

The Adaptation Fund

AFB/B.3/10/Rev.1
September 3, 2008

Adaptation Fund Board
Third Meeting
Bonn, September 15-19, 2008

Agenda Item 7

STATUS OF ADAPTATION FUND RESOURCES

Introduction

1. Decision 1/CMP.3, in paragraphs 24-26 provides the financial framework of the Adaptation Fund, which includes establishment of a trust fund to meet costs of adaptation, as well as administrative expenses for operating the Fund. That Decision, in paragraph 27, invites Parties to finance the administrative expenses for operating the Fund in an interim phase, pending monetization of CERs, by making contributions to the trust fund for the Adaptation Fund.
2. This document is prepared by the Secretariat to inform the Board of the status of the resources available to, and expenditure incurred by, the Adaptation Fund as of August 26, 2008.

Status of Contributions to the Trust Fund for the Secretariat of the Adaptation Fund

3. As of August 26, 2008, the governments of Australia, Finland, Norway and the U.K. have made contributions for the administrative expenses for operating the Fund and paid in donations of \$1.538 million, as detailed in Table 1.

Table 1: Contributions to the Trust Fund for the Secretariat of the Adaptation Fund as of August 26, 2008

Paid In Contributions to the Administrative Trust Fund for the Board & Secretariat for the Adaptation Fund			
Donor	Currency	Amount	USD Equivalent
Australia	AUD	200,000.00	191,340.00
Finland	EUR	100,000.00	155,340.00
Norway	NOK	1,000,000.00	201,726.78
United Kingdom	GBP	500,000.00	990,300.00
			1,538,706.78
Less administrative fees given to Trustee and Legal Department for set-up and maintenance			112,026.78
Total:			1,426,680.00

Budget of the Adaptation Fund Secretariat

4. At its first meeting in March 2008, the Adaptation Fund Board approved a budget of **\$ 3,937,624** for the activities of the Secretariat for the period January 1, 2008, to June 30, 2009. These costs are for: (i) staff costs to research and prepare documentation for four meetings of the Adaptation Fund Board; (ii) travel costs of Board Members to participate in four meetings of the Board; (iii) travel costs of Board Members to participate in three Committee meetings and (iv)

travel costs of Secretariat staff to organize and manage the first four meetings of the Board and three Committee meetings. The costs also include a provision of **\$1,441,140** to cover the Secretariat's staff salaries for two years (i.e., July 1, 2008, to June 30, 2010).

Expenditures of the Adaptation Fund Secretariat from January 1 to June 30, 2008

5. It is estimated that the Secretariat has incurred \$ **739,142** in expenses for the period January 1, 2008, to June 30, 2008, for the following costs: (i) staff costs to research and prepare documentation for the meetings of the Board; (ii) travel costs of Board Members to participate in the first two Meetings of the Board; and (iii) travel costs of Secretariat staff to organize, manage and follow up activities from the First and Second Meetings of the Adaptation Fund Board.

6. The contributions received for the administrative expenses of operating the Adaptation Fund amount to \$ **1,426,680**, as of August 26, 2008.

7. The estimated expenses for the period July 1, 2008, to December 31, 2008, are for a sum of \$ **950,851** to cover all costs of operation of the Adaptation Fund, including the cost of holding a Third Meeting of the Board in September 2008.

8. This leads to a shortfall of funds of \$ **263,313** to fully cover the costs of operation for the period July 1, 2008, to December 31, 2008, as can be seen in Table 2.

Table 2: Status of the Resources in the Trust Fund for the Secretariat of the Adaptation Fund as of August 26, 2008

Paid-in Funds as of August 26, 2008	1,426,680
January 1-June 30, 2008 expenses	739,142
July 1 - December 31, 2008 plan	950,851
Projected Shortfall as of December 31, 2008	(263,313)

Impact of Shortfall in Fund Resources

9. The Trust Fund for the Secretariat of the Adaptation Fund has received pledges of additional contributions from the governments of France, Japan and Switzerland, whose pledges are appreciatively acknowledged. These sums had not yet been paid into the Trust Fund for the Secretariat of the Adaptation Fund as of August 26, 2008. In addition, a proportion of the charges made on receipt of funds by the invited Trustee (\$ 46,161.20) are due to be returned to the Adaptation Fund. These sums are detailed in Table 3.

Table 3: Pledges to the Trust Fund for the Secretariat of the Adaptation Fund as of August 26, 2008

Pledges Not Yet Paid In to Administrative Trust Fund for the Board & Secretariat for the Adaptation Fund			
Donor	Currency	Amount	USD Equivalent
France	EUR	100,000.00	147,573.00
Japan			13,093.97
Switzerland	CHF	200,000.00	<u>190,909.59</u>
Sub-total			351,576.56 *
plus 60% of 5% fee to be returned by ACT			46,161.20
Total Not Yet Paid In			397,737.76
*Less administrative fees to be given to Trustee and Legal Department for set-up and maintenance in an amount to be determined			

10. Unless the pledges of the governments of France, Japan and Switzerland are fulfilled in the next two months, the secretariat and the Adaptation Fund will not be able to function after September 30, 2008.

11. When these additional pledges from governments have been received in the Trust Fund for the Secretariat of the Adaptation Fund, operation of the Adaptation Fund can continue through 2008.

12. The above sums pledged will balance out the current shortfall, once they have been received, leaving a positive balance in the account on December 31, 2008, of **\$ 133,425¹**. It is kindly requested that relevant governments complete all procedures for delivery on their generous pledges.

13. In addition, if *additional* pledges to the Trust Fund for the Secretariat of the Adaptation Fund are not received and paid before October 2008, it will not be possible to hold a Fourth Meeting of the Adaptation Fund in December 2008 after the CMP.

14. There is also a need for additional funds to cover the period from January 1, 2009, for any future operation of the Adaptation Fund, until the proceeds of the monetization of CERs has been realized.

15. It is recommended that the Adaptation Fund Board expeditiously consider the potential shortfall of available funds for continuing operation of the activities of the Adaptation Fund.

¹Pledged sums of \$ 397.738 against the current shortfall of \$ 263, 3130 lead to a positive balance of \$133,425