

# The Adaptation Fund

AFB/B.5/7  
February 25, 2009

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Adaptation Fund Board  
Fifth Meeting  
Bonn, March 24-27, 2009

Agenda Item 12

## STATUS OF THE ADMINISTRATIVE TRUST FUND RESOURCES

## Introduction

1. Decision 1/CMP.3, in paragraphs 24-26 provides for the financial framework of the Adaptation Fund, which includes the establishment of a trust fund to meet the 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 administrative trust fund for the Board and the Secretariat of the Adaptation Fund.

2. This document is prepared by the Secretariat to inform the Board of the status of the resources available to, and expenditures incurred by, the Adaptation Fund as of February 25, 2009.

## Status of Contributions to the Adaptation Fund Trust Fund

3. As of February 25, 2009, the governments of Australia, Denmark, Finland, France, Japan, Norway, Sweden, Switzerland and U.K. and UNEP have made contributions for the administrative expenses for operating the Fund and paid in donations of US \$3.548 million, while a loan of US \$ 700,000 has been received from the Least Developing Country Fund to cover costs of the operation of the Adaptation Fund before pledged amounts from donors have been credited to the Trustee accounts for this Trust Fund. These are detailed in Table 1.

**Table 1: Contributions to the Adaptation Fund Administrative Trust Fund as of February 25, 2009**

<b>Paid in contributions to the administrative trust fund for the Board and Secretariat of the Adaptation Fund</b>			
<b>Donor</b>	<b>Currency</b>	<b>Amount</b>	<b>USD Equivalent</b>
Australia*	AUD	200,000	\$191,340.00
Denmark	DKK	3,000,000	\$544,030.18
Finland	EUR	100,000	\$155,340.00
France	EUR	95,000	\$122,692.50
Japan	USD	13,094	\$13,093.97
<b>LDCF loan</b>	<b>USD</b>	<b>700,000</b>	<b>\$700,000.00</b>
Norway	NOK	1,000,000	\$201,726.78
Sweden	SEK	2,100,000	\$251,154.11
Switzerland	CHF	200,000	\$178,651.18
U.K.*	GBP	500,000	\$990,300.00
UNEP*	USD	200,000	<u>\$200,000.00</u>
Less fees given to Trustee and legal Department for set up and maintenance			(\$177,576.00)
<b>TOTAL</b>			<b>\$3,370,752.72</b>

\* These contributions must be repaid to the donor or transferred to a different fund once CERs have been monetized.

## **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).

5. In subsequent meetings in 2008, the Adaptation Fund Board approved a series of revised budgets that totalled **\$2,379,811** for the activities of the Secretariat for the period January 1, 2008, to December 31, 2008. These costs were 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 **\$398,370** to cover the salary for two years of the Adaptation Fund manager in the Secretariat (notionally, July 1, 2008, to June 30, 2010).

## **Expenditures of the Adaptation Fund Secretariat from January 1 to December 31, 2008**

6. It is estimated that the Secretariat has incurred **\$1,885,743** in expenses for the period January 1, 2008, to December 31, 2008, for the following costs: (i) staff costs to research and prepare documentation for the four meetings of the Board; (ii) travel costs of Board Members to participate in four Meetings of the Board; and (iii) travel costs of Secretariat staff to organize, manage and follow up activities from the Meetings of the Adaptation Fund Board. The costs also include a provision of **\$398,370** to cover the salary for two years of the Adaptation Fund manager in the Secretariat (notionally, July 1, 2008, to June 30, 2010). The entire amount for the two year contract was required to be set aside in its entirety before a contract could be issued in order to comply with Secretariat regulations.

7. The contributions received for the administrative expenses of operating the Adaptation Fund amount to a total of **\$3,548,329** as of February 6, 2009. The net value is **\$3,370,753**, net of the costs of set up and maintenance of the administrative Trust Fund of **\$177,576**.

8. The estimated expenses for the period January 1, 2009, to June 30, 2009, are **\$688,260** to cover all costs of operation of the Adaptation Fund, including the cost of holding a Fifth and Sixth Meeting of the Board in March and June 2009.

9. This leads to remaining available funds of **\$796,750** to cover the costs of operation for the period from July 1, 2009, as can be seen in Table 2. This table also includes the pledged sums by donors that have not yet been realized. These are covered in more detail in the following section and in Table 3.

**Table 2: Status of the Resources in the Adaptation Fund Administrative Trust Fund as of February 25, 2009**

<b>Cumulative Funds made available as of February 25, 2009</b>	<b>3,370,753</b>
<b>January 1 - December 31, 2008 estimated expenses</b>	<b>1,885,743</b>
<b>January 1 - June 30, 2009 proposed budget</b>	<b>688,260</b>
<b>Available funds as of February 25, 2009 (NB \$700,000 needs to be returned to LDCF)</b>	<b>796,750</b>
<b>Pending receipts as of February 25, 2009</b>	<b>531,779</b>

### Additional Donor pledges

10. The Adaptation Fund trust fund has received pledges of additional contributions from the government of The Netherlands and UNEP. These sums had not yet been fully paid into the Adaptation Fund trust fund as of February 6, 2008, although **\$200,000** of the total **\$500,000** pledged by UNEP has already been received. In addition, a proportion of the charges made on receipt of funds by the invited Trustee (**\$99,205.80**) are due to be returned to the Adaptation Fund. These sums are detailed in Table 3.

**Table 3: Pending Receipts to the Adaptation Fund Administrative Trust Fund as of February 25, 2009**

<b>Pending Receipts to the administrative trust fund for the Board and Secretariat of the Adaptation Fund</b>			
Netherlands	EUR	100,000	\$155,340.00
UNEP (2nd tranche)	USD	300,000	\$300,000.00
Less fees given to Trustee and Legal Department for set up and maintenance			(\$22,767.00)
60% of 5% to be returned from received funds			\$85,545.60
60% of 5% to be returned from pending pledges			<u>\$13,660.20</u>
<b>Total not yet paid in</b>			<b>\$531,778.80</b>

11. If the pledges of the government of Netherlands and UNEP are received in the next six months as expected, the Adaptation Fund would still be able to function after June 30, 2009, even if the loan to the LDCF were repaid, in full.

12. However, it is expected that additional funds to cover the period from July 1, 2009 onwards will become available to cover future operations of the Adaptation Fund once the proceeds of the monetization of CERs have been realized.