TERG and its Secretariat, and Trustee¹

All amounts in US\$	FY26	FY26	FY27
	Approved	Actual	Approved
BOARD AND SECRETARIAT			
Fixed component			
1 Personnel	8,418,477	5,794,407	8,296,646
2 General Operations	1,057,000	794,605	1,701,000
Sub-total fixed component	9,475,477	6,589,012	9,997,646
Variable component			
1 Front Office (including communications)	556,753	556,797	629,462
2 Programming and Innovation Team	689,247	929,406	1,592,600
3 Country Partnership Team	1,899,489	1,611,511	1,789,921
4 Result, Impact. and Knowledge Team	840,579	777,852	907,235
5 Governance and Operations Team	1,028,943	1,086,577	968,842
Sub-total variable component	5,015,011	4,962,143	5,888,060
Total Board and Secretariat	14,490,488	11,551,155	15,885,706
All amounts in US\$	FY26	FY26	FY27
	Approved	Actual	Approved
AF-TERG AND ITS SECRETARIAT			
Fixed component			
1 Personnel	941,749	770,517	980,705
2 General operations	80,000	70,534	82,000
Sub-total fixed component	1,021,749	841,051	1,062,705
Variable component			
1 Travel	163,010	163,605	167,085
2 Consultants	68,000	59,208	69,700
3 Meetings	5,000	4,336	5,125
4 Evaluation vendors	740,000	718,050	758,500
Sub-total variable component	976,010	945,199	1,000,410
Total AF-TERG and its secretariat	1,997,759	1,786,250	2,063,115
All amounts in US\$	FY26	FY26	FY27
	Approved	Actual	Approved
TRUSTEE			
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
Total Trustee	1,068,100	1,370,900	1,174,900
GRAND TOTAL ALL OFFICES	17,556,347	14,708,305	19,123,721

¹ The numbers after decimal point are rounded.

5. In addition, during FY26, the World Bank (WB) executed the cost recovery of the FY26 hosting fees on a quarterly basis. The final operational costs including the WB hosting fees for the Board and Secretariat as well as AF-TERG and its Secretariat are presented in Tables 2 and 3.

Table 2: FY26 approved WB hosting fees, FY26 actual, and FY27 approved WB hosting fees of the Board and Secretariat and AF-TERG and its Secretariat,

	FY26 Approved	FY26 Actual	FY27 Approved
Board and Secretariat	1,560,000	1,270,077	1,747,000
AF-TERG and its secretariat	212,000	195,938	227,000
WB hosting fees total	1,772,000	1,466,015	1,974,000

Table 3: FY26 total administrative costs of the Board and Secretariat and AF-TERG and its secretariat

FY26	Admin. budget	WB hosting fee	Total
Board and Secretariat	11,551,155	1,270,077	12,821,232
AF-TERG and its secretariat	1,786,250	195,938	1,982,188
WB hosting fees total	13,337,405	1,466,015	14,803,420

6. As the Secretariat reported to the EFC at its thirty-fifth meeting, the World Bank had 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). Nevertheless, the World Bank maintains that the full hosting fees should represent 20.48% of the total administrative expenses in FY24 and 18.35%² in FY25 onwards for the hosted units. As a result, the World Bank records as liabilities any unrecovered portion of these fees for the respective units. The GEF Secretariat continues to serve as the World Bank's negotiating party on this matter, while the Adaptation Fund Board Secretariat is closely monitoring developments related to the hosting fees.

The Adaptation Fund Board and Secretariat

7. Table 4 reports the final expenditure for the administrative budgets of the Board and Secretariat for FY26 in detail. The notes below the table provide explanations for budget items with notable variances between actual expenditures and budgeted amounts.

² The percentage reduction in the WB hosting fee from FY24 to FY25 was achieved by scaling back services provided by the WBG Budget Procurement Vice Presidency (WBP).

Table 4: FY26 Approved Budget, FY26 Actual, and FY27 Approved Budget of the Board and Secretariat (Detailed)³

All amounts in US\$			FY26	FY26	FY27
			Approved	Actual	Approved
BOARD AND SECRETARIAT FIXED COSTS					
1. Personnel					
01	Staff		7,008,223	5,112,852	7,108,984
02	Extended-term Consultants		1,255,254	597,762	1,062,663
04	Staff development		155,000	83,793	125,000
	Sub-total Staff		8,418,477	5,794,407	8,296,646
2. General Operations					
01	Office lease		650,000	477,926	650,000
02	Equipment & Freight		72,000	86,741	96,000
03	IT systems		125,000	127,092	230,000
04	Travel (for fixed events)				490,000
05	Secretariat support		140,000	50,889	145,000
06	GEF cross-support		70,000	51,957	90,000
	Sub-total General Operations		1,057,000	794,605	1,701,000
SUB-TOTAL Board and Secretariat Fixed Costs			9,475,477	6,589,012	9,997,646
BOARD AND SECRETARIAT VARIABLE COSTS					
01	Front Office (including communications)		556,753	556,797	629,462
02	Programming and Innovation Team		689,247	929,406	1,592,600
03	Country Partnership Team		1,899,489	1,611,511	1,789,921
04	Result, Impact, and Knowledge Team		840,579	777,852	907,235
05	Governance and Operations Team		1,028,943	1,086,577	968,842
	SUB-TOTAL Board and Secretariat Variable Costs		5,015,011	4,962,143	5,888,060
GRAND TOTAL (Fixed + Variable costs)			14,490,488	11,551,155	15,885,706

Notes on Final Expenditure for Administrative Budgets of the Board and Secretariat for FY26

Overall

8. The FY26 expenditures for the Board and Secretariat were 80% of the approved budget excluding the World Bank hosting fees and show an underspend of \$2.9 million.

Fixed Budget

Personnel

9. Of the \$2.9 million overall budget underspend, \$2.6 million is attributable to personnel costs. There has been a delay in recruiting newly approved staff and Extended Term Consultants (ETC)

³ The numbers after decimal point are rounded.

positions. The budget utilization for staff development was also lower than estimated because some staff and ETC positions were recruited later in the fiscal year.

General Operations

10. Budget underutilization was observed in the office lease, secretariat support, and GEF cross-support categories. The savings in office lease costs are likely attributable to the timing for the application of rent abatements. The budget allocated for Secretariat support was utilized less than anticipated, as long-term corporate activities such as the development of the Secretariat's growth plans did not take place in FY26. GEF cross-support costs were also lower, reflecting the vacancy of the GEF CEO position, whose staff costs are borne by the Adaptation Fund at a rate of 10%.

Variable Budget

11. The overall execution rate of the variable budget was 99%, with overspending by some operational teams offset by underspending by others.

Programming & Innovation (P&I)

12. The P&I budget execution rate was 135%, with overspend primarily driven by higher short-term consultant costs resulting from a significant increase in proposal submissions. The team also faced a shortfall in its travel budget during FY26. In anticipation of similar trends continuing, the FY27 budget was approved with funding allocations to address these needs.

Country & Partnership Unit (CPU)

13. The CPU budget execution rate was 85%, with the underspend primarily reflected in implementation developments beyond the Secretariat's control, including the cancellation of three joint GEF events (\$129,336), the integration of planned CPDAE communications and online platform development (\$105,000) into the CPDAE Phase 2 Action Plan which is currently being developed with the GCF and CPDAE Committee, as well as the deferral of accreditation workflow enhancements pending the Board's re-accreditation discussions. Although the approved FY27 budget for CPU is slightly lower than the FY26 budget, the Secretariat will continue to assess the optimal allocation of resources and promote their effective utilization within the team.

Front Office (FO), Governance and Operations (G&O), and Results, Impact, and Knowledge (RIK)

14. The budget execution rate for the Front Office (FO) was 100%, for the Results, Impact and Knowledge (RIK) team was 93%, and for the Governance and Operations (G&O) team was 106%. Overall, expenditure across the three teams remained largely in line with their approved budgets.

15. Table 5 reports the final expenditure on the variable budgets of the Board and Secretariat for FY26 per cost drivers. 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 5: FY26 Approved Variable Budget, FY26 Actual, and FY27 Approved Variable Budget of the Board and Secretariat (per cost driver)

	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
FY26 actual	1,413,561	-	1,564,290	941,614	1,042,678	4,962,143
FY27 approved	1,252,572	993,463	1,403,044	1,645,250	593,731	5,888,060

Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and its secretariat

16. Table 6 reports the final expenditures for the administrative budget of the AF-TERG and its Secretariat for FY26. The notes below the table provide explanations for budget items with notable variances between actual expenditures and budgeted amounts.

Table 6: FY26 Approved Budget, FY26 Actual, and FY27 Approved Budget of the Technical Evaluation Reference Group of the Adaptation Fund and its secretariat⁴

All amounts in US\$	<u>FY26</u> <u>Approved</u>	<u>FY26</u> <u>Actual</u>	<u>FY27</u> <u>Approved</u>
AF-TERG AND ITS SECRETARIAT			
Fixed component			
1 Personnel	941,749	770,517	980,705
2 General operations	80,000	70,534	82,000
Sub-total fixed component	1,021,749	841,051	1,062,705
Variable component			
1 Travel	163,010	163,605	167,085
2 Consultants	68,000	59,208	69,700
3 Meetings	5,000	4,336	5,125
4 Evaluation vendors	740,000	718,050	758,500
Sub-total variable component	976,010	945,199	1,000,410
Total AF-TERG and its secretariat	1,997,759	1,786,250	2,063,115

Notes on Final Expenditure for Administrative Budgets of the AF-TERG and its secretariat:

18. The FY26 expenditures for the AF-TERG and its secretariat were 89% of the approved budget, excluding the World Bank hosting fees and underspent by \$0.2 million. While the underspending is mainly attributable to external factors, it is noted that FY26 represents the highest budget utilization rate achieved since the establishment of the AF-TERG.

Fixed budget

19. The fixed budget utilization rate stood at 82% for FY26. Of the \$0.18 million underspent, most is attributable to the delays in finalizing the recruitment of the already approved new ETC1 position and the recruitment of a new AF-TERG member, who joined in May and April 2026 respectively. The rest is attributable to the timing in office rent abatements.

⁴ The numbers after decimal point are rounded.

Variable budget

20. The utilization of the variable budget component stood at 97% for FY26. This is a reflection of the stringent budget and workflow management in the AF-TERG in line with the objectives on the current multi-year work program of the group. Of the \$0.03 million underspent, most is attributed to delays in the finalization of one of the ongoing ex post evaluations due to political instability in the host country. Additionally, the costs for editing and graphic design of some of the evaluation reports were lower as the work was conducted using in-house resources.

Trustee

21. Table 7 reports the final expenditure for the administrative budget of the Trustee for FY26. The note below the table provides explanations for items where expenditures deviated from budget.

Table 7: FY26 Approved Budget, FY26 Actual, and FY27 Approved Budget of the Trustee

Trustee Services	FY26 Approved	FY26 Actuals	FY27 Approved
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	-
TOTAL	1,068,100	1,370,900	1,174,900

Notes on Final Expenditure for Administrative Budgets of the Trustee

22. The actual costs for FY26 are 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 average cash balance (USD 1.19 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.