



ADAPTATION FUND

AFB/EFC.19/11
September 28 2016

Ethics and Finance Committee
Nineteenth Meeting
Bonn, Germany, 4-7 October 2016

**ADAPTATION FUND TRUST FUND:
FINANCIAL REPORT PREPARED BY THE TRUSTEE
(AS AT 30 JUNE 2016)**



Adaptation Fund Trust Fund

Financial Report

Prepared by the Trustee

As of June 30, 2016



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Introduction

This report is produced by the World Bank as interim trustee (“Trustee”) for the Adaptation Fund (AF), in accordance with the Trustee’s role in the Adaptation Fund Trust Fund as set forth under paragraph 23 in the Appendix of Decision 1/CMP.4 of the CMP¹.

The information contained in this Financial Report is based on financial information as of June 30, 2016.

¹ The decision states that: “The Trustee shall prepare and furnish the Adaptation Fund Board with financial reports of the Trust Fund annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board), and provide records and accounts of the Trust Fund for audit by its external auditors annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board), in accordance with the policies and procedures of the Trustee. Furthermore, the Trustee shall prepare and furnish the Adaptation Fund Board with reports on the sale of the CERs for the Adaptation Fund and on the status of commitments and transfers of Trust Fund funds annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board).”



Adaptation Fund Trust Fund Summary as of June 30, 2016

Certified Emission Reduction (CER) Sales and Donations

Cumulative resources received into the Adaptation Fund Trust Fund through CER sales proceeds and donations was USDeq. 559.09 million as of June 30, 2016. Since the start of the CER monetization program in May 2009, the Trustee has generated revenues of USDeq. 196.58 million through CER sales, USDeq. 0.83 million of which were from CER sales during the first two quarters of calendar year 2016. As of June 30, 2016, cumulative donations received amounted to USDeq. 344.76 million.

Investment Income

As of June 30, 2016, the Adaptation Fund Trust Fund had earned cumulative investment income of approximately USD 5.57 million on the undisbursed balance of the Trust Fund. The Adaptation Fund Trust Fund liquid portfolio has returned 0.35% in calendar year 2016. Pursuant to the Report of the 17th meeting of the AF Board, dated April 16, 2012, the Trust Fund balance has been allocated to a longer term investment portfolio in accordance with the Trustee's procedures for trust fund investments.

Funding Approvals and Commitments

Cumulative net funding decisions (approvals by the AF Board) to June 30, 2016 amounted to USD 375.36 million. As of this date, approved amounts (committed by the Trustee) pending transfers to recipients totaled USD 174.91 million, representing a decrease of USD 6.96 million since March 31, 2016.

Cash Transfers

Based on Adaptation Fund Board decisions, the Trustee has transferred a total of USD 200.45 million up to June 30, 2016, including USD 169.75 million related to projects and programs, further detailed in Section 5.

Funds Held in Trust

Funds Held in Trust² reflect proceeds from CER monetization, donations received and investment income, less cash transfers made to date. Funds Held in Trust as of June 30, 2016 amounted to USDeq. 346.46 million.

Funds available to support AF Board funding decisions

Funds available amounted to USD 168.55 million as of June 30, 2016. This represents an increase of USDeq. 2.36 million since March 31, 2016.

² Funds Held in Trust represents balance of cash, investments and unencashed promissory notes (if any) as of the reporting date.



1. AF Trust Fund Summary – Inception through June 30, 2016

In USD millions

	Total	% of Total
CER Sales Proceeds and Pledged Donations		
CER Sales Proceeds	196.58	35.2%
Donations	344.76	61.7%
Pledges	17.75	3.2%
Total CER Sales Proceeds and Donations	559.09	100.0%

Cumulative Resources		
<u>Resources received</u>		
CER Sales Proceeds	196.58	34.8%
Donations	344.76	61.1%
Investment Income earned	5.57	1.0%
Total Resources Received	546.91	96.9%
<u>Resources not yet received</u>		
Pledges	17.75	3.1%
Total resources not yet received	17.75	3.1%
Total Potential Resources (A) (in USD millions)	564.66	100.0%

Cumulative Funding Decisions		
Programs and Projects (MIE)	219.91	58.6%
Programs and Projects (NIE)	118.54	31.6%
Programs and Projects (RIE)	0.02	0.0%
Operational Expenses	36.89	9.8%
Total Funding Decisions Net of Cancellations (B)	375.36	100.0%
Total Potential Resources Net of Funding Decisions (A) - (B)	189.30	
Total Potential Resources Net of Funding Decisions and Operational Reserve	186.30	

Funds Available		
Funds Held in Trust with no restrictions	343.46	
Approved Amounts Pending Cash Transfers	174.91	
Total Funds Available to Support AF Board Decisions	168.55	



2. CER Sales Proceeds and Donations

Calendar Year		CER balance a/	CER sales	Proceeds USD (millions)
2009	Q2	5,044,100	1,120,000	18.55
	Q3	5,461,361	80,000	1.52
	Q4	5,225,632	850,000	16.06
	2010	Q1	4,161,678	1,720,000
2010	Q2	2,174,188	2,465,000	41.84
	Q3	1,306,693	1,240,000	20.92
	Q4	1,888,232	560,000	9.51
	2011	Q1	3,005,041	480,000
2011	Q2	3,403,530	1,015,000	18.59
	Q3	4,966,292	390,000	4.80
	Q4	6,255,615	40,000	0.42
	2012	Q1	7,514,701	400,000
2012	Q2	7,034,418	1,931,000	9.41
	Q3	6,280,769	1,614,000	6.22
	Q4	8,217,077	965,000	1.71
	2013	Q1	9,035,889	1,498,000
2013	Q2	10,528,786	144,303	0.08
	Q3	10,932,978	300,000	0.29
	Q4	9,749,545	1,800,000	1.18
	2014	Q1	8,582,226	655,000
2014	Q2	8,502,467	1,478,000	0.34
	Q3	8,626,126	950,594	0.26
	Q4	7,882,366	389,680	0.11
	2015	Q1	7,099,207	1,696,880
2015	Q2	8,079,205	97,415	0.28
	Q3	7,889,286	574,273	0.13
	Q4	7,042,550	1,327,170	1.37
	2016	Q1	7,300,935	29,438
2016	Q2	8,011,907	108,188	0.52
	Total		25,918,941	196.58

CER SALES PROCEEDS

This table shows the proceeds from CER sales received into the Adaptation Fund Trust Fund.

The Trustee has generated revenues of USDeq. 196.58 million through CER sales since the start of the CER monetization program in May 2009.

a/ in registries at period-end



CER SALES VS. MONTHLY AVERAGE PRICE

This chart presents the number of CERs sold per month and the monthly average price obtained by the Trustee for CERs sold between May 2009 and June 2016. During the first two quarters of calendar year 2016, the Trustee sold 0.14 million CERs and generated USDeq. 0.83 million in CER proceeds. The average price achieved during the quarter was EUR 6.80 per ton.



DONATIONS

Donor	Currency	Pledged Donation in Currency of Contribution	Effective (or signed) Donation	Receipts in Currency of Contribution	Receipts in USDeq. a/
Austria	EUR	500,000	500,000	500,000	690,250
Belgium	EUR	1,500,000	1,500,000	1,500,000	1,645,500
Belgium (Flanders)	EUR	1,000,000	1,000,000	1,000,000	1,216,500
Belgium (Walloon Region)	EUR	1,250,000	1,250,000	1,250,000	1,395,150
Belgium (Brussels Capital Region)	EUR	1,700,000	1,700,000	1,700,000	2,266,650
Corporacion Andina de Fomento	USD	56,000	56,000	56,000	56,000
Finland b/	USD	67,534	67,534	67,534	67,534
Finland	EUR	5,000,000	5,000,000	5,000,000	6,803,000
France b/	USD	53,340	53,340	53,340	53,340
France	EUR	5,000,000	5,000,000	5,000,000	5,564,000
Germany	EUR	140,000,000	140,000,000	140,000,000	171,621,200
Italy	EUR	2,000,000	2,000,000	2,000,000	2,172,800
Japan b/	USD	8,088	8,088	8,088	8,088
Luxembourg	EUR	2,000,000	2,000,000	2,000,000	2,105,296
Monaco	EUR	10,000	10,000	10,000	12,197
Norway b/	USD	87,700	87,700	87,700	87,700
Norway	NOK	15,000,000	15,000,000	15,000,000	2,439,381
Spain	EUR	45,000,000	45,000,000	45,000,000	57,055,000
Sweden	SEK	550,000,000	400,000,000	400,000,000	59,383,765
Switzerland b/	USD	77,668	77,668	77,668	77,668
Switzerland	CHF	13,000,000	13,000,000	13,000,000	14,125,926
United Kingdom	GBP	10,000,000	10,000,000	10,000,000	15,915,000
United Nations Foundation	USD	-	1,528	1,528	1,528
Others	GBP	-	326	326	504
Others	EUR	-	412	412	566
Total Donations Received					344,764,544

a/ Represents actual USD receipts.

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

HIGHLIGHTS FOR THE PERIOD APRIL 1, 2016 THROUGH JUNE 30, 2016:

- EUR 1 million from Walloon Region was received by the Trustee in June 2016.

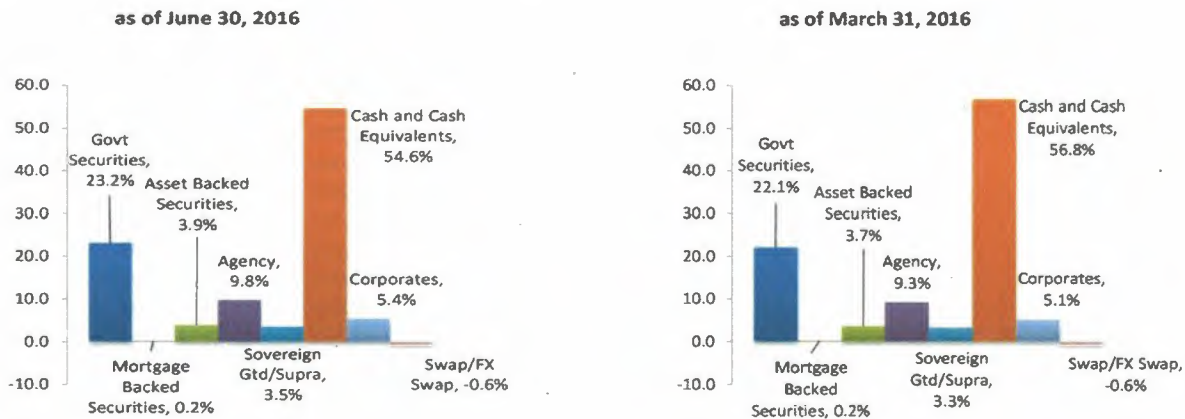


3. Asset Mix and Investment Income

ASSET MIX

The undisbursed cash balance of the Adaptation Fund Trust Fund is maintained in a commingled investment portfolio ("Pool") for all trust funds managed by IBRD. Funds are managed such that the expected maximum loss, as measured by the CVaR, in the worst 1% of cases will not exceed 0.25% at the portfolio's investment horizon. Pursuant to the Report of the 17th meeting of the AF Board, dated April 16, 2012, the Trust Fund balance has been allocated to a longer term investment portfolio in accordance with the Trustee's procedures for trust fund investments

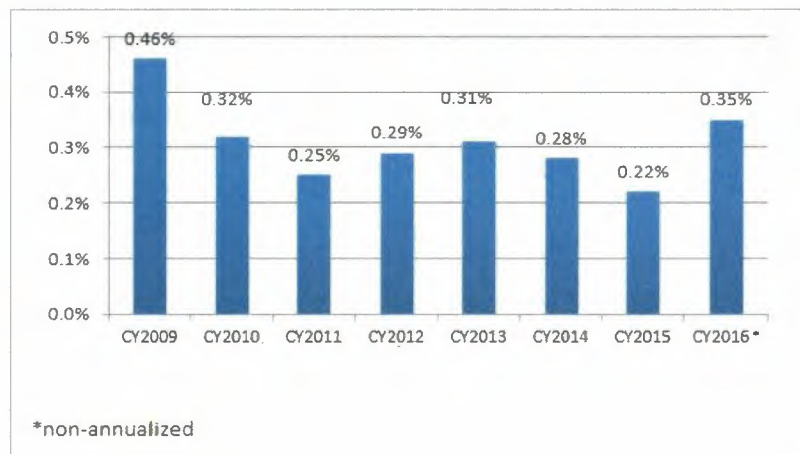
The portfolio allocation by asset class has the largest allocations to government securities and money-market instruments. In 2012, the Adaptation Fund Board approved an updated investment strategy, reflecting the Fund's mandate, current risk profile and projected liquidity needs.



Note: The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency swaps, which are used to implement currency hedges on bond positions within the portfolio. At the expiration of trustee instruments, the net allocation would be zero.

INVESTMENT RETURNS

The portfolio's investment performance continues to be modest as fixed income yields tested new lows again in June 2016. The largest contributor to investment performance over the quarter, as well as over FY16, was medium-term sovereign bonds in the United States.





4. Cumulative Funding Decisions (breakdown by NIEs, RIEs and MIEs)

In USD millions

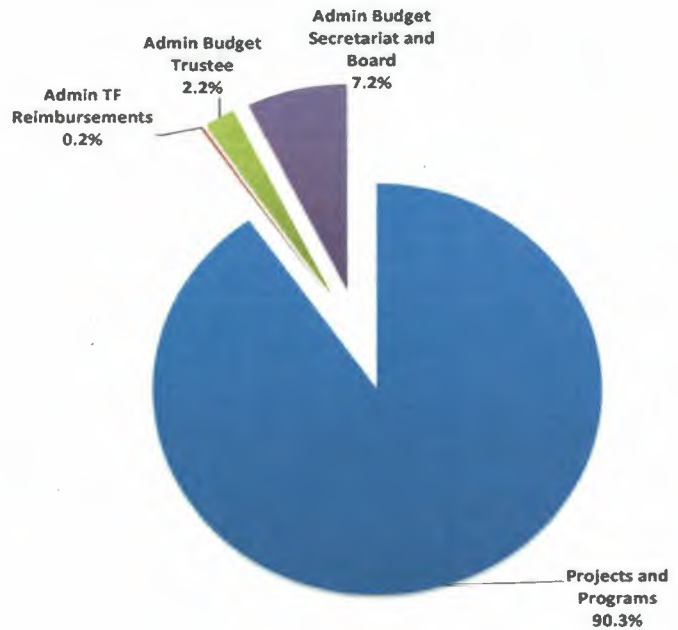
1. Programs and Projects	MIE/NIE	MIE	RIE	NIE	338.47
Argentina	UCAR	-	-	5.67 a/	
Argentina	WB	4.30	-	-	
Belize	WB	6.00	-	-	
Benin	FNE	-	-	0.03 a/	
Cambodia	UNEP	4.95	-	-	
Chile	AGCI	-	-	9.99 a/	
Colombia	UNDP	8.52	-	-	
Cook Islands	UNDP	5.38	-	-	
Costa Rica	FDS	-	-	10.00 a/	
Cuba	UNDP	6.07	-	-	
Djibouti	UNDP	4.66	-	-	
Ecuador	WFP	7.45	-	-	
Egypt	WFP	6.90	-	-	
Eritrea	UNDP	6.52	-	-	
Georgia	UNDP	5.32	-	-	
Ghana	UNDP	8.29	-	-	
Guatemala	UNDP	5.43	-	-	
Honduras	UNDP	5.62	-	-	
India	NABARD	-	-	1.37 a/	
India	NABARD	-	-	0.69	
India	NABARD	-	-	2.54 a/	
India	NABARD	-	-	1.82 a/	
India	NABARD	-	-	0.97	
India	NABARD	-	-	0.03 a/	
Indonesia	WFP	6.00	-	-	
Jamaica	PIOJ	-	-	10.00 a/	
Jordan	MOPIC	-	-	9.26 a/	
Kenya	NEMA	-	-	10.00	
Lebanon	IFAD	7.86	-	-	
Madagascar	UNEP	5.10	-	-	
Maldives	UNDP	8.99	-	-	
Mali	UNDP	8.53	-	-	
Mauritania	WFP	7.80	-	-	
Mauritius	UNDP	9.12	-	-	
Mongolia	UNDP	5.50	-	-	
Morocco	ADA	-	-	10.00 a/	
Myanmar	UNDP	7.91	-	-	
Nepal	WFP	9.53	-	-	
Nicaragua	UNDP	5.50	-	-	
Pakistan	UNDP	3.91	-	-	
Panama	FN	-	-	0.03 a/	
Papua New Guinea	UNDP	6.53	-	-	
Peru	PROFONANPE	-	-	6.95	
Rwanda	MINIRENA	-	-	10.00 a/	
Samoa	UNDP	8.73	-	-	
Senegal	CSE	-	-	8.62	
Senegal	CSE	-	-	0.03 a/	
Seychelles	UNDP	6.46	-	-	
Solomon Islands	UNDP	5.53	-	-	
South Africa	SANBI	-	-	7.53 a/	
South Africa	SANBI	-	-	2.47 a/	
Sri Lanka	WFP	7.99	-	-	
Tanzania	UNEP	5.01	-	-	
Turkmenistan	UNDP	2.93	-	-	
Uruguay	ANII	-	-	10.00 a/	
Uzbekistan	UNDP	5.42	-	-	
Regional		0.16	0.02	- a/	
Africa		-	-	0.49 b/ c/	
Central America		-	-	0.04 c/	
Oceania		-	-	0.02 c/	
Sub-Total by IE type		219.91	0.02	118.54	
% Total Programs and Projects		65%	0%	35%	
2. Operational Expenses					36.89
AF Administrative Trust Fund d/					0.69
Administrative Budget - Trustee					8.32
Administrative Budget - AF Board and Secretariat					27.15
Other e/					0.74
3. Total Funding Decisions (3 = 1 + 2)					375.36

a/ Includes approved Project Formulation Grant amounts.
b/ Represents accreditation support
c/ Represents technical assistance
d/ Represents reimbursable contributions from UNEP and Australia to the Administrative Trust Fund
e/ Represents set aside for readiness programme



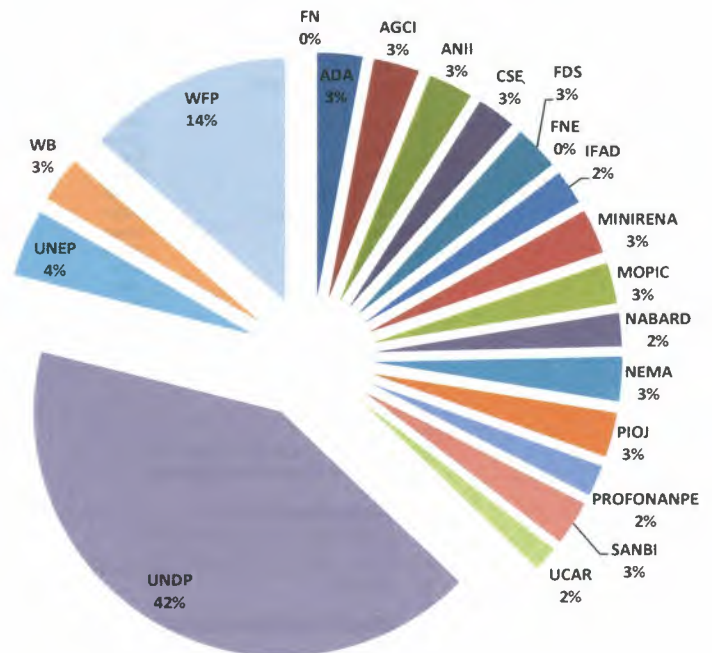
CUMULATIVE FUNDING DECISIONS

Since inception to June 30, 2016 funding approvals made by the AF Board amounted to USD 375.36 million.



FUNDING DECISIONS BY NIE/RIE/MIE

Funding decisions by NIE/RIE/MIE show the cumulative funding decisions related to programs and projects. To date, cumulative funding decisions to NIEs/RIEs/MIEs amount to USD 338.47 million.





5. Funds Available

In USD millions

	As of June 30, 2016 (a)	As of March 31, 2016 (b)	Change since last report (a) - (b)
1. Cumulative Receipts	546.91	544.55	2.36
a. Cash receipts from CER proceeds	196.58	196.06	0.52
b. Cash receipts from Donors and Other Sources	344.76	343.64	1.12
c. Investment Income earned on undisbursed balances	5.57	4.85	0.72
2. Cumulative Cash Transfers	200.45	193.49	6.96
a. Projects and Programs	169.75	162.79	6.96
b. Operational Expense	30.70	30.70	-
3. Funds Held in Trust (3 = 1 - 2)	346.46	351.06	(4.60)
4. Operational Reserve	3.00	3.00	-
5. Funding Decisions Pending Cash Transfer	174.91	181.87	(6.96)
6. Funds available to support AF Board funding decisions (6 = 3 - 4 - 5)	168.55	166.19	2.36

Highlights for the period April 1, 2016 through June 30, 2016:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 346.46 million as of June 30, 2016. Funds Held in Trust decreased by USDeq. 4.60 million due to:
 - cash transfers totaling USD 6.96 million for projects and programs during the quarter
 - offset by receipt of new contributions totaling USDeq. 1.12 million
 - offset by receipt of CER proceeds amounting to USDeq. 0.52 million
 - offset by investment income of USDeq. 0.72 million earned during the quarter
- There were no new funding decisions during the period.
- **Funding Availability** increased by USD 2.36 million as a result of the factors outlined above.



Annex - Detailed CER Monetization Record

	Calendar Quarter	Sale Method	Quantity	Quarterly Average Market Price	Quarterly Average Price Achieved by the Trustee	Total Euro	Actual USD
2009	Q2	OTC	1,100,000	11.62	11.85	13,030,000	18,244,887
		Exchange	20,000	11.62	10.79	215,700	302,455
	Q3	OTC	-	-	-	-	-
		Exchange	80,000	12.74	13.16	1,044,000 a/	1,519,280
	Q4	OTC	400,000	12.72	12.41	4,965,000	7,372,659
		Exchange	450,000	12.72	13.02	5,860,600	8,689,141
2010	Q1	OTC	1,300,000	11.69	11.93	15,505,000	21,219,352
		Exchange	420,000	11.69	11.59	4,867,200	6,734,673
	Q2	OTC	1,570,000	13.02	13.17	20,684,500	26,768,710
		Exchange	895,000	13.02	13.07	11,693,600	15,068,497
	Q3	OTC	700,000	12.90	13.51	9,454,000	12,049,753
		Exchange	540,000	12.90	12.67	6,839,600	8,866,433
	Q4	OTC	-	-	-	-	-
		Exchange	560,000	12.47	12.48	6,991,500	9,511,362
2011	Q1	OTC	300,000	11.89	12.83	3,847,500	5,437,099
		Exchange	180,000	11.89	11.44	2,059,000	2,746,051
	Q2	OTC	500,000	12.49	13.02	6,509,000	9,357,538
		Exchange	315,000	12.49	12.53	3,946,900	5,662,845
	Q3	Auction	200,000	12.49	12.52	2,504,000	3,567,699
		OTC	-	-	-	-	-
	Q4	Exchange	390,000	9.07	8.81	3,434,600	4,803,998
		OTC	-	-	-	-	-
	Q1	Exchange	40,000	6.21	7.79	311,400	418,332
		OTC	-	-	-	-	-
2012	Q2	Exchange	400,000	4.16	4.37	1,748,100	2,306,972
		OTC	250,000	3.82	3.67	921,500	1,158,337
	Q3	Exchange	1,681,000	3.82	3.81	6,411,770	8,251,269
		OTC	-	0.18	-	-	-
	Q4	Exchange	1,614,000	2.91	2.95	5,006,550	6,224,091
		OTC	6,000	0.18	1.05	6,300	8,027
	Q1	Exchange	959,000	0.18	1.38	1,317,480	1,698,951
		OTC	1,498,000	0.16	0.13	190,280	254,006
2013	Q2	Exchange	-	-	-	-	-
		OTC	144,303	0.28	0.43	62,050	82,030
	Q3	Exchange	-	-	-	-	-
		OTC	300,000	0.60	0.71	212,000	286,740
	Q4	Exchange	-	-	-	-	-
		OTC	1,800,000	0.45	0.49	868,000	1,181,238
2014	Q1	Exchange	-	-	-	-	-
		OTC	655,000	0.31	0.36	216,900	293,664
	Q2	Exchange	-	-	-	-	-
		OTC	1,478,000	0.14	0.19	259,230	335,597
	Q3	Exchange	-	-	-	-	-
		OTC	550,594	0.16	1.37	129,644	165,652
	Q4	Exchange	-	-	-	-	-
		OTC	789,680	0.07	1.35	166,494	208,182
2015	Q1	Exchange	-	-	-	-	-
		OTC	1,696,880	0.02	1.70	2,886,627	3,175,996
	Q2	Exchange	-	-	-	-	-
		OTC	97,415	0.45	2.56	249,430	279,669
	Q3	Exchange	-	-	-	-	-
		OTC	574,273	0.49	0.20	113,720	130,493
	Q4	Exchange	-	-	-	-	-
		OTC	1,327,170	0.59	0.95	1,260,042	1,371,219
2016	Q1	Exchange	-	-	-	-	-
		OTC	72,135	0.40	4.14	298,455	327,512
	Q2	Exchange	-	-	-	-	-
		OTC	65,491	0.41	6.80	445,173	499,286
		Exchange	-	-	-	-	-
		Exchange	-	-	-	-	-
Total			25,918,941			146,532,845	196,579,694

a/ net of EUR 10,000 exchange fees

Glossary

Term	Definition
ADA	Agence pour le Developpement Agricole – Morocco
AGCI	Agencia de Cooperacion Internacional - Chile
ANII	Agencia Nacional de Investigación e Innovación – Uruguay
CSE	Centre de Suivi Ecologique - Senegal
FDS	Fundecooperacion Para el Desarrollo Sostenible – Costa Rica
FN	Fundación Natura - Colombia
FNE	Fonds National pour l’Environnement – Benin
IFAD	International Fund for Agricultural Development
MIE	Multilateral Implementing Entity
MINIRENA	Ministry of Natural Resources - Rwanda
MOPIC	Ministry of Planning and International Cooperation – Jordan
NABARD	National Bank for Agriculture and Rural Development – India
NEMA	National Environment Management Authority - Kenya
NIE	National Implementing Entity
PIOJ	Planning Institute of Jamaica
PROFONANPE	Fondo de Promoción de las Áreas Naturales Protegidas del Perú
RIE	Regional Implementing Entity
SANBI	South African National Biodiversity Institute
UCAR	Unidad para el Cambio Rural – Argentina
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
WB	World Bank
WFP	United Nations World Food Program