



ADAPTATION FUND

AFB/B.8/9
October 27, 2009

Adaptation Fund Board
Eighth Meeting
Bonn, November 16-18, 2009

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

(as at 30 September 2009)

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 that was established by the Trustee and became effective on May 6, 2009. The report presents the status of receipts and disbursements of the Adaptation Fund Trust Fund 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. This 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 below shows the schedule of receipts and disbursements of the Adaptation Fund Trust Fund as of September 30, 2009. The Funds Held in Trust represent cumulative resources less cumulative disbursements, and amount to USD 16.85 million as of September 30, 2009, representing a net increase of 1.37 million since August 31, 2009.

	<u>As of September 30, 2009</u>	<u>As of August 31, 2009</u>
<u>1. Cumulative Receipts</u>	20.20	18.78
a. Cash receipts from CER proceeds	20.07	18.70
b. Cash receipts from other sources	0.00	0.00
c. Investment Income earned on undisbursed balances of AF Funds	0.13	0.09
<u>2. Cumulative Disbursements</u>	3.35	3.31
a. Operational Expense a/	3.35	3.31
b. Projects and Programs	-	-
<u>3. Funds Held in Trust (3 = 1 - 2)</u>	16.85	15.48

a/ Includes administrative budget and reimbursements to donors.

4. CER sales generated additional revenues of USD 1.37 million in September, increasing the total CER proceeds received since inception to USD 20.07 million (Table 1a), and continuing the modest pace of CER sales in line with guidance from the Board. Chart 1 shows the total number of CERs sold per month, and Chart 2 presents the monthly average price for CERs sold between May and September, 2009. The average price received for CERs sold has increased, reaching EUR 13.36 in September 2009. As of September 30, 2009, the balance of the *Share of Proceeds* for the Adaptation Fund amounted to 5,232,601 CERs, a net change of 153,694 CERs from the August 31, 2009 balance of 5,386,295 CERs. Annex 1 provides additional detail on CER monetization.

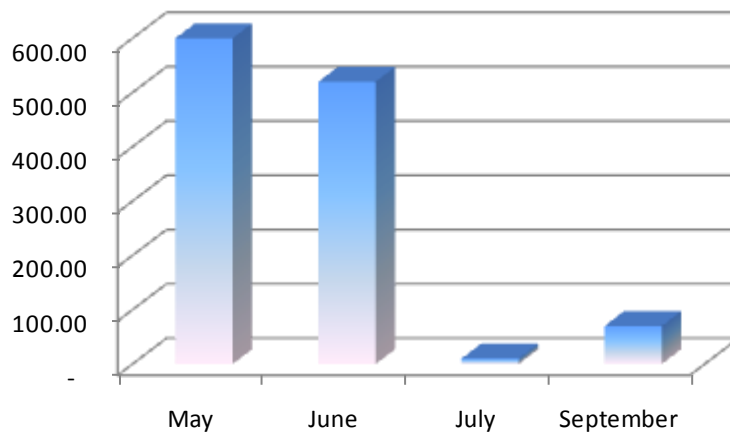
Table 1a: CER Sales Proceeds

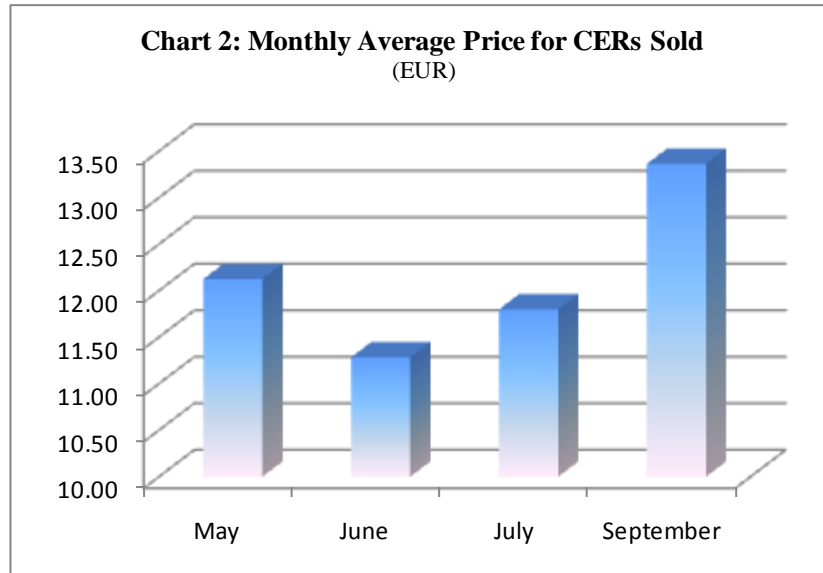
Status as of September 30, 2009

	<u>CERs tons sold</u>	<u>USD (millions) a/</u>
May	600,000	10.29
June	520,000	8.26
July	10,000	0.15
August	-	-
September	70,000	1.37
Total	1,200,000	20.07

a/ Actual USD cash proceeds from CER monetization.

Chart 1: Number of CERs Sold
(Thousands)





5. **Investment Income:** The Adaptation Fund Trust Fund has earned investment income to date amounting to USD 117,571. This represents a net increase of USD 31,521 since August 31, 2009. The rate of return on the undisbursed balance of the Trust Fund since the CER monetization program began (i.e. over the period May through September 2009) was 0.58%.

6. Table 1b (Adaptation Fund Trust Fund Asset Mix) illustrates the composition of instruments in the Adaptation Fund Trust Fund portfolio as of September 30, 2009. Assets held in trust by the World Bank (as the Trustee), including the assets of the Adaptation Fund Trust Fund, 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 trust funds administered by the World Bank. The Pool is actively managed to a conservative standard so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon.

Table 1b. Adaptation Fund Trust Fund Portfolio

Asset Mix

as of September 30, 2009

<u>Asset Class</u>	<u>Percentage</u>
Govt	34.4%
Mortgage-Backed Security	0.0%
Asset-Backed Security	9.1%
Agency	5.4%
Sovereign/Govt Gtd	13.1%
Money Markets/Fin. Inst	37.7%
Corporates	0.4%
	<u>100.0%</u>

7. An additional private donation amounting to USD 171 was also received in September, bringing the total amount of private donations to USD 327.

8. During September, the Trustee disbursed a total of USD 31,784 in respect of Board expenses (daily subsistence allowances for Board members). The total amount disbursed since inception amounts to USD 3.35 million, as shown in Table 1. As reported in the previous Trustee Report, reimbursement of the contributions to the Administrative Trust Fund by UNEP (USD 500,000), Australia (USD 191,340) and the United Kingdom (USD 990,300) will be made pending formal instruction from the donors.

III. Funding Decisions

9. During the period, the Adaptation Fund Board decided to increase the Board and Secretariat administrative budget in the amount of USD 72,750. The cumulative funding decisions from inception up to September 30, 2009 amount to USD 6.84 million, as presented in Table 2. The Trustee also released approximately USD 30,000 back to the Trust Fund, reflecting the amount that Trustee expenses for fiscal year 2009 were less than the Board- approved estimate.

Table 2: Cumulative Funding Decisions

Inception to September 30, 2009

(in USD millions)

Projects and Programs	-
Reimbursement to Donors a/	1.68
Trustee Administrative Costs FY09 b/	1.33
Trustee Administrative Budget FY10	1.46
AF Board and Secretariat Administrative Budget c/	2.36
Total	6.84

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.

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 September 30, 2009 is **USD 10.29 million**, representing an increase of USD 1.3 million since August 31, 2009.

11. In addition, the balance of funds available in the Administrative Trust Fund amounts to USD 0.62 million and is presented in Table 4.

Table 3: Schedule of Funds Available
Updated as of September 30, 2009
(in USD millions)

	<u>As of September 30, 2009</u>	<u>As of August 31, 2009</u>
<u>1. Funds held in Trust</u>	16.85	15.48
a. Cumulative receipts less cumulative disbursements	16.85	15.48
<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>	13.85	12.48
<u>4. Amounts pending disbursement</u>	3.56	3.48
a. Trustee Committed b/	2.30	2.30
b. Pending Commitment	1.25 c/	1.18 d/
<u>5. Funds available to support AF Board funding decisions (5 = 3 - 4)</u>	10.29	8.99
<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>	10.29	8.99

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 and an increase of the Secretariat Budget. As of October 1, 2009, the additional Secretariat Budget of USD 72,750 has been disbursed.

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

Table 4: Status of Resources in AF Administrative Trust Fund

Updated as of September 30, 2009

(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/	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 estimated Actual expenses (July 1, 2008 - June 30, 2009) b/	1,825,701
Trust fund set-up and maintenance	100,753

5. Total Estimated Expenses FY08-FY09 **2,665,596**

6. Balance Available in Administrative Trust Fund (6 = 3 - 5) **622,033**

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/ All invoices for June 2009 meeting have not been received.

Source: Adaptation Fund Board Secretariat

Annex 1. CER Monetization Record

Month	Quantity	Price	Total Euro	Actual USD	Type	Dealer/Exchange	Settlement	Transaction Costs (Euro)		
								Per Trade (40)	Per Ton (.02)	Total
May	200,000	12.00	2,400,000.00	3,383,280.00	OTC	Barclays	Direct	-	-	-
May	200,000	12.10	2,420,000.00	3,411,474.00	OTC	Barclays	Direct	-	-	-
May	200,000	12.40	2,480,000.00	3,496,056.00	OTC	Barclays	Direct	-	-	-
June	100,000	11.40	1,140,000.00	1,594,632.00	OTC	Merrill Lynch	Direct	-	-	-
June	200,000	11.45	2,290,000.00	3,172,795.00	OTC	Merrill Lynch	Direct	-	-	-
June	200,000	11.50	2,300,000.00	3,186,650.00	OTC	Merrill Lynch	Direct	-	-	-
June	10,000	10.73	107,300.00	150,456.06	Exchange	BlueNext	BlueNext	40	200	240
June	10,000	10.84	108,400.00	151,998.48	Exchange	BlueNext	BlueNext	40	200	240
July	10,000	11.80	118,000.00 *	150,886.80	Exchange	BlueNext	BlueNext	40	200	240
September	10,000	13.61	136,100.00	198,774.05	Exchange	BlueNext	BlueNext	40	200	240
September	10,000	13.40	134,000.00	195,707.00	Exchange	BlueNext	BlueNext	40	200	240
September	10,000	13.42	134,200.00	195,999.10	Exchange	BlueNext	BlueNext	40	200	240
September	10,000	13.39	133,900.00	195,560.95	Exchange	BlueNext	BlueNext	40	200	240
September	10,000	13.39	133,900.00	195,560.95	Exchange	BlueNext	BlueNext	40	200	240
September	10,000	13.39	133,900.00	195,560.95	Exchange	BlueNext	BlueNext	40	200	240
September	10,000	13.00	130,000.00	191,230.00	Exchange	BlueNext	BlueNext	40	200	240
Total	1,200,000		14,299,700.00	20,066,621.34				400	2,000	2,400

* 10,000 euros were deducted and not converted to USD for BlueNext Fees (left in CDC Account).