



ADAPTATION FUND

AFB/EFC.1/5
May 20, 2010

Adaptation Fund Board
Ethics and Finance Committee
First Meeting
Bonn, June 14, 2010

Agenda item 11 a)

**FINANCIAL STATUS OF THE ADAPTATION FUND
TRUST FUND
AND THE ADMINISTRATIVE TRUST FUND**

(AS AT 30 APRIL 2010)

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 disbursements 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.

2. An updated estimate of potential resources available to the Adaptation Fund Board until end-2012 is contained in Annex 3. The report also provides the balance of funds available in the Multi-donor Trust Fund for the secretariat for the Adaptation Fund Board (the “Administrative Trust Fund”).

II. Status of Receipts and Disbursements

3. Table 1 shows the schedule of receipts and disbursements of the Adaptation Fund Trust Fund as of April 30, 2010. The Funds held in Trust represent cumulative resources less cumulative disbursements, and amount to USD eq. 99.56 million as of April 30, 2010.

	<u>As of April 30, 2010</u>	<u>As of January 31, 2010</u>
<u>1. Cumulative Receipts</u>	105.54	38.98
a. Cash receipts from CER proceeds a/	85.26	38.76
b. Cash receipts from Donors and Other Sources b/	19.98	0.00
c. Investment Income earned on undisbursed balances of AF Funds	0.30	0.22
<u>2. Cumulative Disbursements</u>	5.98	5.95
a. Operational Expense c/	5.98	5.95
b. Projects and Programs	-	-
<u>3. Funds held in Trust (3 = 1 - 2)</u>	99.56	33.03

a/ Includes amounts pending foreign exchange conversion.
b/ A contribution of EUR 45 million was received from Spain. It is being converted to USD according to a fixed installment schedule. This figure includes only the amount converted to USD to date.
c/ Includes administrative budget and reimbursements to donors.

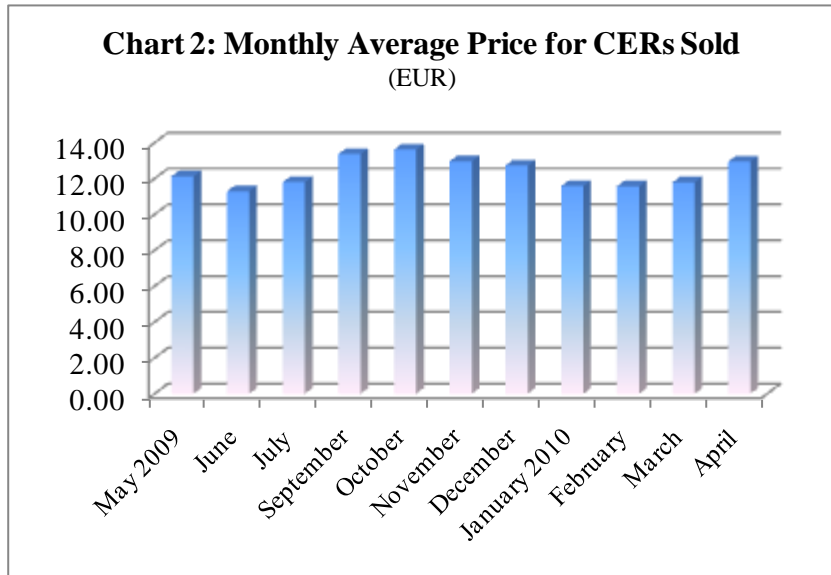
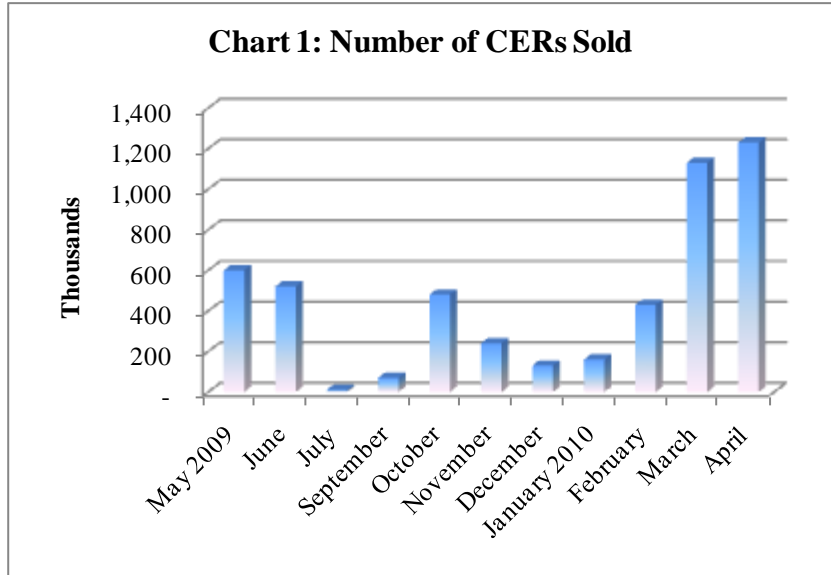
4. **Proceeds from CER sales:** CER sales have generated revenues of USD eq. 85.26 million since the start of the CER monetization program in May 2009, as shown in Table 1a. This table shows proceeds from CER sales recorded when USD proceeds from CER sales transactions are received in the Adaptation 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 April 30, 2010.

Table 1a: CER Sales Proceeds

Status as of April 30, 2010

		<u>CER balance a/</u>	<u>CER sales</u>	<u>Proceeds USD (millions)</u>
<u>2009</u>	May		600,000	10.29
	June		520,000	8.26
	July		10,000	0.15
	August	5,386,295	-	-
	September	5,232,601	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	940,000	15.86
	<u>Pending foreign exchange conversion:</u>			
	April		<u>290,000</u>	<u>5.32</u>
	Total		<u>5,000,000</u>	<u>85.26</u>

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



5. **Donations:** The Trustee executed a donation agreement with the Government of Spain for an amount of EUR 45 million. The Government of Monaco has also signed an agreement with the trustee to provide a donation of EUR 10,000 to the Adaptation Fund.

<u>Donor</u>	<u>Currency</u>	<u>Agreed Donation in Currency of Contribution</u>	<u>Receipts in Currency of Contribution</u>	<u>Receipts in USDeq.</u>
Spain	EUR	45,000,000	45,000,000	59,924,082 a/
Monaco	EUR	10,000	-	-
Others	EUR	-	412	566
<u>Total Donations Received</u>				59,924,648

a/ Valued on the basis of exchange rates as of April 30, 2010. Includes actual USD amounts per agreed instalment schedule.

6. **Investment Income:** In addition to the CER monetization proceeds, the Adaptation Fund Trust Fund has earned investment income of USD 296,528 representing a rate of return of 0.9% on the undisbursed balance of the Trust Fund since inception to date.

7. **Disbursements:** The trustee has disbursed, based on Adaptation Fund Board decisions, a total of USD 5.98 million from inception to April 30, 2010. These approved disbursements were in respect of: i) trustee's administrative expenses for the fiscal year ending June 30, 2009 as well as the current fiscal year; ii) Board and secretariat expenses for the current fiscal year; and iii) reimbursement to UNEP of their USD 500,000 contribution to the Administrative Trust Fund.

III. Funding Decisions

8. The cumulative funding decisions made by the Adaptation Fund Board up to April 30, 2010 amount to USD eq. 7.31 million. The breakdown of the funding decisions is presented in Table 2 and reflects Adaptation Fund Board decisions up to this date.

Table 2: Cumulative Funding Decisions	
Inception to April 30, 2010	
(in USD millions)	
Projects and Programs	-
Reimbursement to Donors a/	1.68
Trustee Administrative Budget FY09 b/	1.33
Trustee Administrative Budget FY10	1.46
AF Board and Secretariat Administrative Budget c/	2.29
Amendment to AF Board and Sec Admin Budget d/	0.07
Amendment to AF Board and Sec Admin Budget e/	0.37
AF Board Travel	0.10
Total	7.31

a/ Represents reimbursable contributions from UNEP, Australia and the United Kingdom to the Secretariat Administrative Trust Fund.

b/ Represents actual costs incurred.

c/ Represents FY10 budget only. The FY09 budget for the AF Board and Secretariat was covered by the Secretariat Administrative Trust Fund.

d/ Represents budget increase approved at AFB 7th Meeting to cover publication materials for AF side event for 5th meeting of CMP.

e/ Represents budget increase approved at AFB 8th Meeting to cover accreditation panel experts' fees and travel expenses.

IV. Funding Availability

9. Table 3 shows the current funding availability, which represents: i) funds held in trust with no restrictions, less ii) total funding decisions pending disbursements. Net funding availability in the Adaptation Fund Trust Fund as of April 30, 2010 is **USD eq. 95.23 million**, representing an increase of USD 66.53 million since January 31, 2010.

10. In addition, the balance of funds available in the Administrative Trust Fund as reported by the Board secretariat amounts to **USD eq. 0.70 million** and is presented in Annex 2.

	<u>As of April 30, 2010</u>	<u>As of January 31, 2010</u>
<u>1. Funds held in Trust</u>	99.56	33.03
Cumulative receipts less cumulative disbursements	99.56	33.03
<u>2. Restricted Funds</u>	3.00	3.00
a. Operational reserve a/	3.00	3.00
<u>3. Funds held in Trust with no restrictions (3 = 1 - 2)</u>	96.56	30.03
<u>4. Amounts pending disbursement</u>	1.33	1.33
a. Trustee Committed b/	0.15	0.15
b. Pending Commitment c/	1.18	1.18
<u>5. Funds available to support AF Board funding decisions (5 = 3 - 4)</u>	95.23	28.70
<u>6. Amounts Presented to the AF Board for Funding Decision</u>	-	-
<u>7. Funds available to support New AF Board funding decisions (7 = 5 - 6)</u>	95.23	28.70

a/ Reserve to cover anticipated operational requirements of the AF Board to end 2010.
b/ Based on AF Board approved amounts.
c/ Represents reimbursable contributions from Australia and the United Kingdom to the Secretariat Administrative Trust Fund.

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.

Table 4: CER Sale Record									
As of April 30, 2010									
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	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	13,187,807	b/	-	-	
	Exchange	460,000	12.96	5,971,000	7,988,051	b/	1,680	4,600	
Total		5,000,000		61,264,500	85,258,303		5,560	24,000	29,560

a/ 10,000 euros were deducted and not converted to USD for BlueNext Fees (left in CDC Account).
b/ Includes amounts pending foreign exchange conversion as of April 30, 2010.
c/ Fee was reduced in the month of April to .01 per ton.

Annex 2. Resources available in the AF Secretariat Administrative Trust Fund

Table 5: Status of resources in AF Secretariat Administrative Trust Fund

Updated as of April 30, 2010

(in USD eq.)

1. Grants

Denmark	544,030
Finland	155,340
France	122,693
Japan	13,094
Netherlands	139,300
Norway	201,727
Sweden	251,154
Switzerland	178,651
sub-total Grants	1,605,989

2. Loan and reimbursable grants a/

LDCF loan	700,000
LDCF loan - repaid 6/30/09	(700,000)
Australia a/	191,340
United Kingdom a/	990,300
UNEP a/ b/	500,000
sub-total Loan and reimbursable grants	1,681,640

3. Total Inflows / Outflows (3 = 1 + 2) **3,287,629**

4. Expenses

FY08 Actual expenses (January 1 - June 30, 2008)	739,142
FY09 Actual expenses (July 1, 2008 - June 30, 2009) c/	1,803,088
Trust fund set-up and maintenance	100,753
Less: Investment Income	(53,553)

5. Total Expenses FY08-FY09 **2,589,430**

6. Balance Available in Administrative Trust Fund (6 = 3 - 5) **698,199**

a/ At the request of the donor, these contributions are repayable to the donors or transferrable to a different fund once the CERs have been monetized.

b/ reimbursed from AF Trust Fund (proceeds from CER sales)

c/ Includes full 2-year cost of AFB Manager's salary.

Source: Adaptation Fund Board secretariat

Annex 3: Potential Resources Available up to December 31, 2012¹

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 6 shows the estimates of potential resources available to the 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 6. The Medium case scenario uses a rolling 6-month average for CER prices, and current observed values for the exchange rate between the US dollar and the Euro. 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 April 30, 2010).

Estimates of potential resources available for the Adaptation Fund from April 30, 2010 to December 31, 2012 range from approximately USD 297 million to USD 438 million. Using the medium case assumptions results in a potential value of approximately USD 363 million.

¹ 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.

Table 6: Potential Resources Available through December 31, 2012

Estimated as of April 30, 2010

		Low	Medium	High
CER price				
CER Price in Euro a/	(1)	10.14	12.68	15.21
USD/EUR Exchange Rate b/	(2)	1.20	1.33	1.46
CER Price in USD	(3) = (1) x (2)	<u>12.15</u>	<u>16.88</u>	<u>22.28</u>
Number of CERs (million)				
CERs issued by 2012 c/	(4)	992.00	992.00	992.00
CERs for AF by 2012 (2% Share)	(5) = (4) x 2%	19.84	19.84	19.84
CERs sold d/	(6)	5.00	5.00	5.00
Estimated CERs Available in 2010-2012 e/	(7)	14.84	14.84	14.84
CER Reserve f/	(8)	1.00	1.00	1.00
Net CERs to be sold in 2010-2012	(9) = (7) - (8)	13.84	13.84	13.84
Total CER Proceeds (in USD millions)	(10) = (3) x (9)	<u>168.18</u>	<u>233.59</u>	<u>308.33</u>
Investment Income g/	(11)	0.06	0.07	0.07
Donations h/	(12)	39.95	39.95	39.95
Cash Inflow (in USD millions)	(13) = (10) + (11) + (12)	<u>208.20</u>	<u>273.61</u>	<u>348.36</u>
Administrative Budgets i/	(14)	6.00	6.00	6.00
Funds Available j/	(15)	95.23	95.23	95.23
Potential Resources (in USD millions)	(16) = (13) - (14) + (15)	<u>297.43</u>	<u>362.84</u>	<u>437.59</u>

a/ "Medium" represents average over past 6 months, "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/ Represents UNEP Risoe's current projection.

d/ Since inception up to April 30, 2010

e/ Represents the estimated amount available for the Adaption 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 10 million average cash balance and investment return of 0.25% per annum.

h/ Includes projected donations from Monaco (EUR 10,000) and balance of the EUR 45 million from Spain remaining to be converted to USD according to the fixed installment schedule.

i/ Includes amounts remaining to be disbursed in 2010, and estimates only for 2011 and 2012

j/ Represents net funding availability as of April 30, 2010 representing: i) funds held in trust with no restrictions, less ii) total funding decisions pending disbursements.