



ADAPTATION FUND

AFB/EFC.4/10/Rev.2
March 10, 2011

Adaptation Fund Board
Ethics and Finance Committee
Fourth Meeting
Bonn, March 16, 2011

Agenda Item 11 a)

FINANCIAL STATUS OF THE ADAPTATION FUND TRUST FUND

(as at 31 January 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 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. An updated estimate of potential resources available to the Adaptation Fund Board until end-2012 is contained in Annex 2.

II. Status of Receipts and Cash Transfers

2. Table 1 shows the schedule of receipts and cash transfers of the Adaptation Fund Trust Fund as of January 31, 2011. The Funds Held in Trust represent cumulative receipts less cumulative disbursements, and amount to USD eq. 211.88 million as of January 31, 2011.

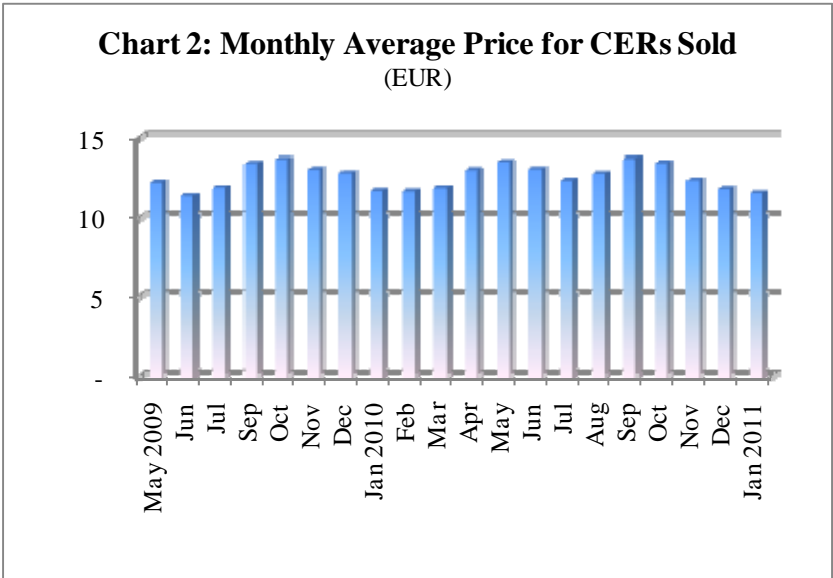
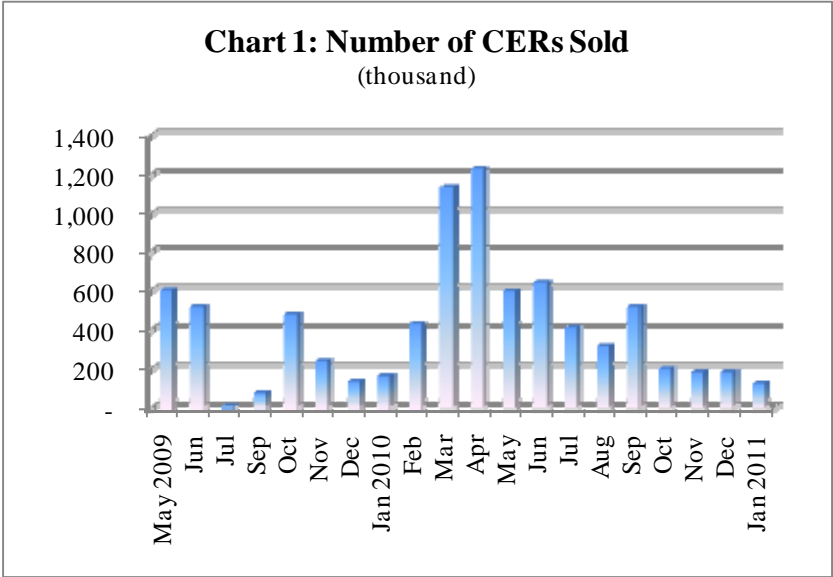
	<u>As of January 31, 2011</u>	<u>As of October 31, 2010</u>
<u>1. Cumulative Receipts</u>	224.50	202.09
a. Cash receipts from CER proceeds a/	138.16	130.55
b. Cash receipts from Donors and Other Sources	85.59	70.95
c. Investment Income earned on undisbursed balances of AF Funds	0.75	0.59
<u>2. Cumulative Cash Transfers</u>	12.63	9.58
a. Projects and Programs	2.92	-
b. Operational Expense b/	9.70	9.58
<u>3. Funds held in Trust (3 = 1 - 2)</u>	211.88	192.51

a/ Includes cash receipts from CER proceeds pending foreign exchange conversion.
b/ Includes administrative budgets and reimbursements to Administrative Trust Fund donors.

3. **Proceeds from CER sales:** The Trustee has generated revenues of USD eq. 138.16 million through CER sales 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 January 2011.

		<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	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
	Total		8,155,000	138.16

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



4. **Donations:** Since the last report, the Trustee has executed a donation agreement with the Kingdom of Sweden for an amount of SEK 100 million, which was paid by Sweden in December 2010. Donation agreements have been executed with all donors who had expressed an interest in donating their pro-rata share of funds remaining in the Administrative Trust Fund, with the exception of France.

5. As of January 31, 2011, the total cash donations received by the Trustee amounted to USD eq. 85.59 million.

<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 c/	-	-
France b/	USD	53,340	-	-	-
Germany	EUR	10,000,000	10,000,000	10,000,000	13,883,000
Japan b/	USD	5,693	5,693 c/	-	-
Monaco	EUR	10,000	10,000	10,000	12,197
Norway b/	USD	87,700	87,700 c/	-	-
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 c/	-	-
Others	EUR	-	412	412	566
<u>Total Donations Received</u>					85,585,409

a/ Represents actual USD receipts.
b/ Donation corresponds to the Donor's pro-rata share of the balance in the Administrative Trust Fund
c/ Funds will be transferred upon completion of final closure of the Administrative Trust Fund

6. **Investment Income:** As of January 31, 2011, the Adaptation Fund Trust Fund earned investment income of approximately USD 750 thousand on the undisbursed balance of the Trust Fund, representing a rate of return of 1.15% since inception. In anticipation of upcoming requests from the AF Board for the transfer of funds to Implementing Entities for approved projects, the Trust Fund balance remains allocated to a liquid short term investment portfolio comprised almost exclusively of cash.

7. **Disbursements:** The Trustee has disbursed, based on Adaptation Fund Board decisions, a total of USD 12.63 million from inception to January 31, 2011. These approved disbursements included the first ever transfer of funds for a project to an Adaptation Fund National Implementing Entity.

III. Funding Decisions

8. The cumulative funding decisions made by the Adaptation Fund Board up to January 31, 2011 amount to USD 34.52 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.

Table 2: Cumulative Funding Decisions
Inception to January 31, 2011
(in USD millions)

<u>1. Programs and Projects</u>	<u>MIE/NIE</u>	<u>MIE</u>	<u>NIE</u>	23.72
Honduras	UNDP	5.70	-	
Nicaragua	UNDP	5.50	-	
Pakistan	UNDP	3.91	-	
Senegal	CSE	-	8.62	
	Sub-Total by IE type	15.10	8.62	
	Percent of total Programs and Projects	64%	36%	
<u>2. Operational Expenses</u>				10.79
AF Administrative Trust Fund a/			1.68	
Administrative Budget - Trustee			3.32	
Administrative Budget - AF Board and Secretariat			5.79	
3. Total Funding Decisions (3 = 1 + 2)				34.52

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

Table 2a: Project Concepts Endorsed
Inception to January 31, 2011
(in USD millions)

<u>1. Project Concepts a/</u>	<u>MIE/NIE</u>	<u>MIE</u>	<u>NIE</u>	
Cook Islands	UNDP	4.99	-	
Ecuador	WFP	7.45	-	
El Salvador	UNDP	5.43	-	
Georgia	UNDP	5.32	-	
Guatemala	UNDP	5.50	-	
Madagascar	UNEP	4.51	-	
Maldives	UNDP	8.99	-	
Mongolia	UNDP	5.50	-	
Solomon Islands	UNDP	5.61	-	
	Sub-Total by IE type	53.29	0.00	
2. Total Project Concepts				53.29

a/ Represents concept endorsement, not project/programme approval

IV. Funding Availability

9. Table 3 shows the current funding availability, taking into account: i) funds held in trust with no restrictions, ii) total funding decisions pending disbursements, and iii) proposals pending final funding decisions by the Board. Funds available to support AF Board funding decisions as of January 31, 2011 amounted to **USD 186.98 million**.

	<u>As of January 31, 2011</u>	<u>As of October 31, 2010</u>
<u>1. Funds held in Trust</u>	211.88	192.51
<u>2. Restricted Funds a/</u>	3.00	3.00
<u>3. Funds held in Trust with no restrictions (3 = 1 - 2)</u>	208.88	189.51
<u>4. Funding decisions pending disbursement</u>	21.89	15.53
<u>5. Funds available to support AF Board funding decisions (5 = 3 - 4)</u>	186.98	173.98

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.

Table 4: CER Sale Record								
As of January 31, 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 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	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	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	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	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	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	1,540
October	Exchange	200,000	13.37	2,673,400	3,716,652	800	2,000	2,800
November	Exchange	180,000	12.28	2,209,900	3,005,303	720	1,800	2,520
December	Exchange	180,000	11.71	2,108,200	2,789,406	720	1,800	2,520
2011 January	Exchange	120,000	11.45	1,373,900	1,816,818	480	1,200	1,680
Total		8,155,000		102,524,600	138,164,017	12,040	40,450	52,490

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, 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 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 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 January 31, 2011).

Estimates of potential resources available for the Adaptation Fund from January 31, 2011 to December 31, 2012 range from approximately USD 305.3 million to USD 408.5 million. Using the medium case assumptions results in a potential value of approximately USD 353.5 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 5: Potential Resources Available to December 31, 2012

Estimated as of January 31, 2011

		<u>Low</u>	<u>Medium</u>	<u>High</u>
<i>CER price</i>				
CER Price in Euro a/	(1)	10.02	12.53	15.03
USD/EUR Exchange Rate b/	(2)	1.23	1.37	1.50
CER Price in USD	(3) = (1) x (2)	<u>12.33</u>	<u>17.13</u>	<u>22.61</u>
<i>Number of CERs (million)</i>				
CERs issued by 2012 c/	(4)	960.00	960.00	960.00
CERs for AF by 2012 (2% Share)	(5) = (4) x 2%	19.20	19.20	19.20
CERs sold d/	(6)	8.16	8.16	8.16
CERs available to be sold e/	(7)	11.05	11.05	11.05
CER Reserve f/	(8)	1.00	1.00	1.00
Net CERs to be sold in 2010-2012	(9) = (7) - (8)	10.05	10.05	10.05
Total CER Proceeds (in USD millions)	(10) = (3) x (9)	<u>123.88</u>	<u>172.05</u>	<u>227.11</u>
Investment Income g/	(11)	0.04	0.05	0.05
Donations h/	(12)	0.29	0.29	0.29
Cash Inflow (in USD millions)	(13) = (10) + (11) + (12)	<u>124.21</u>	<u>172.39</u>	<u>227.45</u>
Administrative Budgets i/	(14)	6.00	6.00	6.00
Funds Available j/	(15)	187.08	187.08	187.08
Potential Resources (in USD millions)	(16) = (13) - (14) + (15)	<u>305.29</u>	<u>353.47</u>	<u>408.53</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/ UNEP Risoe CDM/JI Pipeline Analysis and Database, February 1st 2011

d/ Since inception up to January 31, 2011

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/ 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 estimates for 2011 and 2012

j/ Represents funding availability as of January 31, 2011 representing: i) funds held in trust with no restrictions, less ii) total funding decisions pending disbursements.