



ADAPTATION FUND

AFB/EFC.22/8
13 March 2018

Ethics and Finance Committee
Twenty-second meeting
Bonn, 20-21 March 2018

Agenda item: 6 d)

ADMINISTRATIVE BUDGET OF THE BOARD AND SECRETARIAT, AND TRUSTEE FOR FISCAL YEAR 2019

SECTION I: DOCUMENT STRUCTURE

Budget overview

1. This document presents administrative budgets of the Adaptation Fund Board (the Board) and the Adaptation Fund Board Secretariat (the secretariat), and of the interim trustee (the Trustee), for fiscal year 2019 (FY19), i.e. 1 July 2018 to 30 June 2019. Table 1 below presents an overview of the budgets of the Board and Secretariat, the Evaluation Function, and of the trustee, for FY19, which are explained in detail in the next two sections of the document: Section II covers the Board and Secretariat budget, Section III covers the Evaluation Function budget, and Section IV covers the Trustee budget.

Table 1: Approved FY18 and proposed FY19 budget of the Board and Secretariat, the Evaluation Function, and the Trustee

All amounts in US\$		Approved FY18	Estimate FY18	Proposed FY19
BOARD AND SECRETARIAT				
1	Personnel	2,691,250	2,493,732	2,924,519
2	Travel	402,000	426,000	422,000
3	General operations	375,000	338,000	333,284
4	Meetings	254,800	240,000	250,800
Sub-total secretariat administrative services (a)		3,723,050	3,497,732	3,930,603
5	Overall evaluation (b)	300,000	200,000	0
6	Accreditation (c)	473,780	422,000	546,040
7	Readiness Programme (d)	604,585	578,000	624,550
Sub-total secretariat (a) + (b) + (c) + (d)		5,101,415	4,697,732	5,101,193
EVALUATION FUNCTION				
1	Personnel			301,272
2	Travel			76,000
3	General operations			-
4	Meetings			5,000
Sub-total evaluation function				382,272
TRUSTEE				
1	CER Monetization	180,000	180,000	180,000
2	Financial and Program Management	225,000	205,000	225,000
3	Investment Management	115,000	130,950	131,250
4	Accounting and Reporting	48,000	30,000	30,000
5	Legal Services	20,000	20,000	20,000
6	External Audit	-		
Sub-total trustee		588,000	565,950	586,250
GRAND TOTAL ALL COMPONENTS		5,689,415	5,263,682	6,069,715

Recommendation

2. The Board is requested to approve, from the resources available in the Adaptation Fund Trust Fund:

- a) The proposed budget of **US\$ 5,101,193** to cover the costs of the operations of the Board and secretariat over the period 1 July 2018 to 30 June 2019, comprising **US\$ 3,930,603** for the secretariat administrative services (the main secretariat budget), **US\$ 546,040** for accreditation services and **US\$ 624,550** for the Readiness Programme.
- b) The proposed budget of **US\$ 382,272** to cover the costs of the start-up operations of the evaluation function of the Adaptation Fund over the period 1 July 2018 to 30 June 2019.
- c) The proposed budget of **US\$ 586,250** for trustee services to be provided to the Adaptation Fund over the period 1 July 2018 to 30 June 2019.
- d) The Board is requested to authorize the trustee to transfer the amounts in para a) and b) to the secretariat, and the amount in para c) to the trustee.

SECTION II: BOARD AND SECRETARIAT PROPOSED BUDGET FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019

Background

3. The Board, at its twenty-ninth meeting in March 2017, approved the administrative budget of the Board and secretariat of **US\$ 4,991,415** (Decision B.29/37) for the period 1 July 2017 to 30 June 2018. The budget consists of **US\$ 3,613,050** for the secretariat administrative services (the main secretariat budget), **US\$ 300,000** for the overall evaluation (Phase II), **US\$ 473,780** for accreditation services and **US\$ 604,585** for the readiness programme.

4. The Board, at its thirtieth meeting in October 2017, approved an increase in the Board and secretariat budget for fiscal year 2018 of **US\$ 110,000** for the enhancement of the Financial Intermediary Fund collaboration platform. Accordingly, the secretariat administrative services (the main secretariat budget) for fiscal year 2018 was revised to **US\$ 3,723,050** and the total administrative budget of the Board and secretariat amounted to **US\$ 5,101,415**.

5. The Board also approved a budget of **US\$ 588,000** for trustee services to be provided to the Adaptation Fund over the period 1 July 2017 to 30 June 2018 (Decision B.29/37). Details of the budget for FY18 can be found in Tables 3 to 6 which also include an estimate of the actual expenses for FY18, and the proposed budget for FY19 (1 July 2018 – 30 June 2019).

FY18 current estimates vs. approved budget

6. Based on the actual expenditure as of 31 December 2017, the estimated FY18 expenditure for the main secretariat budget as of 30 June 2018 will be US\$ 3,497,732 (93.9 per cent) of the approved FY18 budget (US\$ 3,723,050). The secretariat reported to the Board, at its thirtieth meeting, the increased non-salary staff cost recovery rate from 50% to 70% as the World Bank's new policy effective from the beginning of FY18. The implementation of the policy was announced after the FY18 budget was approved by the Board. The staff costs for FY18 were calculated using the since outdated 50% staff recovery rate so an overrun for the staff costs was expected at the end of FY18. According to the latest staff cost projection, there will be no overrun for the staff costs, attributed by cost savings mainly from the staff positions being vacant for the first months of this fiscal year¹.

7. The estimated FY18 expenditure for the accreditation component as of 30 June 2018 will be US\$ 422,000 (89.0 per cent) of the approved FY18 budget (US\$ 473,780).

8. Phase II of the overall evaluation of the Fund will be completed in FY18. By one fourth of its costs being expensed at the end of FY17, the expected cost to be expensed in FY18 will be US\$ 200,000 (33.3 per cent) of the approved FY18 budget (US\$ 300,000).

¹ The Communications Officer and Knowledge Management Officer positions were filled in October 2017 and the Senior Climate Change Specialist in February 2018.

9. The estimated FY18 expenditure for the readiness programme as of 30 June 2018 will be US\$ 578,000 (95.6 per cent) of the approved FY18 budget (US\$ 604,585).

10. The secretariat will continue the planned activities until the end of FY18. The final actual expenditure for FY18 will be reported in the reconciliation budget as of 30 June 2018.

Proposal of the main secretariat budget for FY19

11. In the FY19 budget, the secretariat proposes to upgrade the Operations Associate position to a Financial Analyst position together with its respective staff cost (the position title to be confirmed). The secretariat's needs in financial and systems analysis and planning have increased due to the growing amount of work and need to focus on efficiency, and the secretariat has not had staff with matching terms of reference to undertake this work. Many of the necessary functions have been performed, on an interim basis, by the Operations Associate whose position has evolved from the administrative service stream and the staff in the position has supported budget management and project funding administration as the extension of general administration. With the additions of the Medium-Term Strategy (MTS) and the evaluation function of the Fund, the secretariat's business needs in financial operations are likely to increase in FY19 and onwards. The upgrade of the position has been discussed with the HR during the World Bank's annual talent review and it has been deemed appropriate, considering the Fund's increasing needs mentioned above. In the revised role, the Financial Analyst will continue supporting the management of the secretariat workplan and the administrative budget of the Board and the secretariat and contribute to improve financial and non-financial efficiency of the secretariat operations. The Financial Analyst will also engage in establishing effective internal processes and control systems including the ongoing enhancement project of the FIF collaboration platform². In addition, the staff will support financial aspects of project proposal and report review and back up the Manager on emerging financial and non-financial issues at the corporate level.

12. The Board approved the 5-year Medium-term Strategy (MTS) at its thirtieth meeting. The proposed administrative budget for FY19 will contain the administrative budget required for the implementation of the MTS for the first year, which amounts to **US\$ 320,000** (US\$ 223,000 for the main secretariat services, US\$ 30,000 for the accreditation services and US\$ 67,000 for the readiness programme). In the subsequent budget tables in this document, proposed figures are indicated in two separate columns; one for business-as-usual activities (BAU) and the other for

² The FIF (Financial Intermediary Fund) Collaboration Platform is an online project database platform, which was initially developed by the trustee for the World Bank hosting FIFs, focusing on the commonalities of their project funding operations; the trustee has transferred all responsibility for further development to those FIF Secretariats interested to pursue further use and development. In FY18, the Adaptation Fund Board Secretariat is implementing Phase I of its enhancement project to customize the platform to improve its own usability and analytics and to automate some of the administrative operations that have been manually handled by building new functions in the platform. The administrative process includes preparation of project agreements, the Chair's clearance on project cash transfers and the trustee's execution, generation of project introductory pages on the Fund's external website and reporting requirement reminders for proponents. The enhancement project is to improve the secretariat's administrative efficiency and capacity to process the increasing number of concrete adaptation projects and other grants of the Fund. In FY19 and onward, the secretariat will continue the enhancement of the platform in a smaller scale to abreast the development of the programs (of the readiness program).

new activities to be implemented under the MTS framework (MTS new). The implementation plan for the MTS³ will be discussed in detail during the Board meeting.

13. The Board approved, at its thirtieth meeting, the re-establishment of a long-term evaluation function for the Adaptation Fund through the Technical Evaluation Reference Group (TERG)⁴ and requested the secretariat to present its operational budget. Due to the independent nature of the TERG from the Adaptation Fund Board Secretariat, the secretariat will propose to allocate only the start-up costs that will require to recruit the necessary staffing to establish the TERG at the beginning of FY19 as well as the fixed part of travel and meeting costs for organization of the regular TERG meetings and participation in the Board meetings. The remainder of the operational budget should be formulated by the TERG upon its establishment and presented to the Board at its thirty-second meeting in October 2018 for a subsequent budget revision for FY19.

14. The budget request for the secretariat administrative services for FY19 amounts to **US\$ 3,930,603** and consists of the following components:

a) *Personnel component.*

- i. Full-time staff: An amount of **US\$ 2,141,905** is estimated to cover the staff cost (salary, benefits and staff training cost⁵) of a Manager, two Senior Climate Change Specialists, an Operations Officer (Accreditation), a Program Officer (Readiness Programme), a Communications Officer, a Knowledge Management Officer, an Operations Analyst (Accreditation and Gender), a Program Analyst (Project Review and Monitoring), a Financial Analyst (upgraded position from the Operations Associate) and a Senior Program Assistant (interim position).
- ii. GEF Secretariat staff cross-support: The estimate of **US\$ 192,339** is to cover the staff cost (salary and benefits) consisting of 10% of the Chief Executive Officer (the Head of the Adaptation Fund Board Secretariat), 2% of the Advisor, 5% of the Program Analyst (HR), 5% of the Resource Management Officer and 6% of seven project co-reviewers in the GEF Secretariat, which provides cross-support to the Adaptation Fund Board Secretariat. The budget for the GEF cross-support is requested to maintain some flexibility so that the secretariat can accommodate a potential increase of the number project proposals requiring the GEF co-review.
- iii. Consultants and others: The estimate of **US\$ 590,275** includes the secretariat support (US\$ 37,300); the design and operations of dedicated websites (US\$ 76,000); communications strategy (US\$ 61,800); the environmental and social safeguards and gender (US\$ 74,440); the knowledge management and results based management (KM/RBM) (US\$ 251,400); and project review (US\$ 89,335). The secretariat support will include legal advising support from the World Bank and costs for staff retreat and

³ See AFB/B.31/5 for the implementation plan for the Medium-term Strategy for the Fund.

⁴ See AFB/EFC.20/3 and AFB/EFC.21/4 for detailed description of TERG and AFB/EFC.22/3 for the implication of the establishment of the Fund's Evaluation Function.

⁵ The World Bank promotes continued training and learning of staff members. Within the Global Environment Facility (GEF) secretariat, the practice is that staff members excluding consultants are granted annual training budget up to US\$ 5,000 upon the manager's approval.

training on innovation for the MTS. The design and operations of dedicated websites will cover the hosting and maintenance of the Fund's external website and Phase II of the enhancement project of the FIF collaboration platform⁶. The communications strategy will cover consultancy fees of short-term consultants and interns who will support communications activities including events, publications, social media and website contents on a part-time basis. The environmental and social safeguards will cover consultancy fees of an environmental and social safeguard expert for project/programme review, consultancy fees of a gender expert and costs to organize gender training for the secretariat staff and the Board members. The KM/RBM combined budget includes portfolio monitoring of concrete adaptation projects under implementation. With the presence of the Knowledge Management Officer, this budget will also cover new knowledge management activities such as enhancement of information system and guidance, case studies, e-learning for existed and potential implementing entities, some of which will be implemented as activities specifically designed under the MTS. The project review will cover consultancy fees of short-term consultants who support the review of concrete project proposals, concepts and pre-concepts. The resource management support and the IT support is continuous and will be provided by the World Bank's centralized system. From FY19, the resource management support will be reported under the GEF cross support and the IT support under the general operations component due to the natures of their charging modalities.

b) Travel component

The total request for travel amounts to **US\$ 422,000 in FY19**. Travel cost is allocated to cover two Board meetings for selected secretariat staff⁷ (US\$ 220,000) and non-Annex I eligible Board members (US\$ 140,000). Other travels for secretariat staff will include participation in SBs in Germany and COP24 in Poland. A budget for the awareness raising travel is requested to cover the Fund's awareness raising and resource mobilization activities by the Manager or his representative to participate in international events and meetings including the Standing Committee on Finance, the Adaptation Committee and the Green Climate Fund Board meetings (US\$ 62,000). *Per diem* allowances of Board members and alternates according to the UN rules for the participation in the Board meetings are paid separately from the Adaptation Fund Trust Fund directly and are therefore not included in this budget.⁸ The travel cost for the eligible Board members (from non-Annexed countries) will be revised upwards by reflecting the actual travel cost incurred during the first half of FY18.

⁶ The proposed costs of US\$ 40,000 for enhancement and US\$ 20,000 for maintenance for the FIF collaboration platform are aligned with the presented information at AFB30. See AFB/EFC.21/7 FIF Collaboration Platform Investment Appraisal.

⁷ From FY18, the secretariat rotates its staff members who attend the Board meetings based on agenda items. Out of 11 staff members, the travel budget for 8 staff members is allocated per the Board meeting.

⁸ This is included in the cash transfer amounts reported by the Trustee and US\$ 30,644 for AFB26, US\$ 31,540 for AFB 27, US\$ 33,075 for AFB28, US\$ 35,460 for AFB29 and US\$ 36,036 for AFB30.

c) *General operations component*

The FY19 budget estimate is **US\$ 333,284**. This amount includes US\$ 179,534 for office space lease and associated building expenses as well as office equipment rentals and fees for 11 full time staff members and other consultants of the secretariat, such as PCs, telephones, remote access systems and audio-conference systems. It also includes US\$ 20,000 for communications support to the Chair, US\$ 73,750 for the publications and outreach, and US\$ 60,000 for the IT services from the World Bank. The publications and outreach will include the cost of graphic designers, printing flyers and project stories, video production, promotion goods and production of podcast story. The IT support service includes email, internet, intranet, standard set of application, file, storage, back up, IT security & phone. The IT services will be reported under the general operations component from FY19. The services were originally provided by the GEF Secretariat as the GEF cross-support (a percentage of an IT staff time). Since the World Bank's restructuring a few years ago, the services have been provided by the World Bank's centralized system, the nature of the support have become corporate services rather than individual staff services and it is no longer appropriate to list these costs under the personnel component in the budget. In addition, the Adaptation Fund maintained a relatively small budget for the IT support while the GEF Secretariat has borne most of the actual service costs that the Adaptation Fund benefitted from until FY18. From FY19, the Adaptation Fund will bear the share of the actual IT costs based on the number of staff members similar to how the secretariat shares the office space lease with the GEF Secretariat. Therefore, there will be an increase in the IT service costs from FY19.

d) *Meetings component*

The FY19 budget estimate for meetings is **US\$ 250,800**. This amount consists of meeting organization and translation costs. The US\$ 175,800 will cover the organizational costs of two Board meetings including report writing and simultaneous interpretation as well as costs of three accreditation panel meetings. US\$ 75,000 will cover translation of the Board meeting reports into five UN languages and other publications and communications materials.

Table 2: Approved FY18 budget, FY18 estimate and proposed FY19 budget of the Board and secretariat

All amounts in US\$		FY18	FY18	FY19	FY19	
		Approved	Estimate	Proposed	BAU	MTS (new)
PERSONNEL COMPONENT						
Full-time staff (including benefits):						
01	Senior Program Manager (GH)					
02	Senior Climate Change Specialist (GG)					
03	Senior Climate Change Specialist (GG)					
04	Operations Officer (Accreditation) (GF)					
05	Operations Associate (GD) ---> (GE)					
06	Program Officer (Readiness) (GF)					
07	Operations Analyst - Accreditation (GE)					
08	Program Analyst (Project Review/Monitoring) (GE)					
09	Senior Programme Assistant (GD - Interim position)					
10	Communications Officer (GF)					
11	Knowledge Management Officer (GF)					
	sub-total AFB staff	1,951,805	1,816,192	2,141,905	2,141,905	-
GEF staff cross-support (including benefits):						
01	Head of the AFB Secretariat (GJ) - 10%					
02	HR support (GE) - 5%					
03	Project co-review (1@GE) - 6%					
04	Project co-review (1@GF) - 6%					
05	Project co-review (4@GG) - 6%					
06	Advisor (GH) - 2%					
07	Resource Management (GF) - 5%					
	sub-total GEF staff	154,850	154,850	192,339	192,339	-
Consultants & Others						
01	AFB Secretariat Support (Legal support etc.)	81,690	50,000	37,300	22,300	15,000
02	Design and Operation of dedicated Web sites	125,500	125,600	76,000	76,000	
03	Communications Strategy	72,275	60,000	61,800	61,800	
04	Environment and social safeguards & Gender	61,440	61,000	74,440	74,440	
05	Resource management support	22,000	15,000	-		
06	IT support	8,500	8,500	-		
07	Knowledge Management/Result Based Management	126,400	115,800	251,400	86,400	165,000
08	Project review	86,790	86,790	89,335	49,335	40,000
	sub-total Consultants	584,595	522,690	590,275	370,275	220,000
	SUB-TOTAL PERSONNEL COMPONENT	2,691,250	2,493,732	2,924,519	2,704,519	220,000
TRAVEL COMPONENT						
01	AF Secretariat staff	220,000	230,000	220,000	220,000	
02	Awareness Raising	62,000	50,000	62,000	62,000	
03	Board - Non-Annexed eligible members	120,000	146,000	140,000	140,000	
	SUB-TOTAL TRAVEL COMPONENT	402,000	426,000	422,000	422,000	-
GENERAL OPERATIONS COMPONENT						
01	Office Space, Equipment and Supplies	163,000	163,000	179,534	179,534	
02	Support to Chair (communications)	20,000	5,000	20,000	20,000	
03	Publications and Outreach	192,000	170,000	73,750	70,750	3,000
04	IT services from the World Bank	-	-	60,000	60,000	
	SUB-TOTAL GENERAL OPERATIONS COMPONENT	375,000	338,000	333,284	330,284	3,000
MEETINGS COMPONENT						
01	Logistics, interpretation, report writing etc.	169,800	170,000	175,800	175,800	
02	Translation	85,000	70,000	75,000	75,000	
	SUB-TOTAL MEETINGS COMPONENT	254,800	240,000	250,800	250,800	-
	TOTAL ALL COMPONENTS	3,723,050	3,497,732	3,930,603	3,707,603	223,000

Accreditation Program

15. The budget request for the accreditation services for FY19 amounts to **US\$ 546,040**, which consists of consultancy fees of the Accreditation Panel experts (US\$ 366,640) and travel of the Panel members and staff (US\$ 122,900). The consultancy fees will cover 80 days of four Accreditation Panel experts. The travel cost is to cover the Panel members' participation (including one non-Annex I Board member) in the Accreditation Panel meetings in Washington DC three times a year and experts' and staff's visits to applicant entities when necessity arises. The consultancy fees and travel costs for the Accreditation Panel experts vary every year depending on fee levels and residing cities of the experts composing the Accreditation Panel.

16. The accreditation system (US\$ 56,500) will cover hosting and maintenance costs of the online accreditation workflow system where accreditation applications are submitted and reviewed through the system with recording communication logs. In FY19, cost of a new MTS activity is allocated to conduct the data analysis stored in the accreditation workflow to capture trends and performance of accreditation applicants.

Table 3: Approved FY18 budget, FY18 estimate and proposed FY19 budget for the accreditation services

All amounts in US\$		FY18	FY18	FY19	FY19	
		Approved	Estimate	Proposed	BAU	MTS (new)
01	Accreditation Panel (fees & conting.)	303,780	270,000	366,640	366,640	
02	Accreditation Panel/Staff (travel)	127,000	117,000	122,900	122,900	
03	Accreditation System	43,000	35,000	56,500	26,500	30,000
TOTAL ACCREDITATION		473,780	422,000	546,040	516,040	30,000

Readiness Programme

17. The budget request for the Readiness Programme for FY19 amounts to **US\$ 624,550**. Similar to the main secretariat budget, it consists of personnel, travel, general operations and meeting components. Small grants (Technical Assistance Grant, South-South Cooperation Grant and Project Formulation Assistance Grant) programmed in the readiness programme are not included in the administrative budget of the Board and secretariat since they are transferred from the Adaptation Fund Trust Fund to implementing entities directly and never maintained in the secretariat account.

a) Personnel component

- i. Secretariat support: An amount of **US\$ 25,800** will cover temporary supports for operations of the readiness programme, such as consultancy for moderators of workshops and review of readiness grants applications.
- ii. Website: The proposed amount of **US\$ 16,000** is to cover the cost of hosting and maintenance of the knowledge exchange platform Climate Finance Ready which were built and has been maintained since FY15.

- iii. Communications strategy (Knowledge Management): The amount of **US\$ 9,000** will cover communications and knowledge exchange activities particularly for the readiness programme.
- iv. Environmental and social safeguards and gender: The estimate of **US\$ 31,830** will cover the cost of an environment and social safeguard expert and a gender expert to participate in readiness workshops as resource persons (fees and travels).
- v. Accreditation: Similar to the environmental and social safeguards and gender, the estimate of **US\$ 35,920** will cover the cost of accreditation experts to participate in readiness workshops as resource persons (fees and travels).

The total request for the personnel component amounts to **US\$ 118,550**.

b) Travel component

In the travel component of the readiness programme, travel costs of **US\$ 60,000** for the secretariat staff and **US\$ 363,500** for meeting participants to participate in the 5th annual NIE seminar (Washington DC), a joint workshop with partners and a community of practice event. **US\$ 3,000** is allocated in case participation of Board members in the regions is necessary. The total request for the travel component amounts to **US\$ 426,500**.

c) General operations component

The estimate for general operations is **US\$ 28,500**. **US\$ 28,500** is for publications and outreach related to readiness programme including the video production focusing on the readiness activities and translation of guidance documents. Since the readiness programme was integrated in the secretariat mandate, the office space, equipment and supplies will be paid out from the equivalent budget item of the main secretariat services from FY19.

d) Meetings

The estimate for the meetings component (logistics) is **US\$ 51,000**, which will cover local arrangements for the above-said workshops of the readiness program including interpretation services.

Table 4: Approved FY18 budget, FY18 estimate and proposed FY19 budget of the readiness programme

READINESS PROGRAM						
All amounts in US\$						
		FY18	FY18	FY19	FY19	
		Approved	Estimate	Proposed	BAU	MTS (new)
PERSONNEL COMPONENT (Consultants & others)						
01	Secretariat Support	22,000	35,000	25,800	10,800	15,000
02	Web sites	15,000	30,000	16,000	16,000	
03	Communications strategy (Knowledge exchange)	9,000	6,000	9,000	9,000	
04	Environment and social safeguards & Gender	62,420	50,000	31,830	31,830	
05	Accreditation	38,665	35,000	35,920	35,920	
SUB-TOTAL PERSONNEL COMPONENT		147,085	156,000	118,550	103,550	15,000
TRAVEL COMPONENT						
01	AF Secretariat staff	107,000	75,000	60,000	50,000	10,000
02	Meeting participants	301,500	300,000	363,500	323,500	40,000
03	Board members	3,000	1,000	3,000	3,000	
SUB-TOTAL TRAVEL COMPONENT		411,500	376,000	426,500	376,500	50,000
GENERAL OPERATIONS COMPONENT						
01	Office Space, Equipment and Supplies	7,500	7,500	-	-	-
02	Publications, Outreach	18,500	18,500	28,500	28,500	
SUB-TOTAL GENERAL OPERATIONS COMPONENT		26,000	26,000	28,500	28,500	-
MEETINGS COMPONENT						
01	Logistics	20,000	20,000	51,000	49,000	2,000
SUB-TOTAL MEETINGS COMPONENT		20,000	20,000	51,000	49,000	2,000
TOTAL ALL COMPONENTS		604,585	578,000	624,550	557,550	67,000

SECTION III: EVALUATION FUNCTION

18. **US\$ 382,272** will be proposed for the start-up operations of the evaluation function. The costs will include a recruitment of an Evaluation Officer (staff position – staff salary and benefits) as well as of a chair and four other members of the TERG (short-term consultants) (US\$ 301,272), travel (US\$ 76,000) and meeting costs (US\$ 5,000) of the staff and the TERG members to organize the regular TERG meetings and participate in the Board meetings.

19. The above-proposed costs are the fixed part of the administrative budget, which will require to establish the TERG at the beginning of FY19. Upon the establishment of the TERG, the rest of the operational costs will be proposed by the TERG and presented to the Board at its thirty-second meeting in October 2018 for a subsequent budget revision for FY19.

Table 5: Proposed FY19 budget of the evaluation function (Start-up costs only)

EVALUATION FUNCTION			
All amounts in US\$			FY19
			Proposed
PERSONNEL COMPONENT (Consultants & others)			
01	Personnel - staff (Evaluation Officer (GF))		
02	Personnel - Consultant (TERG members)		
SUB-TOTAL PERSONNEL COMPONENT			301,272
TRAVEL COMPONENT			
01	Evaluation Function staff		13,000
02	TERG members		63,000
SUB-TOTAL TRAVEL COMPONENT			76,000
GENERAL OPERATIONS COMPONENT			
01	Office Space, Equipment and Supplies		-
02	Publications, Outreach		-
SUB-TOTAL GENERAL OPERATIONS COMPONENT			-
MEETINGS COMPONENT			
01	Logistics		5,000
SUB-TOTAL MEETINGS COMPONENT			5,000
TOTAL ALL COMPONENTS			382,272

SECTION IV: ADAPTATION FUND – TRUSTEE ESTIMATED COSTS AND EXPENSES FOR FY19**BACKGROUND**

20. The following sections present the trustee's estimate of costs and expenses for trustee services to be provided during the period July 1, 2018 to June 30, 2019.

ESTIMATED COSTS AND EXPENSES FROM JULY 1, 2018 TO JUNE 30, 2019**Table 6: FY18 approved and FY19 estimated costs and expenses (USD)**

Trustee Costs: FY18 approved and FY19 estimate			
Trustee Services	FY18 Approved	FY18 Estimate	FY19 Proposed
Monetization	180,000	180,000	180,000
Financial and Program Management	225,000	205,000	225,000
Investment Management	115,000	130,950	131,250
Accounting and Reporting	48,000	30,000	30,000
Legal Services	20,000	20,000	20,000
External Audit	-	-	-
TOTAL	588,000	565,950	586,250

21. The estimates in Table 6 reflect the Trustee's best estimate of the fees, costs and expenses for the fiscal year 2019, on a full cost-recovery basis. These will be subject to adjustment at the end of the period, based upon revised estimates of the fees, costs and expenses incurred in the provision of trustee services to the Adaptation Fund during the period.

22. **The Adaptation Fund Board is hereby requested to approve an estimated budget of USD 586,250 for the period July 1, 2018 to June 30, 2019** to cover estimated costs and expenses for monetization services, financial and program management, investment management, accounting and reporting, and legal services. Details for each of the service components are presented below. Gross labour costs indicated include all related overhead amounts.

The estimate is comprised of the following components:

- a) **Monetization (USD 180,000)**: This cost comprises World Bank Treasury staff time and expenses, and exchange and settlement and other trading-related reimbursable fees. The Treasury staff costs cover the management of monetization procedures and systems, daily sales on exchanges, settlement of

sales transactions, and management of direct, over-the-counter, and other transactions. The budget estimate includes all exchange fees and costs for the preparation, execution, and settlement of transactions as well as annual membership fees and trading license fees as needed. The costs associated with monetization of AAUs and ERUs cannot be estimated now and will depend upon the level of activity and date of commencement of such monetization. Up-front costs associated with preparation of such monetization activities could also comprise the development/modification of a trading platform, and IT systems adjustments. The overall costs of monetization activities are detailed in Table 7.

Table 7: Monetization Costs FY18 and FY19 (USD)

<u>Monetization - FY18 Approved</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Traders	130,000	15,000	145,000
Back Office	35,000	-	35,000
TOTAL	165,000	15,000	180,000
<u>Monetization - FY19 Estimate</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Traders	130,000	15,000	145,000
Back Office	35,000	-	35,000
TOTAL	165,000	15,000	180,000

¹ Gross labour costs includes all related overhead amounts.

- b) **Financial and program management (USD 225,000):** Costs are based on staff time required for management of financial transactions, including processing of receipts of CER and other sales proceeds, donations, and other cash proceeds on a daily basis in the Adaptation Fund Trust Fund, recording allocations and commitments, and processing cash transfers to implementing entities using World Bank financial systems and procedures. Estimates include staff time associated with implementation of the financial reporting for the Trust Fund; collaboration with the Adaptation Fund Board and Secretariat; the execution and management of donation agreements; and maintenance of systems for reporting and transactional processes and procedures for the Trust Fund. Estimates also include travel costs for one trustee representative to attend regular AF Board meetings.

Table 8: Financial and Program Management Costs FY18 and FY19 (USD)

<u>Financial and Program Management - FY18 Approved</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Financial Officers	120,000	25,000	145,000
Finance Officers/Analysts	80,000	-	80,000
Staff Costs	200,000	25,000	225,000
<u>Financial and Program Management - FY19 Estimate</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Financial Officers	120,000	25,000	145,000
Finance Officers/Analysts	80,000	-	80,000
TOTAL	200,000	25,000	225,000

¹ Gross labour costs includes all related overhead amounts.

- c) **Investment management (USD 131,250):** Investment management fees are calculated as a flat fee of 3.5 basis points (i.e. 0.035%) of the average annual balance of the undisbursed cash in the Trust Fund. The projected average annual balance over the next fiscal year is estimated at USD 375 million, reflecting increased balances due to inflows of donations exceeding the pace of cash transfers. The cash balance equals net inflows from CER and other monetization, donations and investment income earned, less all cash transfers. If cash transfers take place more rapidly, the average balance would be lower, and investment management fees would be reduced accordingly.
- d) **Accounting and reporting (USD 30,000):** Costs are based on the management of the accounting model for the Trust Fund, maintenance of appropriate records and accounts to identify receipts of monetization proceeds and other contributions.

Table 9: Accounting and Reporting Costs FY18 and FY19 (USD)

<u>Accounting and Reporting - FY18 Approved</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Accountants	48,000	-	48,000
TOTAL	48,000	-	48,000
<u>Accounting and Reporting - FY19 Estimate</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Accountants	30,000	-	30,000
TOTAL	30,000	-	30,000

¹ Gross labour costs includes all related overhead amounts.

- e) **Legal services (USD 20,000):** These costs include drafting, negotiation and processing of donation agreements, funds transfer agreements and other legal agreements as needed. The estimate also covers staff time to provide policy advice and legal review on issues raised by the AF Secretariat and others as they may impact the Adaptation Fund Trust Fund and the services of the Trustee. They do not include amendments to the Terms and Conditions that may be required due to decisions under UNFCCC processes.

Table 10: Legal Service Costs FY18 and FY19 (USD)

<u>Legal Services - FY18 Approved</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Counsel	20,000	-	20,000
TOTAL	20,000	-	20,000
<u>Legal Services - FY19 Estimate</u>			
	<u>Gross Labour¹</u>	<u>Travel</u>	<u>Total</u>
Senior Counsel	20,000	-	20,000
TOTAL	20,000	-	20,000

¹ Gross labour costs includes all related overhead amounts.