



ADAPTATION FUND

AFB/EFC.15/6
9 September 2014

Ethics and Finance Committee
Fifteenth Meeting
Bonn, Germany, 7-8 October 2014

**ADAPTATION FUND TRUST FUND:
FINANCIAL REPORT PREPARED BY THE TRUSTEE**

(AS AT 30 JUNE 2014)



Adaptation Fund Trust Fund

Financial Report

Prepared by the Trustee

As of June 30, 2014



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Introduction

This report is produced by the World Bank as interim trustee (“Trustee”) for the Adaptation Fund, in accordance with the Trustee’s role in the Adaptation Fund Trust Fund as set forth under paragraph 23 in the Appendix of Decision 1/CMP.4 of the CMP¹.

The information contained in this Financial Report is based on financial information as of June 30, 2014.

¹ The decision states that: “The Trustee shall prepare and furnish the Adaptation Fund Board with financial reports of the Trust Fund annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board), and provide records and accounts of the Trust Fund for audit by its external auditors annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board), in accordance with the policies and procedures of the Trustee. Furthermore, the Trustee shall prepare and furnish the Adaptation Fund Board with reports on the sale of the CERs for the Adaptation Fund and on the status of commitments and transfers of Trust Fund funds annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board).”



Adaptation Fund Trust Fund Summary as of June 30, 2014

AF Trust Fund Financial Summary

Certified Emission Reduction (CER) Sales and Donations

Since the start of the CER monetization program in May 2009, the Trustee has generated revenues of USDeq. 190.42 million through CER sales, USDeq. 0.63 million of which were from CER sales during calendar year 2014. As of June 30, 2014, cumulative donations to the Adaptation Fund amounted to USDeq. 213.7 million.

Investment Income

As of June 30, 2014, the Adaptation Fund Trust Fund had earned cumulative investment income of approximately USD 3.21 million on the undisbursed balance of the Trust Fund. The Adaptation Fund Trust Fund liquid portfolio has returned 0.15% through the calendar year 2014. Pursuant to the Report of the 17th meeting of the AF Board, dated April 16, 2012, the Trust Fund balance has been allocated to a longer term investment portfolio in accordance with the Trustee's procedures for trust fund investments.

Funding Approvals and Commitments

Cumulative net funding decisions (approvals by the AF Board) to end-June 2014 amounted to USD 253.64 million. As of June 30, 2014, approved amounts (committed by the Trustee) pending transfers to recipients totaled USD 127.98 million, representing a decrease of USD 25.88 million since March 31, 2014.

Cash Transfers

Based on Adaptation Fund Board decisions, the Trustee has transferred a total of USD 125.66 million up to June 30, 2014, including USD 99.54 million related to projects and programs, further detailed in Section 6.

Funds Held in Trust

Funds Held in Trust² reflect proceeds from CER monetization, donations received and investment income, less cash transfers made to date. Funds Held in Trust as of June 30, 2014 amounted to USDeq. 281.68 million.

Funds available to support AF Board funding decisions

Funds available amounted to USD 150.7 million as of June 30, 2014. This represents an increase of USDeq. 8.13 million over the prior reporting period as a result of CER proceeds and donations received during the period.

² Funds Held in Trust represents balance of cash, investments and unencashed promissory notes (if any) as of the reporting date.



1. AF Trust Fund Summary – Inception through June 30, 2014

In USD millions

	Total	% of Total
<u>CER Sales Proceeds and Pledged Donations</u>		
CER Sales Proceeds	190.42	45.9%
Donations	213.70	51.5%
Pledges	10.58	2.6%
Total CER Sales Proceeds and Donations	414.70	100.0%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
CER Sales Proceeds	190.42	44.5%
Donations	213.70	49.9%
Investment Income earned	3.21	0.8%
Total Resources Received	407.34	95.1%
<u>Resources not yet received</u>		
Pledges	10.58	2.5%
Total resources not yet received	20.79	4.9%
Total Potential Resources (A) (in USD millions)	428.13	100.0%
<u>Cumulative Funding Decisions</u>		
Programs and Projects (MIE)	181.40	71.5%
Programs and Projects (NIE)	44.81	17.7%
Operational Expenses	27.43	10.8%
Total Funding Decisions Net of Cancellations (B)	253.64	100.0%
Total Potential Resources Net of Funding Decisions (A) - (B)	174.49	
Total Potential Resources Net of Funding Decisions and Operational Reserve	171.49	
<u>Funds Available</u>		
Funds Held in Trust with no restrictions	278.68	
Approved Amounts Pending Cash Transfers	127.98	
Total Funds Available to Support AF Board Decisions	150.70	



2. CER Sales Proceeds and Donations

Calendar Year		CER balance a/	CER sales	Proceeds USD (millions)
2009	Q2	5,044,100	1,120,000	18.55
	Q3	5,461,361	80,000	1.52
	Q4	5,225,632	850,000	16.06
2010	Q1	4,161,678	1,720,000	27.95
	Q2	2,174,188	2,465,000	41.84
	Q3	1,306,693	1,240,000	20.92
2011	Q4	1,888,232	560,000	9.51
	Q1	3,005,041	480,000	8.18
	Q2	3,403,530	1,015,000	18.59
2012	Q3	4,966,292	390,000	4.80
	Q4	6,255,615	40,000	0.42
	Q1	7,514,701	400,000	2.31
2013	Q2	7,034,418	1,931,000	9.41
	Q3	6,280,769	1,614,000	6.22
	Q4	8,217,077	965,000	1.71
2014	Q1	9,035,889	1,498,000	0.25
	Q2	10,528,786	144,303	0.08
	Q3	10,932,978	300,000	0.29
2014	Q4	9,749,545	1,800,000	1.18
	Q1	8,582,226	655,000	0.29
	Q2	8,502,467	1,478,000	0.34
Total			20,745,303	190.42

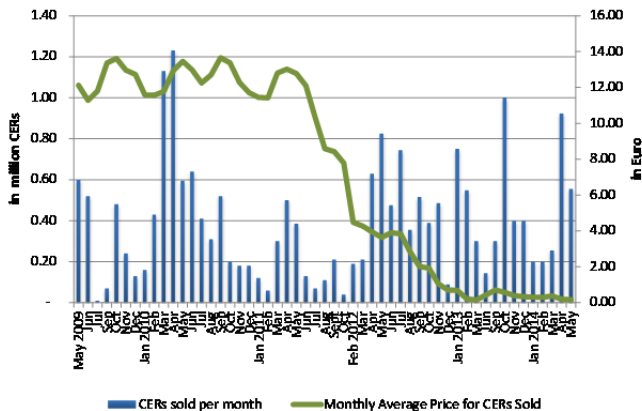
CER SALES PROCEEDS

This table shows the proceeds from CER sales received into the Adaptation Fund Trust Fund.

The Trustee has generated revenues of USDeq. 190.42 million through CER sales since the start of the CER monetization program in May 2009.

CER prices have increased slightly but remain at historically low levels, reflecting continued oversupply and weak demand.

a/ in CDM, Swiss, and Bluenext registries, at month-end



CER SALES VS. MONTHLY AVERAGE PRICE

This chart presents the number of CERs sold per month and the monthly average price obtained for CERs sold between May 2009 and June 2014.

During the second quarter of 2014, the Trustee sold 1.47 million CERs and generated USDeq. 0.34 million in CER proceeds. The average price achieved during the quarter was EUR 0.19.



DONATIONS

Donor	Currency	Pledged Donation in Currency of Contribution	Effective (or signed) Donation	Receipts in Currency of Contribution	Receipts in USD eq. a/
Austria	EUR	500,000	500,000	500,000	690,250
Belgium	EUR	1,500,000	-	-	-
Belgium (Flanders and Wallonia Regions) b/	EUR	1,250,000	-	-	-
Brussels Capital Region	EUR	1,700,000	1,700,000	1,700,000	2,266,650
Finland c/	USD	67,534	67,534	67,534	67,534
Finland	EUR	5,000,000	5,000,000	5,000,000	6,803,000
France c/	USD	53,340	53,340	53,340	53,340
France	EUR	5,000,000	-	-	-
Germany	EUR	40,000,000	40,000,000	40,000,000	54,717,000
Japan c/	USD	8,088	8,088	8,088	8,088
Monaco	EUR	10,000	10,000	10,000	12,197
Norway c/	USD	87,700	87,700	87,700	87,700
Norway	NOK	15,000,000	15,000,000	15,000,000	2,439,381
Spain	EUR	45,000,000	45,000,000	45,000,000	57,055,000
Sweden	SEK	400,000,000	400,000,000	400,000,000	59,383,765
Switzerland c/	USD	77,668	77,668	77,668	77,668
Switzerland	CHF	13,000,000	13,000,000	13,000,000	14,125,926
United Kingdom	GBP	10,000,000	10,000,000	10,000,000	15,915,000
Others	GBP	-	326	326	504
Others	EUR	-	412	412	566
Total Donations Received					213,703,570

a/ Represents actual USD receipts.

b/ The pledge of EUR 1.25 million from Flanders and Wallonia Regions still needs to be apportioned.

c/ Donation corresponds to the Donor's pro-rata share of the balance in the Administrative Trust Fund

HIGHLIGHTS FOR THE PERIOD APRIL 1, 2014 THROUGH JUNE 30, 2014:

- The Trustee executed a donation agreement with Finland for EUR 5 million, and the amount was received in the Adaptation Fund Trust Fund.
- Austria's EUR 500,000 contribution was received during the period.

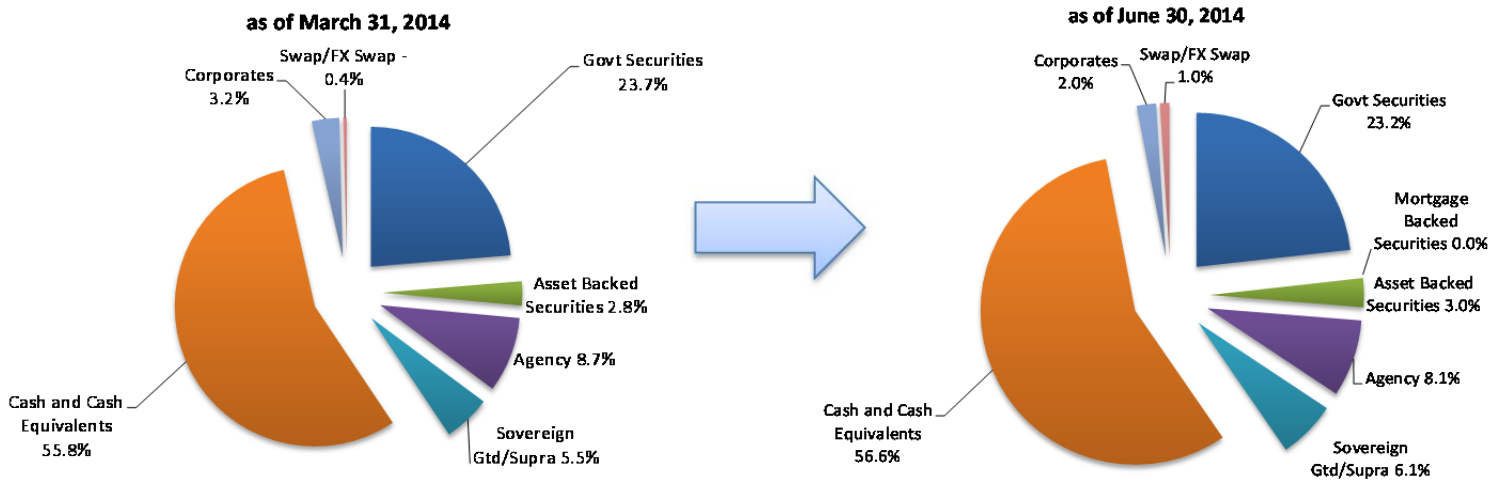


3. Asset Mix and Investment Income

The undisbursed cash balance of the Adaptation Fund Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is actively managed so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon.

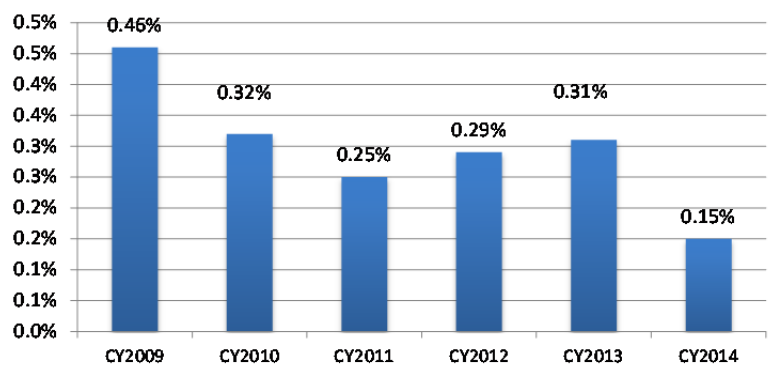
ASSET MIX

The portfolio allocation by asset class has the largest allocations to government securities and money-market instruments. In 2012, the Adaptation Fund Board approved an updated investment strategy, reflecting the Fund’s mandate, current risk profile and projected liquidity needs. Based on projections that the Fund’s resources would remain undisbursed for at least one year and at a sizable level (above USD 100 million), its balance would be eligible for investment in a longer term tranche.



INVESTMENT RETURNS

The portfolio’s performance continues to be modest as the level of fixed income yields remain at near historically low levels. Contributors to performance were Agency MBS, the LIBOR portfolio, and sovereign bonds in the United States and Europe.





4. Cumulative Funding Decisions

In USD millions

<u>1. Programs and Projects</u>	<u>MIE/NIE</u>	<u>MIE</u>	<u>NIE</u>	<u>226.22</u>
Argentina	UCAR	-	5.67 a/	
Argentina	WB	4.30	-	
Benin	FNE	-	0.03 a/	
Cambodia	UNEP	4.95	-	
Colombia	UNDP	8.52	-	
Cook Islands	UNDP	5.38	-	
Costa Rica	FDS	-	0.03 a/	
Cuba	UNDP	6.07	-	
Djibouti	UNDP	4.66	-	
Ecuador	WFP	7.45	-	
Egypt	WFP	6.90	-	
Eritrea	UNDP	6.52	-	
Georgia	UNDP	5.32	-	
Guatemala	UNDP	5.43	-	
Honduras	UNDP	5.62	-	
India	NABARD	-	0.09 a/	
Jamaica	PIOJ	-	10.00 a/	
Jordan	MOPIC	-	0.30 a/	
Lebanon	IFAD	7.86	-	
Madagascar	UNEP	5.10	-	
Maldives	UNDP	8.99	-	
Mauritania	WFP	7.80	-	
Mauritius	UNDP	9.12	-	
Mongolia	UNDP	5.50	-	
Morocco	ADA	-	0.03 a/	
Myanmar	UNDP	7.91	-	
Nicaragua	UNDP	5.50	-	
Pakistan	UNDP	3.91	-	
Papua New Guinea	UNDP	6.53	-	
Rwanda	MINIRENA	-	10.00 a/	
Samoa	UNDP	8.73	-	
Senegal	CSE	-	8.62	
Seychelles	UNDP	6.46	0.00	
Solomon Islands	UNDP	5.53	-	
South Africa	SANBI	-	0.06	
Sri Lanka	WFP	7.99	-	
Tanzania	UNEP	5.01	-	
Turkmenistan	UNDP	2.93	-	
Uruguay	ANII	-	10.00 a/	
Uzbekistan	UNDP	5.42	-	
Sub-Total by IE type		181.40	44.81	
Percent of total Programs and		80%	20%	
<u>2. Operational Expenses</u>				<u>27.43</u>
AF Administrative Trust Fund b/				0.69
Administrative Budget - Trustee				7.03
Administrative Budget - AF Board and Secretariat				19.07
Other				0.64
3. Total Funding Decisions (3 = 1 + 2)				253.64
a/ Includes approved Project Formulation Grant amounts.				
b/ Represents reimbursable contributions from UNEP and Australia to the Administrative Trust Fund				

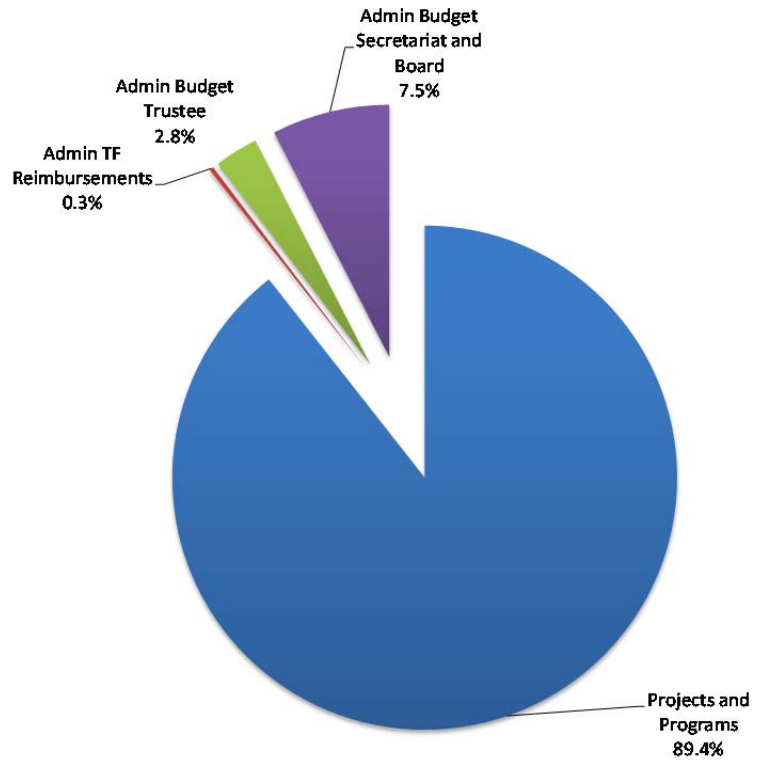
SNAPSHOT OF FUNDING DECISIONS:

- The cumulative funding decisions made by the Adaptation Fund Board up to June 30, 2014 amount to USD 253.64 million. The breakdown of funding decisions by National Implementing Entities (NIEs) and Multilateral Implementing Entities (MIEs) is presented in the table above.



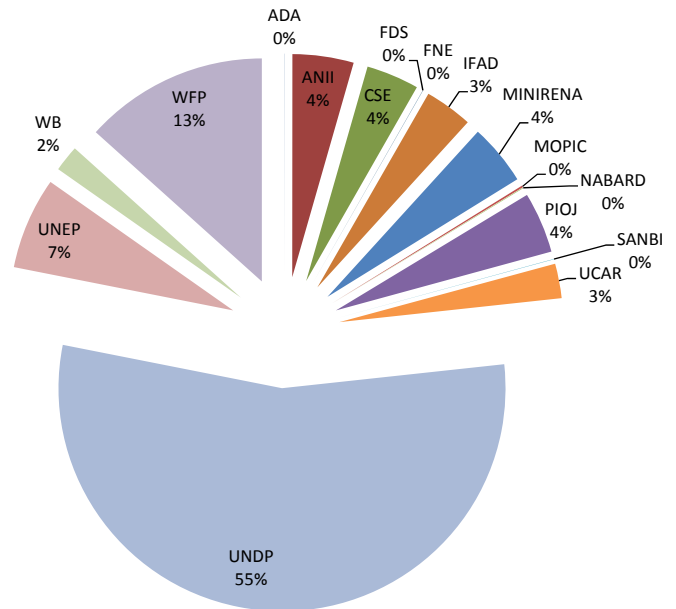
CUMULATIVE FUNDING DECISIONS

Since inception to June 30, 2014 funding approvals made by the AF Board amounted to USD 253.64 million.



FUNDING DECISIONS BY NIE/MIE

Funding decisions by MIE/NIE show the cumulative funding decisions related to programs and projects. To date, cumulative funding decisions to MIEs/NIEs amount to USD 226.22 million.



5. Funds Available

In USD millions

	As of June 30, 2014 (a)	As of March 31, 2014 (b)	Change since last report (a) - (b)
1. Cumulative Receipts	407.34	399.21	8.13
a. Cash receipts from CER proceeds	190.42	190.01	0.41
b. Cash receipts from Donors and Other Sources	213.70	206.21	7.49
c. Investment Income earned on undisbursed balances	3.21	2.99	0.22
2. Cumulative Cash Transfers	125.66	99.78	25.88
a. Projects and Programmes	99.54	78.01	21.53
b. Operational Expense	26.12	21.77	4.35
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	281.68	299.43	(17.76)
4. Operational Reserve	3.00	3.00	-
5. Funding Decisions Pending Cash Transfer	127.98	153.86	(25.88)
6. Funds available to support AF Board funding decisions (6 = 3 - 4 - 5)	150.70	142.57	8.13

Highlights for the period April 1, 2014 through June 30, 2014:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 281.68 million as of June 30, 2014. Funds Held in Trust decreased by USDeq. 17.76 million due to:
 - The receipt of CER proceeds amounting to USDeq. 0.41 million.
 - The receipt of donations amounting to USD 7.49 million
 - Investment income of USDeq. 0.22 million earned during the quarter
 - Cash transfers of USD 25.88 million for projects, programs and operational expenses during the last quarter.
- *There were no new Funding decisions* arising from AF Board approvals.
- **Funding Availability** increased by USDeq. 8.13 million over the prior reporting period as a result of the factors outlined above.
- **Estimated additional resources available from CER monetization:** Based on current CER prices, inventory in the AF Share of Proceeds (and potential CER inflows), an additional USD 2-3 million may be available to the Fund by end-2015, in addition to any outstanding donations.



Annex – Detailed CER Monetization Record

	Calendar Quarter	Sale Method	Quantity	Quarterly Average Market Price	Quarterly Average Price Achieved by the Trustee	Total Euro	Actual USD	Fees
2009	Q2	OTC	1,100,000	11.62	11.85	13,030,000	18,244,887	-
		Exchange	20,000	11.62	10.79	215,700	302,455	480
	Q3	OTC	-	-	-	-	-	-
		Exchange	80,000	12.74	13.16	1,044,000 a/	1,519,280	1,920
Q4	OTC	400,000	12.72	12.41	4,965,000	7,372,659	-	
	Exchange	450,000	12.72	13.02	5,860,600	8,689,141	10,800	
2010	Q1	OTC	1,300,000	11.69	11.93	15,505,000	21,219,352	-
		Exchange	420,000	11.69	11.59	4,867,200	6,734,673	10,080
	Q2	OTC	1,570,000	13.02	13.17	20,684,500	26,768,710	-
		Exchange	895,000	13.02	13.07	11,693,600	15,068,497	12,270
	Q3	OTC	700,000	12.90	13.51	9,454,000	12,049,753	-
		Exchange	540,000	12.90	12.67	6,839,600	8,866,433	7,560
	Q4	OTC	-	-	-	-	-	-
		Exchange	560,000	12.47	12.48	6,991,500	9,511,362	7,840
2011	Q1	OTC	300,000	11.89	12.83	3,847,500	5,437,099	-
		Exchange	180,000	11.89	11.44	2,059,000	2,746,051	2,520
	Q2	OTC	500,000	12.49	13.02	6,509,000	9,357,538	-
		Exchange	315,000	12.49	12.53	3,946,900	5,662,845	4,350
	Q3	Auction	200,000	12.49	12.52	2,504,000	3,567,699	2,000
		OTC	-	-	-	-	-	-
Q4	Exchange	390,000	9.07	8.81	3,434,600	4,803,998	5,460	
	OTC	-	-	-	-	-	-	
	Exchange	40,000	6.21	7.79	311,400	418,332	560	
	OTC	-	-	-	-	-	-	
2012	Q1	OTC	-	-	-	-	-	-
		Exchange	400,000	4.16	4.37	1,748,100	2,306,972	5,600
	Q2	OTC	250,000	3.82	3.67	921,500	1,158,337	-
		Exchange	1,681,000	3.82	3.81	6,411,770	8,251,269	23,534
	Q3	OTC	-	0.18	-	-	-	-
		Exchange	1,614,000	2.91	2.95	5,006,550	6,224,091	22,596
Q4	OTC	6,000	0.18	1.05	6,300	8,027	-	
	Exchange	959,000	0.18	1.38	1,317,480	1,698,951	13,426	
2013	Q1	OTC	1,498,000	0.16	0.13	190,280	254,006	-
		Exchange	-	-	-	-	-	-
	Q2	OTC	144,303	0.28	0.43	62,050	82,030	-
		Exchange	-	-	-	-	-	-
	Q3	OTC	300,000	0.60	0.71	212,000	286,740	-
		Exchange	-	-	-	-	-	-
	Q4	OTC	1,800,000	0.45	0.49	868,000	1,181,238	-
		Exchange	-	-	-	-	-	-
2014	Q1	OTC	655,000	0.31	0.36	216,900	293,664	9,170
		Exchange	-	-	-	-	-	-
	Q2	OTC	1,478,000	0.16	0.19	259,230	335,597	20,692
		Exchange	-	-	-	-	-	-
Total			20,745,303			140,983,260	190,421,683	160,858

a/ net of EUR 10,000 exchange fees



Glossary

Term	Definition
ADA	Agence pour le Developpement Agricole – Morocco
ANII	Agencia Nacional de Investigación e Innovación – Uruguay
CSE	Centre de Suivi Ecologique - Senegal
FDS	Fundecooperacion Para el Desarrollo Sostenible – Costa Rica
FNE	Fonds National pour l’Environnement – Benin
IDB	InterAmerican Development Bank
IFAD	International Fund for Agricultural Development
MINIRENA	Ministry of Natural Resources - Rwanda
MOPIC	Ministry of Planning and International Cooperation – Jordan
NABARD	National Bank for Agriculture and Rural Development – India
PIOJ	Planning Institute of Jamaica
SANBI	South African National Biodiversity Institute
UCAR	Unidad para el Cambio Rural – Argentina
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WB	World Bank
WFP	United Nations World Food Programme