



Adaptation Fund Trust Fund

Financial Report

Prepared by the Trustee

As of March 31, 2012



Table of Contents

Table of Contents

Introduction	3
Adaptation Fund Trust Fund Summary as of March 31, 2012	4
1. AF Trust Fund Summary – Inception through March 31, 2012.....	5
2. CER Sales Proceeds and Donations	6
3. Asset Mix and Investment Income.....	8
4. Cumulative Resources - Potential Resources Available through Dec. 31, 2020	9
5. Cumulative Funding Decisions	11
6. Funds Available	13
Annex – Detailed CER Monetization Record.....	14
Glossary.....	15



Introduction

This is the first Financial Report prepared by the World Bank as Trustee for the Adaptation Fund Trust Fund in this new format. The information contained in this report is prepared based on financial information as of March 31, 2012¹.

The Adaptation Fund was established to finance concrete adaptation projects and programs in developing countries that are parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change.

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), in its decision 1/CMP.3, invited the International Bank for Reconstruction and Development (the World Bank) to serve as the trustee for the Adaptation Fund on an interim basis.

The report is produced by the Trustee 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 CMP, which states:

"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)."

¹ The AF Board Rules of Procedure require that documents be circulated to the Board 4 weeks prior to Board meetings. Quarterly reports circulated to the Board in accordance with these requirements may therefore not reflect information as at the end of the most recent quarter preceding the Board meeting.



Adaptation Fund Trust Fund Summary as of March 31, 2012

AF Trust Fund Financial Summary (Update for the Period January 1, 2012 through March 31, 2012)

Certified Emission Reduction (CER) Sales and Donations:

Since the start of the CER monetization program in May 2009, the Trustee has generated revenues of USDeq. 170.65 million through CER sales. The Trustee generated an additional USDeq. 2.31 million during the first quarter of 2012.

As of March 31, 2012, cumulative donations to the Adaptation Fund amounted to USDeq. 119.46 million.

Investment Income:

As of March 31, 2012, the Adaptation Fund Trust Fund earned investment income of approximately USD 1.39 million on the undisbursed balance of the Trust Fund. The Adaptation Fund Trust Fund liquid portfolio has returned 0.06%² through the calendar year to March 31, 2012. As at the end of March 2012, the Trust Fund balance remained allocated to a highly liquid short term investment portfolio. Pursuant to the Report of the 17th meeting of the AF Board, dated April 16, 2012, the Trust Fund balance will be allocated to a longer term investment portfolio in accordance with the Bank's procedures for trust fund investments.

Funding Approvals and Commitments

Cumulative net funding decisions (approvals by the AF Board) to end-March 2012 amounted to USD 130.20 million. New funding decisions since January 1, 2012 amounted to USD 6.58 million.

As of March 31, 2012 committed amounts pending transfers to recipients totaled USD 97.89 million, representing an increase of USD 4.50 million as compared to December 31, 2011.

Cash Transfers

Based on Adaptation Fund Board decisions, the Trustee has transferred a total of USD 32.31 million up to March 31, 2012, including USD 19.03 million related to projects and programs further detailed in Section 6.

Funds Held in Trust

Funds Held in Trust³ reflect proceeds from CER monetization, donor payments, investment income and cash transfers. Funds Held in Trust as of March 31, 2012 amounted to USDeq. 259.19 million.

Funds available to support AF Board funding decisions

Funds available amounted to USD 158.30 million as of March 31, 2012. This represents an increase of USDeq. 11.73 million over the prior reporting period as a result of CER proceeds and donations received exceeding the volume of transfers in respect of funding decisions made by the AF Board.

² Represents non-annualized rate of return

³ 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 March 31, 2012

In USD millions

	Total	% of Total
<u>CER Sales Proceeds and Pledged Donations</u>		
CER Sales Proceeds	170.65	58.8%
Donations	119.46	41.2%
Donations not yet effective	-	0.0%
Total CER Sales Proceeds and Donations	290.11	100.0%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
CER Sales Proceeds	170.65	27.9%
Donations	119.46	19.5%
Investment Income earned	1.39	0.2%
Total Resources Received	291.50	47.6%
<u>Resources not yet received</u>		
Potential CER Proceeds Available to December 31, 2012 (see p. 10, 11)	64.85	10.6%
Potential CER Proceeds Available after December 31, 2012 (see p. 10)	255.99	41.8%
Donations not yet effective	-	0.0%
Total resources not yet received	320.84	52.4%
Total Potential Resources (A) (in USD millions)	612.34	100.0%
<u>Cumulative Funding Decisions</u>		
Programs and Projects (MIE)	97.14	74.6%
Programs and Projects (NIE)	18.68	14.3%
Operational Expenses	14.38	11.0%
Total Funding Decisions Net of Cancellations (B)	130.20	100.0%
Total Potential Resources Net of Funding Decisions (A) - (B)	482.14	
Total Potential Resources Net of Funding Decisions and Operational Reserve	479.14	
<u>Funds Available</u>		
Funds Held in Trust with no restrictions	256.19	
Approved Amounts Pending Cash Transfers	97.89	
Total Funds Available to Support AF Board Decisions	158.30	



2. CER Sales Proceeds and Donations

		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	27.95
	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	8.18
	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	2.31
Total			10,360,000	170.65

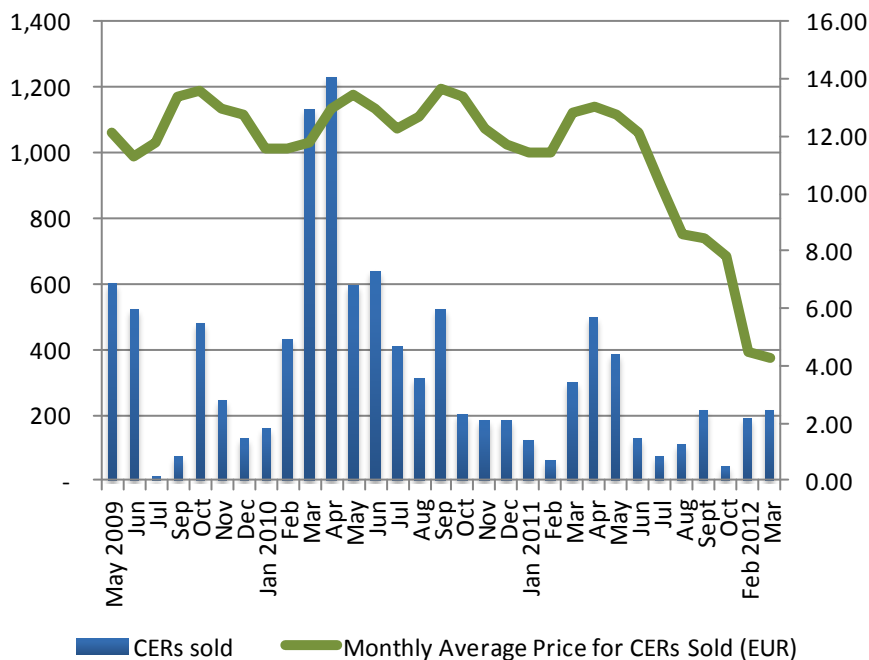
CER SALES PROCEEDS

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

The Trustee has generated revenues of USD eq. 170.65 million through CER sales since the start of the CER monetization program in May 2009.

The average price achieved to date by the Trustee has been EUR 11.57, compared with average market price of EUR 10.92.

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



CER SALES VS. MONTHLY AVERAGE PRICE

This chart presents the number of CERs sold per month and the monthly average price obtained for CERs sold between May 2009 and December 2011. During the last quarter, the Trustee sold 400,000 CERs and generated USD 2.31 million in CER proceeds. The average price achieved by the trustee during the quarter was EUR 4.37.



DONATIONS

Donor	Currency	Agreed Donation in Currency of Contribution	Effective (or signed) Donation	Receipts in Currency of Contribution	Receipts in USD eq. a/
Finland b/	USD	67,534	67,534	67,534	67,534
France b/	USD	53,340	-	-	-
Germany	EUR	10,000,000	10,000,000	10,000,000	13,883,000
Japan b/	USD	8,088	8,088	8,088	8,088
Monaco	EUR	10,000	10,000	10,000	12,197
Norway b/	USD	87,700	87,700	87,700	87,700
Spain	EUR	45,000,000	45,000,000	45,000,000	57,055,000
Sweden	SEK	200,000,000	200,000,000	200,000,000	29,162,773
Switzerland b/	USD	77,668	77,668	77,668	77,668
Switzerland	CHF	3,000,000	3,000,000	3,000,000	3,189,793
United Kingdom	GBP	10,000,000	10,000,000	10,000,000	15,915,000
Others	EUR	-	412	412	566
Total Donations Received					119,459,319

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 JANUARY 1, 2012 THROUGH MARCH 31, 2012:

- The Trustee executed a donation agreement with the United Kingdom for an amount of GBP 10 million and received this contribution in March 2012.
- France is presently reviewing the donation agreement corresponding to its pro-rata share of funds in the Administrative Trust Fund.
- Australia is presently reviewing a donation agreement for an AUD 15 million donation.

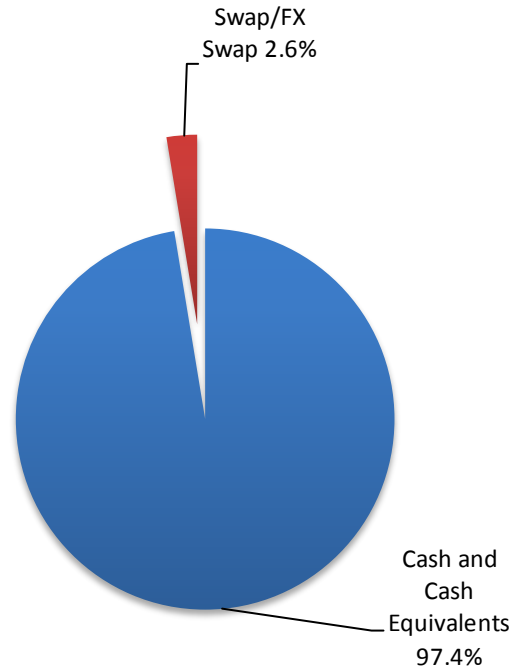


3. Asset Mix and Investment Income

ASSET MIX

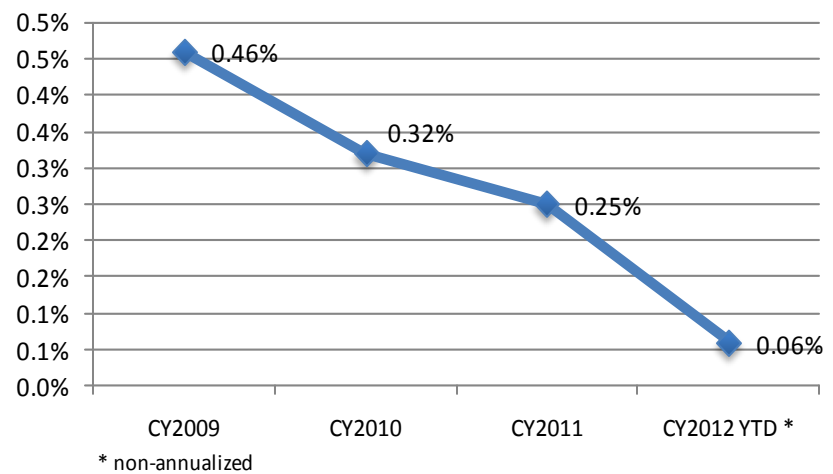
Assets held in trust by the World Bank are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all of the trust funds administered by the World Bank.

The investment objectives for the Adaptation Fund Trust Fund liquid balances are to: (i) maintain adequate liquidity to meet foreseeable cash flow needs, (ii) preserve capital; and (iii) maximize investment returns subject to risk tolerance criteria and the liquidity and operational requirements of the Adaptation Fund.



INVESTMENT RETURNS

The Adaptation Fund Trust Fund liquid portfolio (which totaled approximately USD 256 million at end-March 2012) returned 0.06% through the calendar year. In keeping with the investment strategy, Adaptation Fund assets were primarily invested in short dated deposits in highly rated global financial institutions. As global policymakers retain an accommodative monetary policy stance, deposit rates remain low,

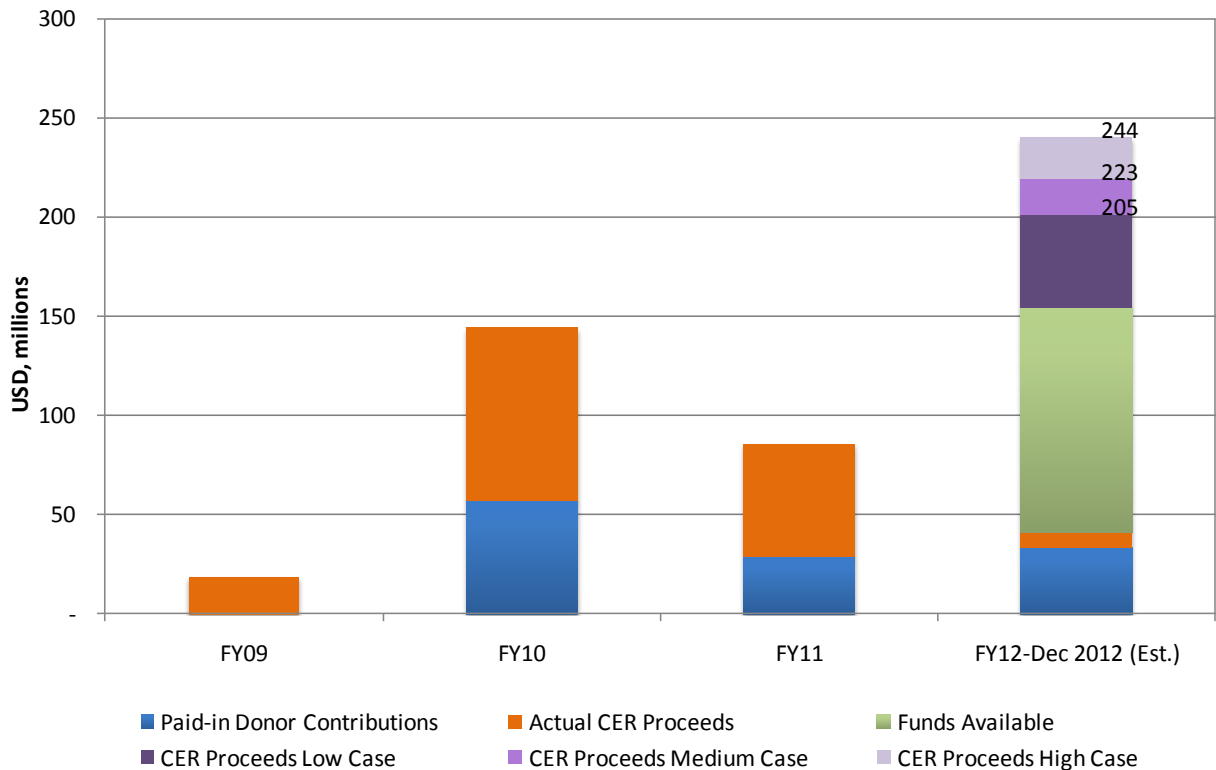


meaning investment returns are projected to stay at modest levels for the foreseeable future. At its March 2012 meeting, the AF Board agreed to the trustee’s approach to allocate the liquid portfolio to longer term investments. This will be reflected in subsequent reports.



4. Cumulative Resources - Potential Resources Available through Dec. 31, 2020

ESTIMATED RESOURCES AVAILABLE THROUGH DECEMBER 31, 2012:



- This chart 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.
- The Medium case scenario uses current observed spot prices for CERs and the exchange rate between the US dollar and the Euro. The estimate for CER issuance is the UNEP Risoe Centre's most recent estimate.
- **Estimates of potential resources available for the Adaptation Fund from April 1, 2012 to December 31, 2012 range from approximately USD 205 million to USD 244 million.** Using the medium case assumptions results in a potential value of approximately USD 223 million.



ESTIMATED RESOURCES AVAILABLE THROUGH DECEMBER 31, 2020:

This report also presents, for the first time, an estimate of the potential resources available after December 31, 2012. UNEP Risoe does not publish estimates of CER issuance beyond 2012, so the trustee has used average of independent analysts' estimates of CER issuance from 2013 to 2020. This estimate is 2.4 billion CERs.

		Low	Medium	High
CER price				
CER Price in Euro a/	(1)	3.20	4.00	4.80
USD/EUR Exchange Rate b/	(2)	1.20	1.33	1.47
CER Price in USD	(3) = (1) x (2)	<u>3.84</u>	<u>5.33</u>	<u>7.04</u>
Number of CERs (million)				
CERs issued by 2012 c/	(4)	1,126.00	1,126.00	1,126.00
CERs for AF by 2012 (2% Share)	(5) = (4) x 2%	22.52	22.52	22.52
CERs sold d/	(6)	10.36	10.36	10.36
CERs available to be sold e/	(7)	12.16	12.16	12.16
Total CER Proceeds (in USD millions)	(8) = (3) x (7)	<u>46.69</u>	<u>64.85</u>	<u>85.60</u>
Donations f/	(9)	-	-	-
Cash Inflow (in USD millions)	(10) = (8) + (9)	<u>46.92</u>	<u>64.85</u>	<u>85.88</u>
Funds Available g/	(11)	158.30	158.30	158.30
Potential Resources (in USD millions)	(12) = (10) + (11)	<u>205.22</u>	<u>223.15</u>	<u>244.18</u>
Total CER Proceeds beyond 2012 (in USD millions) h/	(13)	<u>184.32</u>	<u>255.99</u>	<u>337.91</u>
Total Potential Resources (in USD millions)	(14) = (12) + (13)	<u>389.53</u>	<u>479.14</u>	<u>582.09</u>

a/ "Medium" represents current spot closing price, "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, April 1st 2012

d/ Since inception up to March 31, 2012

e/ Represents the estimated amount available for the Adaptation Fund for the period 2010 through 2012.

f/ No assumptions are made with respect to additional donations unless a Contribution Agreement has been signed.

g/ Represents funding availability as of March 31, 2012 representing: i) funds held in trust with no restrictions, less ii) total funding decisions pending cash transfers and operational reserve.

h/ Based on a compilation of analysts' forecasts which average to 2.4 billion CERs issued for the 2013-2020 period.



5. Cumulative Funding Decisions

In USD millions

1. Programs and Projects	MIE/NIE	MIE	NIE	115.82
Benin	FNE	-	0.03 a/	
Cook Islands	UNDP	5.38	-	
Ecuador	WFP	7.45	-	
Eritrea	UNDP	6.52	-	
Georgia	UNDP	5.32	-	
Honduras	UNDP	5.62	-	
Jamaica	PIOJ	-	0.03 a/	
Madagascar	UNEP	5.10	-	
Maldives	UNDP	8.99	-	
Mauritius	UNDP	9.12	-	
Mongolia	UNDP	5.50	-	
Nicaragua	UNDP	5.50	-	
Pakistan	UNDP	3.91	-	
Papua New Guinea	UNDP	6.53	-	
Samoa	UNDP	8.73	-	
Senegal	CSE	-	8.62	
Solomon Islands	UNDP	5.53	-	
Tanzania	UNEP	5.01	-	
Turkmenistan	UNDP	2.93	-	
Uruguay	ANII	-	10.00 a/	
	Sub-Total by IE type	97.14	18.68	
	Percent of total Programs and Projects	84%	16%	
2. Operational Expenses				14.38
	AF Administrative Trust Fund b/		1.68	
	Administrative Budget - Trustee		4.54	
	Administrative Budget - AF Board and Secretariat		8.16	
3. Total Funding Decisions (3 = 1 + 2)				130.20
<p>a/ Includes approved Project Formulation Grant amounts. b/ Represents reimbursable contributions from UNEP, Australia and the United Kingdom to the Administrative Trust Fund</p>				

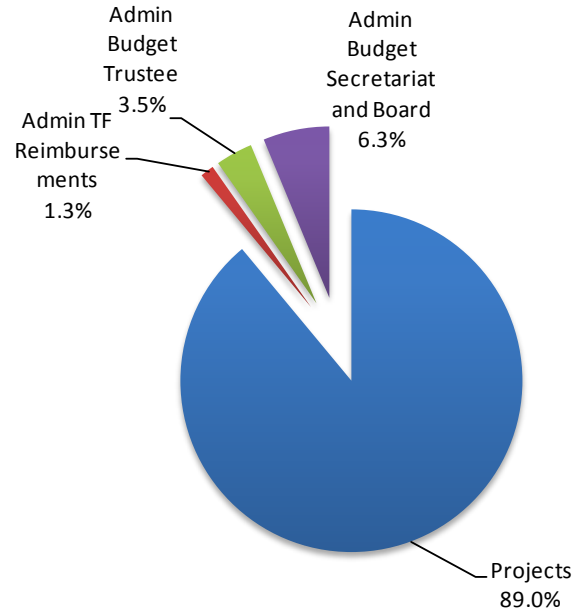
SNAPSHOT OF FUNDING DECISIONS:

- The cumulative funding decisions made by the Adaptation Fund Board up to March 31, 2012 amount to USD 130.20 million. The breakdown of funding decisions by National Implementing Entities (NIEs) and Multilateral Implementing Entities (MIEs) is presented in the table above.



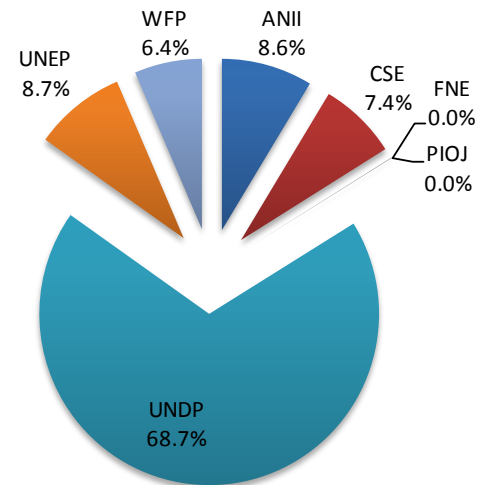
CUMULATIVE FUNDING DECISIONS

Since inception to March 31, 2012 funding approvals made by the AF Board totaled USD 130.20 million. AF Board, Secretariat and Trustee Expenses represent about 11% of total funding decisions. Admin. TF reimbursements were to UNEP, Australia and UK (pending) for their contributions to AF Secretariat and Board expenses.



FUNDING DECISIONS BY NIE/MIE

Funding decisions by MIE/NIE show the cumulative funding decisions related to programs and projects. To date, cumulative funding decisions to MIEs/NIEs total USD 115.82 million.



PROJECT CONCEPTS AT ENDORSED STAGE

This table shows the additional project and program concepts endorsed by the Board.

These endorsements are not reflected in the calculation of funds available.

1. Project Concepts

	MIE/NIE	MIE	NIE
Argentina	WB	4.31	-
Belize	WB	6.00	-
Benin	FNE	-	9.08
Cambodia	UNEP	4.95	-
Djibouti	UNDP	4.66	-
Egypt	WFP	7.29	-
El Salvador	UNDP	5.43	-
Fiji	UNDP	5.73	-
Guatemala	UNDP	5.50	-
Jamaica	PIOJ	-	9.97
Lebanon	IFAD	7.86	-
Mauritania	WFP	7.64	-
Myanmar	UNDP	7.91	-
Seychelles	UNDP	6.46	-

Sub-Total by IE type

73.73 19.05

2. Total Project Concepts

92.78

6. Funds Available

In USD millions

	As of March 31, 2012 (a)	As of December 31, 2011 (b)	Change since last report (a) - (b)
1. Cumulative Receipts	291.50	273.13	18.37
a. Cash receipts from CER proceeds	170.65	168.34	2.31
b. Cash receipts from Donors and Other Sources	119.46	103.54	15.92
c. Investment Income earned on undisbursed balances	1.39	1.25	0.14
2. Cumulative Cash Transfers	32.31	30.17	2.14
a. Projects and Programmes	19.03	16.92	2.11
b. Operational Expense	13.28	13.25	0.03
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	259.19	242.96	16.23
4. Operational Reserve	3.00	3.00	-
5. Funding Decisions Pending Cash Transfer	97.89	93.40	4.50
6. Funds available to support AF Board funding decisions (6 = 3 - 4 - 5)	158.30	146.57	11.73

Highlights for the period January 1, 2012 through March 31, 2012:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 259.19 million as of March 31, 2012. Funds Held in Trust increased by USDeq. 16.23 million due to:
 - The receipt of CER proceeds amounting to USD 2.31 million.
 - The receipt of donations amounting to USD 15.92 million.
 - Investment Income earned during the January 1, 2012 to March 31, 2012 period of USDeq. 0.14 million.
 - Cash transfers to for projects, programs and operational expenses during the period of USD 2.14 million.
- **New Funding decisions** arising from AF Board approvals amounted to USD 6.58 million.
- **Funding Availability** increased by USDeq. 11.73 million over the prior reporting period as a result of the factors outlined above.



Annex – Detailed CER Monetization Record

Quarter	Sale Method	Quantity	Bluenext Quarterly Average Market Price	Quarterly Average Price Achieved by the Trustee	Total Euro	Actual USD	Bluenext Fees	
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	480
	Q3	OTC	-	-	-	-	-	-
		Exchange	80,000	12.74	13.16	1,044,000 a/	1,519,280	1,920
2009	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	10,800
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	10,080
	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	12,270
	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	7,560
	Q4	OTC	-	-	-	-	-	-
		Exchange	560,000	12.47	12.48	6,991,500	9,511,362	7,840
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	2,520
	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	4,350
		Auction	200,000	12.49	12.52	2,504,000	3,567,699	2,000
	Q3	OTC	-	-	-	-	-	-
		Exchange	390,000	9.07	8.81	3,434,600	4,803,998	5,460
2011	Q4	OTC	-	-	-	-	-	-
		Exchange	40,000	6.21	7.79	311,400	418,332	560
	Q1	OTC	-	-	-	-	-	-
2012		Exchange	400,000	4.16	4.37	1,748,100	2,306,972	5,600
	Total		10,360,000			125,511,200	170,647,734	71,440

a/ net of EUR 10,000 left in CDC account for BlueNext Exchange fees



Glossary

Term	Definition
ANII	Agencia Nacional de Investigación e Innovación - Uruguay
CSE	Centre de Suivi Ecologique - Senegal
FNE	Fonds National pour l'Environnement - Benin
IFAD	International Fund for Agricultural Development
PIOJ	Planning Institute of Jamaica
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WB	World Bank
WFP	United Nations World Food Programme