



ADAPTATION FUND

AFB/EFC.2/5
August 13, 2010

Adaptation Fund Board
Ethics and Finance Committee
Second Meeting
Bonn, September 15, 2010

**FINANCIAL STATUS OF THE
ADAPTATION FUND TRUST FUND**
(as at 31 July 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 closing status of 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 July 31, 2010. The Funds Held in Trust represent cumulative resources less cumulative disbursements, and amount to USD eq. 160.4 million as of July 31, 2010.

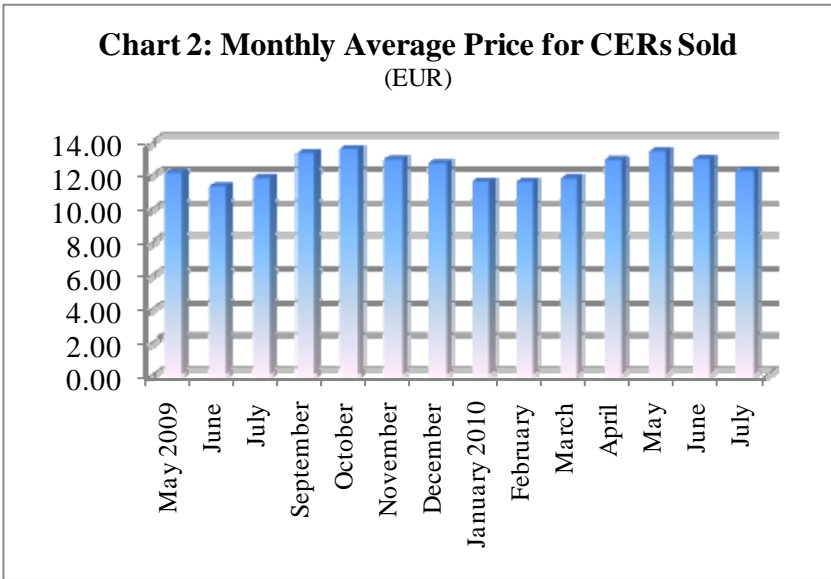
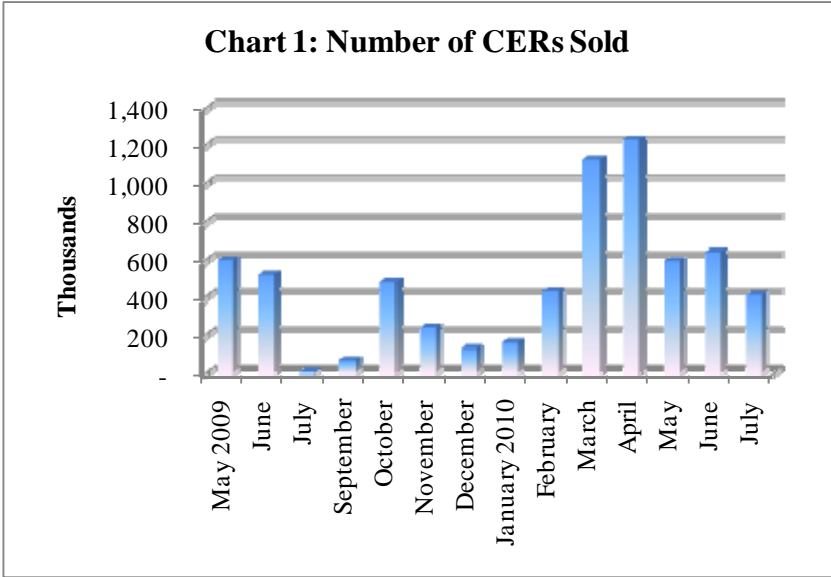
	<u>As of July 31, 2010</u>	<u>As of April 30, 2010</u>
<u>1. Cumulative Receipts</u>	169.98	105.54
a. Cash receipts from CER proceeds	112.47	85.26
b. Cash receipts from Donors and Other Sources	57.07	19.98
c. Investment Income earned on undisbursed balances of AF Funds	0.44	0.30
<u>2. Cumulative Disbursements</u>	9.54	5.98
a. Operational Expense a/	9.54	5.98
b. Projects and Programs	-	-
<u>3. Funds held in Trust (3 = 1 - 2)</u>	160.43	99.56

a/ Includes administrative budget, reimbursements to donors and budget reimbursement from the Trustee.

4. **Proceeds from CER sales:** The Trustee has generated revenues of USD eq. 112.5 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 July 31, 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	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
	Total		6,645,000	112.47

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, and the Government of Monaco for EUR 10,000. Both of these contributions have been received and converted to USD. In addition, the Trustee executed donation agreements with Finland and Switzerland, for donations corresponding to their pro-rata share of funds remaining in the Administrative Trust Fund. The Trustee has also sent draft donation agreements in respect of amounts remaining in this trust fund to France, Japan and Norway.

6. Germany and Sweden have pledged donations of EUR 10 million and SEK 100 million respectively and have received draft donation agreements for their review.

<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 USDeq. a/</u>
Finland b/	USD	67,534	67,534 c/	-	-
France b/	USD	53,340	-	-	-
Germany	EUR	10,000,000	-	-	-
Japan b/	USD	5,693	-	-	-
Monaco	EUR	10,000	10,000	10,000	12,197
Norway b/	USD	87,700	-	-	-
Spain	EUR	45,000,000	45,000,000	45,000,000	57,055,000
Sweden	SEK	100,000,000	-	-	-
Switzerland b/	USD	77,668	77,668 c/	-	-
Others	EUR	-	412	412	566
<u>Total Donations Received</u>					57,067,763

a/ Represents actual USD receipts.
b/ Donation corresponds to the Donor's pro-rata share of funds from the Multi-Donor Trust Fund for the AF Board and Secretariat.
c/ Funds will be transferred pending final accounting of the Administrative Trust Fund, which closed June 30, 2010

7. **Investment Income:** The Trustee has earned investment income of USD 438,356 for the Adaptation Fund Trust Fund, representing a rate of return of 1.05% on the undisbursed balance of the Trust Fund since inception. In anticipation of upcoming requests from the AF Board for the transfer of funds to Implementing Entities for approved projects, and the fact that the Trustee's Terms and Conditions with the CMP expire in approximately six months, the Trust Fund balance has been allocated to a liquid short term investment portfolio comprised almost exclusively of cash.

8. **Disbursements:** The Trustee has disbursed, based on Adaptation Fund Board decisions, a total of USD 9.54 million from inception to July 31, 2010. These approved disbursements were in respect of: i) Trustee's administrative expenses for the fiscal years ending June 30, 2009 and 2010 as well as the current fiscal year; ii) Board and Secretariat expenses for the 2010 and 2011 fiscal years; and iii) reimbursement of USD 500,000 to UNEP and USD 191,340 to Australia for their contribution to the Administrative Trust Fund.

III. Funding Decisions

9. The cumulative funding decisions made by the Adaptation Fund Board up to July 31, 2010 amount to USD eq. 10.7 million. The breakdown of the funding decisions is presented in Table 2 and reflects Adaptation Fund Board decisions up to this date.

Reimbursement to Donors a/	1.68
Trustee Administrative Budget FY09 b/	1.33
Trustee Administrative Budget FY10 b/	1.08
Trustee Administrative Budget FY11 (to March 31, 2011)	0.91
AF Board and Secretariat Administrative Budget FY10 c/	2.29
AF Board and Secretariat Administrative Budget FY11	2.72
Amendment to AF Board and Sec Admin Budget d/	0.07
Amendment to AF Board and Sec Admin Budget e/	0.37
Projects and Programs f/	0.10
AF Board Travel	0.14
Total	10.70

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.

f/ Represents initial project formulation costs for National Implementing Entities.

IV. Funding Availability

10. 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 July 31, 2010 is **USD 156.28 million**, representing an increase of USD 61.05 million since April 30, 2010.

	<u>As of July 31, 2010</u>	<u>As of April 30, 2010</u>
<u>1. Funds held in Trust</u>	160.43	99.56
Cumulative receipts less cumulative disbursements	160.43	99.56
<u>2. Restricted Funds</u>	3.00	3.00
a. Operational reserve <i>a/</i>	3.00	3.00
<u>3. Funds held in Trust with no restrictions (3 = 1 - 2)</u>	157.43	96.56
<u>4. Amounts pending disbursement</u>	1.15	1.33
a. Trustee Committed <i>b/</i>	0.06	0.15
b. Pending Commitment <i>c/ d/</i>	1.09	1.18
<u>5. Funds available to support AF Board funding decisions (5 = 3 - 4)</u>	156.28	95.23
<u>6. Amounts Presented to the AF Board for Funding Decision <i>d/</i></u>	-	-
<u>7. Funds available to support New AF Board funding decisions (7 = 5 - 6)</u>	156.28	95.23

a/ Reserve to cover anticipated operational requirements of the AF Board to end 2010.
b/ Based on AF Board approved amounts.
c/ Represents reimbursable contribution from the United Kingdom to the Secretariat Administrative Trust Fund.
d/ Represents initial project formulation costs of USD 100,000 for National Implementing Entities.

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 July 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	-	-
March	Exchange	130,000	11.56	1,502,500	2,049,973	520	2,600	3,120
	OTC	1,000,000	12.01	12,025,000	16,458,760	-	-	-
April	Exchange	130,000	11.63	1,511,300	2,053,450	520	2,600	3,120
	OTC	770,000	12.89	9,806,000	13,127,405	-	-	-
May	Exchange	460,000	12.96	5,971,000	7,988,734	1,680	4,600 b/	6,280
	OTC	400,000	14.11	5,662,500	6,505,496	-	-	-
June	Exchange	195,000	13.30	2,607,550	3,989,401	640	1,950 b/	2,590
	OTC	400,000	13.03	5,216,000	6,415,968	-	-	-
July	Exchange	240,000	12.98	3,115,050	3,810,204	1,000	2,400 b/	3,400
	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
Total		6,645,000		83,022,800	112,469,318	8,040	30,450	38,490

a/ 10,000 euros were deducted and not converted to USD for BlueNext Fees (left in CDC Account).
b/ BlueNext fee was reduced in these months to .01 per ton.

Annex 2. Balance of Funds Available in the AF Secretariat Administrative Trust Fund

The Administrative Trust Fund for the Adaptation Fund expired in June 30, 2010, with the remaining unused balance of donor contributions totaling USD eq. 0.70 million. Table 5a shows the balance of funds available in the Administrative Trust Fund and Table 5b shows the pro-rata share of each of the eight donors who made non-reimbursable contributions.

The governments of Finland, France, Japan, Norway and Switzerland had pledged to transfer their remaining pro-rata share as a donation to the Adaptation Fund Trust Fund. As of July 31, 2010, donation agreements with Finland and Switzerland have been fully executed, while draft donation agreements with France, Japan and Norway are in the process of being finalized. In accordance with the donor agreements with the Trustee, the pro-rata shares of Denmark, Netherlands and Sweden will be transferred to the respective Donor Balance Accounts maintained by the World Bank.

<u>1. Donor Contributions</u>		3,287,629
Australia a/ b/	191,340	
Denmark	544,030	
Finland	155,340	
France	122,693	
Japan	13,094	
Netherlands	139,300	
Norway	201,727	
Sweden	251,154	
Switzerland	178,651	
UNEP a/ b/	500,000	
United Kingdom a/	990,300	
<u>2. Loans</u>		-
LDCF loan	700,000	
LDCF loan - repaid 6/30/09	(700,000)	
<u>3. Total Contributions (3 = 1 + 2)</u>		3,287,629
<u>4. Total Secretariat Expenses (FY08-FY09)</u>		2,589,430
<u>5. Balance Available in Administrative Trust Fund (5 = 3 - 4)</u>		698,199
<hr/>		
a/ represents reimbursable contribution		
b/ reimbursement made from Adaptation Fund Trust Fund		

Source: Adaptation Fund Secretariat

**Table 5b: AF Secretariat Administrative Trust Fund
Pro-rata shares of remaining balance**

<u>Donor</u>	<u>Contribution</u>		Share of Balance
	<u>USDeq</u>	<u>Share</u>	<u>USDeq</u>
Denmark	544,030	33.9%	236,516
Finland	155,340	9.7%	67,534
France	122,693	7.6%	53,340
Japan	13,094	0.8%	5,693
Netherlands	139,300	8.7%	60,560
Norway	201,727	12.6%	87,700
Sweden	251,154	15.6%	109,189
Switzerland	178,651	11.1%	77,668
Total	1,605,989	100.0%	698,199

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 July 31, 2010).

Estimates of potential resources available for the Adaptation Fund from July 31, 2010 to December 31, 2012 range from approximately USD 317 million to USD 434 million. Using the medium case assumptions results in a potential value of approximately USD 372 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 to December 31, 2012

Estimated as of July 31, 2010

		Low	Medium	High
CER price				
CER Price in Euro a/	(1)	10.00	12.50	15.00
USD/EUR Exchange Rate b/	(2)	1.17	1.30	1.43
CER Price in USD	(3) = (1) x (2)	<u>11.70</u>	<u>16.25</u>	<u>21.45</u>
Number of CERs (million)				
CERs issued by 2012 c/	(4)	981.00	981.00	981.00
CERs for AF by 2012 (2% Share)	(5) = (4) x 2%	19.62	19.62	19.62
CERs sold d/	(6)	6.65	6.65	6.65
Estimated CERs Available in 2010-2012 e/	(7)	12.98	12.98	12.98
CER Reserve f/	(8)	1.00	1.00	1.00
Net CERs to be sold in 2010-2012	(9) = (7) - (8)	11.98	11.98	11.98
Total CER Proceeds (in USD millions)	(10) = (3) x (9)	<u>140.10</u>	<u>194.58</u>	<u>256.85</u>
Investment Income g/	(11)	0.05	0.06	0.07
Donations h/	(12)	27.08	27.08	27.08
Cash Inflow (in USD millions)	(13) = (10) + (11) + (12)	<u>167.23</u>	<u>221.72</u>	<u>284.00</u>
Administrative Budgets i/	(14)	6.00	6.00	6.00
Funds Available j/	(15)	156.28	156.28	156.28
Potential Resources (in USD millions)	(16) = (13) - (14) + (15)	<u>317.51</u>	<u>372.00</u>	<u>434.28</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 July 31, 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 Finland, France, Germany, Japan, Norway, Sweden and Switzerland.

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

j/ Represents net funding availability as of July 31, 2010 representing: i) funds held in trust with no restrictions, less ii) total funding decisions pending disbursements.