



ADAPTATION FUND

AFB/EFC.7/6  
18 November 2011

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Adaptation Fund Board  
Ethics and Finance Committee  
Seventh Meeting  
Durban, 12 December, 2011

Agenda Item 8

## **FINANCIAL STATUS OF THE ADAPTATION FUND TRUST FUND**

(as at 30 September 2011)

Prepared by the World Bank as Trustee for the Adaptation Fund

## I. Introduction

1. This report provides the Adaptation Fund Board with information on the financial status of the Adaptation Fund Trust Fund. The report presents the status of receipts and cash transfers in Section II; Section III reports on the cumulative funding decisions made by the Adaptation Fund Board since inception; and Section IV shows funding availability of the Adaptation Fund Trust Fund. Annex 1 shows a detailed record of sales of Certified Emission Reductions (CERs), and an updated estimate of potential resources available to the Adaptation Fund Board until end-2012 is contained in Annex 2.

2. On October 31, 2011, the World Bank launched a website catering solely to Financial Intermediary Funds (“FIFs”), such as the Adaptation Fund Trust Fund, at [www.worldbank.org/fiftrustee](http://www.worldbank.org/fiftrustee). This website will disseminate financial information, reports, financial statements and links to helpful resources for FIFs. Future plans include the addition of interactive capabilities to retrieve, filter, and download ‘real-time’ financial information and run analytical reports. Also, in July 2011, as part of the World Bank’s Open Data Access Initiative, the Bank launched a portal for FIFs on the “World Bank Finances” website at <https://finances.worldbank.org>. This website provides data for each FIF, including the Adaptation Fund, and includes funding approvals, Trustee commitments and cash transfers to implementing agencies.

## II. Status of Receipts and Cash Transfers

3. Table 1 shows the schedule of receipts and cash transfers of the Adaptation Fund Trust Fund as of September 30, 2011. The Funds Held in Trust represent cumulative receipts less cumulative cash transfers, and amount to USD eq. 229.29 million as of September 30, 2011.

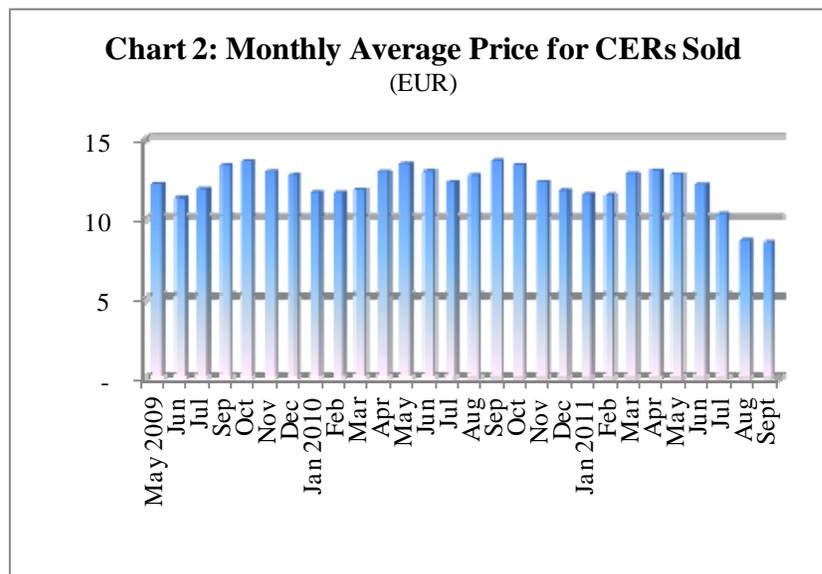
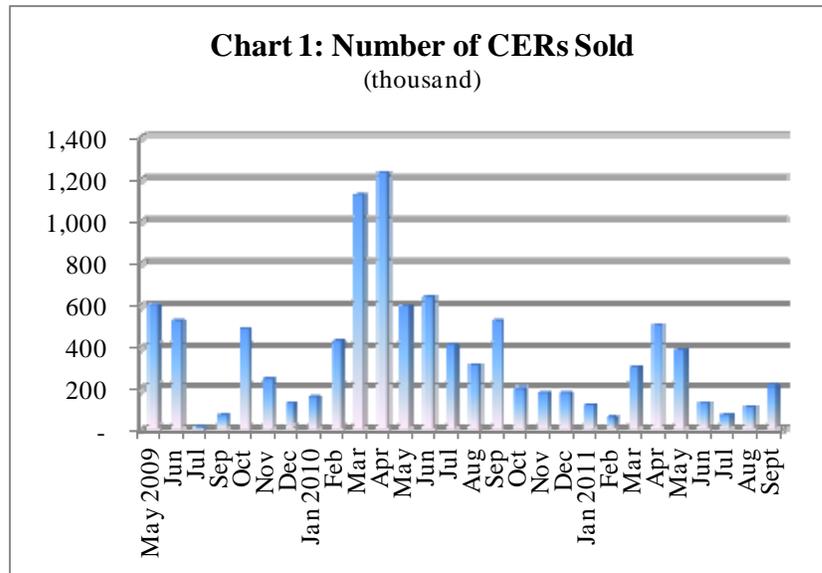
	<u>As of September 30, 2011</u>	<u>As of June 30, 2011</u>
<b><u>1. Cumulative Receipts</u></b>	<b>254.90</b>	<b>249.92</b>
a. Cash receipts from CER proceeds a/	167.92	163.12
b. Cash receipts from Donors and Other Sources	85.82	85.82
c. Investment Income earned on undisbursed balances of AF Funds	1.15	0.98
<b><u>2. Cumulative Cash Transfers</u></b>	<b>25.61</b>	<b>21.52</b>
a. Projects and Programs	12.40	12.37
b. Operational Expense b/	13.21	9.16
<b><u>3. Funds held in Trust (3 = 1 - 2)</u></b>	<b>229.29</b>	<b>228.40</b>

a/ Includes cash receipts from CER proceeds pending foreign exchange conversion.  
b/ Represents administrative budgets, return of unused amounts to the AF Trust Fund, and reimbursements to Administrative Trust Fund donors.

4. **Proceeds from CER sales:** The Trustee has generated revenues of USD eq. 167.92 million through CER sales since the start of the CER monetization program in May 2009, as shown in Table 1a. This table shows the proceeds from CER sales received into the Adaptation Fund Trust Fund. Chart 1 presents the number of CERs sold per month; and Chart 2 presents the monthly average price obtained for CERs sold between May 2009 and September 2011.

		<b>Table 1a: CER Sales Proceeds</b>		
		Status as of September 30, 2011		
		<u>CER balance a/</u>	<u>CER sales</u>	<u>Proceeds USD (millions)</u>
<u>2009</u>	May	5,156,377	600,000	10.29
	June	5,044,100	520,000	8.26
	July	5,205,917	10,000	0.15
	August	5,328,677	-	-
	September	5,461,361	70,000	1.37
	October	5,070,883	480,000	9.01
	November	5,167,718	240,000	4.64
	December	5,225,632	130,000	2.42
<u>2010</u>	January	5,217,023	160,000	2.63
	February	5,063,241	430,000	6.81
	March	4,161,678	1,130,000	18.51
	April	3,140,433	1,230,000	20.20
	May	2,756,268	595,000	11.41
	June	2,174,188	640,000	10.23
	July	1,815,084	410,000	6.55
	August	1,650,637	310,000	5.14
	September	1,306,693	520,000	9.23
	October	1,320,841	200,000	3.72
	November	1,626,218	180,000	3.01
	December	1,888,232	180,000	2.79
<u>2011</u>	January	2,771,383	120,000	1.82
	February	2,849,129	60,000	0.93
	March	3,005,041	300,000	5.44
	April	3,086,613	500,000	9.36
	May	3,060,895	385,000	6.96
	June	3,403,530	130,000	2.27
	July	3,791,584	70,000	1.03
	August	4,424,413	110,000	1.35
	September	4,966,292	210,000	2.42
	<b>Total</b>		<b>9,920,000</b>	<b>167.92</b>

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



5. **Donations:** Since the last report, no new donations or transfers of donations from donors' pro-rata share of funds remaining in the Administrative Trust Fund have been received.

6. As of September 30, 2011, the total cash donations received by the Trustee amounted to USD eq. 85.82 million.

**Table 1b: Schedule of Donations**  
Updated as of September 30, 2011

<u>Donor</u>	<u>Currency</u>	<u>Agreed Donation in Currency of Contribution</u>	<u>Effective (or signed) Donation</u>	<u>Receipts in Currency of Contribution</u>	<u>Receipts in USD eq. a/</u>
Finland b/	USD	67,534	67,534	67,534	67,534
France b/	USD	53,340	-	-	-
Germany	EUR	10,000,000	10,000,000	10,000,000	13,883,000
Japan b/	USD	8,088	8,088	5,693 c/	5,693 c/
Monaco	EUR	10,000	10,000	10,000	12,197
Norway b/	USD	87,700	87,700	87,700	87,700
Spain	EUR	45,000,000	45,000,000	45,000,000	57,055,000
Sweden	SEK	100,000,000	100,000,000	100,000,000	14,634,646
Switzerland b/	USD	77,668	77,668	77,668	77,668
Others	EUR	-	412	412	566
<b><u>Total Donations Received</u></b>					<b>85,824,004</b>

a/ Represents actual USD receipts.

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

c/ Additional donation of \$2,395 was transferred in October 2011.

7. **Investment Income:** As of September 30, 2011, the Adaptation Fund Trust Fund earned investment income of approximately USD 1.15 million on the undisbursed balance of the Trust Fund, representing a rate of return of 1.31% since inception. Annual investment income returns were 0.96% in FY10<sup>1</sup>, 0.29% in FY11 and 0.06% in FY12 to date. In accordance with the trustee Terms and Conditions with the CMP, and anticipation of additional requests from the AF Board for the transfer of funds to Implementing Entities for approved projects, the Trust Fund balance remains allocated to a highly liquid short term investment portfolio.

8. Assets held in trust by the World Bank are maintained in a commingled investment portfolio (the "Pool") for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all of the trust funds administered by the World Bank. The investment objectives for the Adaptation Fund Trust Fund liquid balances are to: (i) maintain adequate liquidity to meet foreseeable cash flow needs, (ii) preserve capital and (iii) maximize investment returns. The return maximization objective is subject to risk tolerance criteria established in the trustee's Terms and Conditions with the CMP (para 20), and the liquidity and operational requirements of the Adaptation Fund.

9. The Adaptation Fund Trust Fund undisbursed balances are presently allocated to a cash portfolio with an investment horizon of less than 3 months. This reflects both the risk tolerance established in the trustee Terms and Conditions, and the requirement for

<sup>1</sup> Returns attributable to the period FY09 have been added to FY10 as the Trust Fund was only in existence for 1 month of FY09.

resources to be available for transfer to Adaptation Fund projects and programs on an uncertain schedule.

10. **Cash Transfers:** The Trustee has transferred, based on Adaptation Fund Board decisions, a total of USD 25.61 million from inception to September 30, 2011, including USD 12.4 million for projects and programs in Ecuador, Eritrea, Honduras, Jamaica, Nicaragua, Pakistan, Senegal, Solomon Islands and Uruguay.

### III. Funding Decisions

11. The cumulative funding decisions made by the Adaptation Fund Board up to September 30, 2011 amount to USD 84.47 million. The breakdown of funding decisions by National Implementing Entities (NIEs) and Multilateral Implementing Entities (MIEs) is presented in Table 2. Table 2a shows the additional project and program concepts endorsed by the Board. These endorsements are not reflected in the calculation of funds available.

<b><u>1. Programs and Projects</u></b>	<b><u>MIE/NIE</u></b>	<b><u>MIE</u></b>	<b><u>NIE</u></b>	<b>69.75</b>
Ecuador	WFP	7.45	-	
Eritrea	UNDP	6.52	-	
Honduras	UNDP	5.62	-	
Jamaica	PIOJ	-	0.03	a/
Maldives	UNDP	8.99	-	
Mauritius	UNDP	9.12	-	
Mongolia	UNDP	5.50	-	
Nicaragua	UNDP	5.50	-	
Pakistan	UNDP	3.91	-	
Senegal	CSE	-	8.62	
Solomon Islands	UNDP	5.53	-	
Turkmenistan	UNDP	2.93	-	
Uruguay	ANII	-	0.03	a/
		61.07	8.68	
Sub-Total by IE type		61.07	8.68	
<b>Percent of total Programs and Projects</b>		<b>88%</b>	<b>12%</b>	
<b><u>2. Operational Expenses</u></b>				<b>14.72</b>
AF Administrative Trust Fund	b/			1.68
Administrative Budget - Trustee				4.54
Administrative Budget - AF Board and Secretariat				8.50
<b>3. Total Funding Decisions (3 = 1 + 2)</b>				<b>84.47</b>
<hr/> a/ Represents approved Project Formulation Grant amounts. b/ Represents reimbursable contributions from UNEP, Australia and the United Kingdom to the Administrative Trust Fund				

**Table 2a: Project Concepts at Endorsed Stage**  
Updated as of September 30, 2011  
(in USD millions)

<b>1. Project Concepts a/</b>	<b>MIE/NIE</b>	<b>MIE</b>	<b>NIE</b>
Argentina	WB	4.31	-
Cook Islands	UNDP	4.99	-
Djibouti	UNDP	4.66	-
El Salvador	UNDP	5.43	-
Fiji	UNDP	5.73	-
Georgia	UNDP	5.32	-
Guatemala	UNDP	5.50	-
Jamaica	PIOJ	-	9.97
Madagascar	UNEP	4.50	-
Papua New Guinea	UNDP	5.23	-
Seychelles	UNDP	6.46	-
Uruguay	ANII	-	7.35
Sub-Total by IE type		52.12	17.32
<b>2. Total Project Concepts</b>			<b>69.43</b>

a/ Represents concept endorsement, not project/programme approval

#### IV. Funding Availability

12. Table 3 shows the current funding availability, taking into account: i) funds held in trust with no restrictions, and ii) total funding decisions pending cash transfers. Funds available to support AF Board funding decisions as of September 30, 2011 amount to **USD 167.43 million.**

**Table 3: Schedule of Funds Available**  
Updated as of September 30, 2011  
(in USD eq. millions)

	<u>As of September 30, 2011</u>	<u>As of June 30, 2011</u>
<b>1. Funds held in Trust</b>	<b>229.29</b>	<b>228.40</b>
<b>2. Restricted Funds a/</b>	<b>3.00</b>	<b>3.00</b>
<b>3. Funds held in Trust with no restrictions (3 = 1 - 2)</b>	<b>226.29</b>	<b>225.40</b>
<b>4. Funding decisions pending cash transfers</b>	<b>58.86</b>	<b>53.83</b>
<b>5. Funds available to support AF Board funding decisions (5 = 3 - 4)</b>	<b>167.43</b>	<b>171.57</b>

a/ Reserve to cover operational requirements of the AF Board

## Annex 1. CER Monetization Record

This table presents a summary of actual CER sales transactions by month and by sale method: Over-the-Counter (OTC) and Exchange trades. It also provides details on transactions costs.

Month	Sale Method	Quantity	Average Price	Total Euro	Actual USD	Transaction Costs (Euro)			
						Per Trade (40)	Per Ton (.02)	Total	
May	OTC	600,000	12.17	7,300,000	10,290,810	-	-	-	
June	OTC	500,000	11.45	5,730,000	7,954,077	-	-	-	
	Exchange	20,000	10.79	215,700	302,455	80	400	480	
July	Exchange	10,000	11.80	108,000 a/	150,887	40	200	240	
September	Exchange	70,000	13.37	936,000	1,368,393	280	1,400	1,680	
October	OTC	400,000	12.41	4,965,000	7,372,659	-	-	-	
	Exchange	80,000	13.67	1,093,900	1,636,002	560	1,600	2,160	
November	Exchange	240,000	12.97	3,112,000	4,635,167	760	4,800	5,560	
December	Exchange	130,000	12.73	1,654,700	2,417,971	480	2,600	3,080	
2010	January	Exchange	160,000	11.58	1,853,400	2,631,251	640	3,200	3,840
	February	OTC	300,000	11.60	3,480,000	4,760,592	-	-	-
	Exchange	130,000	11.56	1,502,500	2,049,973	520	2,600	3,120	
	March	OTC	1,000,000	12.01	12,025,000	16,458,760	-	-	-
	Exchange	130,000	11.63	1,511,300	2,053,450	520	2,600	3,120	
	April	OTC	770,000	12.89	9,806,000	13,127,405	-	-	-
	Exchange	460,000	12.96	5,971,000	7,988,734	1,680	4,600	b/ 6,280	
	May	OTC	400,000	14.11	5,662,500	6,505,496	-	-	-
	Exchange	195,000	13.30	2,607,550	3,989,401	640	1,950	b/ 2,590	
	June	OTC	400,000	13.03	5,216,000	6,415,968	-	-	-
	Exchange	240,000	12.98	3,115,050	3,810,204	1,000	2,400	b/ 3,400	
	July	OTC	200,000	13.00	2,600,000	3,271,320	-	-	-
	Exchange	210,000	12.18	2,557,200	3,278,346	840	2,100	b/ 2,940	
	August	OTC	100,000	13.48	1,346,000	1,723,553	-	-	-
	Exchange	210,000	12.63	2,651,300	3,414,510	840	2,100	b/ 2,940	
	September	OTC	410,000	13.77	5,646,000	7,232,017	-	-	-
	Exchange	110,000	13.57	1,493,100	1,996,440	440	1,100	b/ 1,540	
	October	Exchange	200,000	13.37	2,673,400	3,716,652	800	2,000	b/ 2,800
	November	Exchange	180,000	12.28	2,209,900	3,005,303	720	1,800	b/ 2,520
	December	Exchange	180,000	11.71	2,108,200	2,789,406	720	1,800	b/ 2,520
2011	January	Exchange	120,000	11.45	1,373,900	1,816,818	480	1,200	b/ 1,680
	February	Exchange	60,000	11.42	685,100	929,233	240	600	b/ 840
	March	OTC	300,000	12.81	3,847,500	5,437,099	-	-	-
	April	OTC	500,000	13.02	6,509,000	9,357,538	-	-	-
	May	Exchange	185,000	12.79	2,374,500	3,396,901	680	1,850	b/ 2,530
	May	Auction	200,000	12.52	2,504,000	3,567,699	40	2,000	b/ 2,040
	June	Exchange	130,000	12.10	1,572,400	2,265,944	520	1,300	b/ 1,820
	July	Exchange	70,000	10.30	721,200	1,029,923	280	700	b/ 980
	August	Exchange	110,000	8.59	944,500	1,354,925	440	1,100	b/ 1,540
	September	Exchange	210,000	8.42	1,768,900	2,419,150	840	2,100	b/ 2,940
<b>Total</b>		<b>9,920,000</b>		<b>123,451,700</b>	<b>167,922,430</b>	<b>15,080</b>	<b>50,100</b>	<b>65,180</b>	

a/ net of EUR 10,000 left in CDC account for BlueNext Exchange fees  
b/ BlueNext Exchange fee was reduced in these months to .01 per ton.

## ***Annex 2: Potential Resources Available up to December 31, 2012<sup>2</sup>***

This Annex updates information contained in the Adaptation Fund Board paper: ***Potential Resources Available for the Adaptation Fund Trust Fund through 2010*** (AFB/B.8/10/Rev.1). Table 5 shows the estimates of potential resources available to the Adaptation Fund Board up to the end of 2012 under three different scenarios. Each scenario (Low, Medium and High) has been prepared using different assumptions with respect to CER prices and exchange rates, further described in Table 5. The Medium case scenario uses current observed spot prices for CERs and the exchange rate between the US dollar and the Euro<sup>3</sup>. The estimate for CER issuance is the UNEP Risoe Centre's most recent estimate.

The estimated potential resources available represent:

- (i) projected cash inflows; less
- (ii) projected outflows for past Board funding decisions; plus
- (iii) cash at the start of the period (i.e. net funding availability as of September 30, 2011).

**Estimates of potential resources available for the Adaptation Fund from September 30, 2011 to December 31, 2012 range from approximately USD 262 million to USD 344 million.** Using the medium case assumptions results in a potential value of approximately USD 300 million.

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<sup>2</sup> The estimates provided are based on publicly available information and do not in any way constitute Trustee predictions with respect to future CER prices, exchange rates, CER issuance, or other variables. The estimates are presented solely to provide the Adaptation Fund Board with a range of potential resources that could be available under different assumptions, and to assist the Board in its work program planning.

<sup>3</sup> Previous estimates used a six-month trailing average for CER prices; given current market conditions the spot CER price is used.

**Table 5: Potential Resources Available through December 31, 2012**

estimated as of September 30, 2011

		Low	Medium	High
<b><i>CER price</i></b>				
CER Price in Euro a/	(1)	6.40	8.00	9.60
USD/EUR Exchange Rate b/	(2)	1.21	1.35	1.48
CER Price in USD	(3) = (1) x (2)	<u>7.78</u>	<u>10.80</u>	<u>14.26</u>
<b><i>Number of CERs (million)</i></b>				
CERs issued by 2012 c/	(4)	1,177.00	1,177.00	1,177.00
CERs for AF by 2012 (2% Share)	(5) = (4) x 2%	23.54	23.54	23.54
CERs sold d/	(6)	9.92	9.92	9.92
CERs available to be sold e/	(7)	13.62	13.62	13.62
CER Reserve f/	(8)	1.00	1.00	1.00
Net CERs to be sold in 2010-2012	(9) = (7) - (8)	12.62	12.62	12.62
<b>Total CER Proceeds (in USD millions)</b>	<b>(10) = (3) x (9)</b>	<b><u>98.13</u></b>	<b><u>136.29</u></b>	<b><u>179.90</u></b>
Investment Income g/	(11)	0.28	0.31	0.34
Donations h/	(12)	0.05	0.05	0.05
<b>Cash Inflow (in USD millions)</b>	<b>(13) = (10) + (11) + (12)</b>	<b><u>98.46</u></b>	<b><u>136.66</u></b>	<b><u>180.30</u></b>
Administrative Budgets i/	(14)	4.00	4.00	4.00
Funds Available j/	(15)	167.43	167.43	167.43
<b>Potential Resources (in USD millions)</b>	<b>(16) = (13) - (14) + (15)</b>	<b><u>261.89</u></b>	<b><u>300.08</u></b>	<b><u>343.73</u></b>

a/ "Medium" represents current spot closing price, "Low" represents 20% decrease from medium, "High" represents 20% increase from medium value.

b/ "Medium" represents current value, "Low" represents 10% decrease from medium, and "High" represents 10% increase from medium value.

c/ UNEP Risoe CDM/JI Pipeline Analysis and Database, October 1st 2011

d/ Since inception up to September 30, 2011

e/ Represents the estimated amount available for the Adaptation Fund for the period 2010 through 2012.

f/ Represents a minimum inventory of two months of CER inflows, pursuant to the "CER Monetization Program Guidelines" adopted by the Board.

g/ Investment Income is projected using a USD 100 million average cash balance and investment return of 0.25% per annum; 10% variance from medium for each of the high and low cases.

h/ No assumptions are made with respect to additional donations. This figure includes only the balance of donor contributions to be transferred from the Administrative Trust Fund.

i/ Represents a notional estimate of amounts yet to be transferred, to end-2012

j/ Represents funding availability as of September 30, 2011 representing: i) funds held in trust with no restrictions, less ii) total funding decisions pending cash transfers.