



ADAPTATION FUND

AFB/EFC.6/5
August 12, 2011

Adaptation Fund Board
Ethics and Finance Committee
Fifth Meeting
Bonn, September 14, 2011

Agenda Item 8

FINANCIAL STATUS OF THE ADAPTATION FUND TRUST FUND

(as at 30 June 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 cash transfers 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. Annex 1 shows a detailed record of sales of Certified Emission Reductions (CERs), and 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 June 30, 2011. The Funds Held in Trust represent cumulative receipts less cumulative cash transfers, and amount to USD eq. 228.40 million as of June 30, 2011.

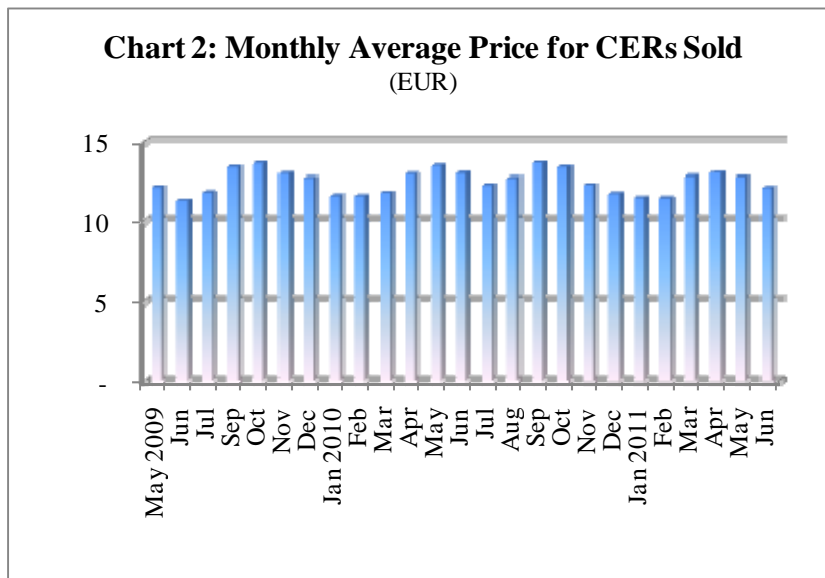
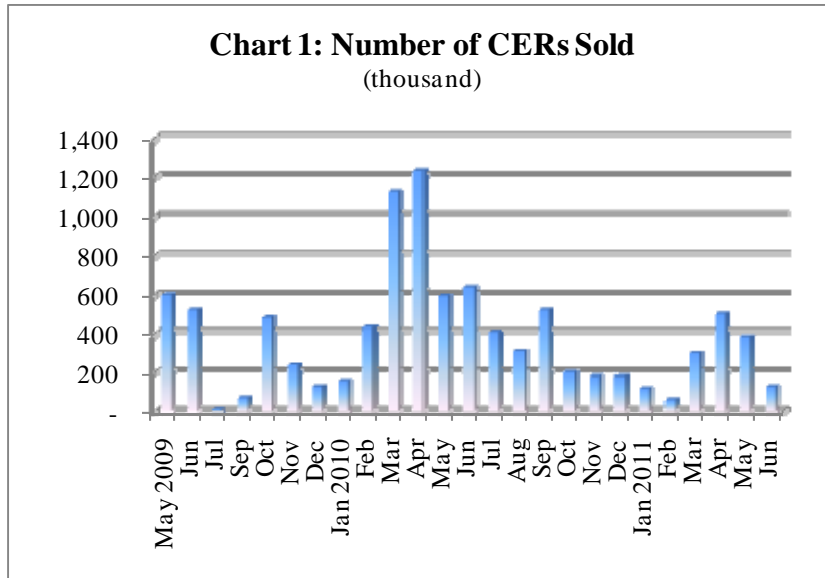
	<u>As of June 30, 2011</u>	<u>As of April 30, 2011</u>
<u>1. Cumulative Receipts</u>	249.92	240.61
a. Cash receipts from CER proceeds a/	163.12	153.89
b. Cash receipts from Donors and Other Sources	85.82	85.82
c. Investment Income earned on undisbursed balances of AF Funds	0.98	0.90
<u>2. Cumulative Cash Transfers</u>	21.52	19.85
a. Projects and Programs	12.37	9.69
b. Operational Expense b/	9.16	10.16
<u>3. Funds held in Trust (3 = 1 - 2)</u>	228.40	220.76

a/ Includes cash receipts from CER proceeds pending foreign exchange conversion.
b/ Represents administrative budgets, return of unused amounts to the AF Trust Fund, and reimbursements to Administrative Trust Fund donors.

3. **Proceeds from CER sales:** The Trustee has generated revenues of USD eq. 163.12 million through CER sales since the start of the CER monetization program in May 2009, as shown in Table 1a. This table shows the proceeds from CER sales received into 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 June 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	-	-	-
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
February	2,849,129	60,000	0.93
March	3,005,041	300,000	5.44
April	3,086,613	500,000	9.36
May	3,060,895	385,000	6.96
June	3,293,530	130,000	2.27
Total		9,530,000	163.12

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



4. **Donations:** Since the last report, no new donations or transfers of donations from donors' pro-rata share of funds remaining in the Administrative Trust Fund have taken place. The Trustee continues to work with France to conclude the transfer of their donation from the Administrative Trust Fund to the Adaptation Fund.

5. As of June 30, 2011, the total cash donations received by the Trustee amounted to USD eq. 85.82 million.

Table 1b: Schedule of Donations					
Updated as of June 30, 2011					
<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	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	5,693	5,693	5,693	5,693
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	100,000,000	100,000,000	100,000,000	14,634,646
Switzerland b/	USD	77,668	77,668	77,668	77,668
Others	EUR	-	412	412	566
<u>Total Donations Received</u>					85,824,004
a/ Represents actual USD receipts.					
b/ Donation corresponds to the Donor's pro-rata share of the balance in the Administrative Trust Fund					

6. **Investment Income:** As of June 30, 2011, the Adaptation Fund Trust Fund earned investment income of approximately USD 982 thousand on the undisbursed balance of the Trust Fund, representing a rate of return of 1.25% since inception. In anticipation of additional 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. **Cash Transfers:** The Trustee has transferred, based on Adaptation Fund Board decisions, a total of USD 21.52 million from inception to June 30, 2011, including USD 12.37 million for projects and programs in Ecuador, Eritrea, Honduras, Nicaragua, Pakistan, Senegal, Solomon Islands and Uruguay.

III. Funding Decisions

8. The cumulative funding decisions made by the Adaptation Fund Board up to June 30, 2011 amount to USD 75.35 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.

<u>1. Programs and Projects</u>	<u>MIE/NIE</u>	<u>MIE</u>	<u>NIE</u>	60.63
Ecuador	WFP	7.45	-	
Eritrea	UNDP	6.52	-	
Honduras	UNDP	5.62	-	
Jamaica	PIOJ	-	0.03	a/
Maldives	UNDP	8.99	-	
Mongolia	UNDP	5.50	-	
Nicaragua	UNDP	5.50	-	
Pakistan	UNDP	3.91	-	
Senegal	CSE	-	8.62	
Solomon Islands	UNDP	5.53	-	
Turkmenistan	UNDP	2.93	-	
Uruguay	ANII	-	0.03	a/
		51.95	8.68	
Sub-Total by IE type		51.95	8.68	
Percent of total Programs and Projects		86%	14%	
<u>2. Operational Expenses</u>				14.72
AF Administrative Trust Fund	b/			1.68
Administrative Budget - Trustee				4.54
Administrative Budget - AF Board and Secretariat				8.50
3. Total Funding Decisions (3 = 1 + 2)				75.35
<hr/> a/ Represents approved Project Formulation Grant amounts. b/ Represents reimbursable contributions from UNEP, Australia and the United Kingdom to the Administrative Trust Fund				

Table 2a: Project Concepts at Endorsed Stage

Updated as of June 30, 2011

(in USD millions)

1. Project Concepts a/	MIE/NIE	MIE	NIE
Argentina	WB	4.31	-
Cook Islands	UNDP	4.99	-
Djibouti	UNDP	4.66	-
El Salvador	UNDP	5.43	-
Fiji	UNDP	5.73	-
Georgia	UNDP	5.32	-
Guatemala	UNDP	5.50	-
Jamaica	PIOJ	-	9.97
Madagascar	UNEP	4.51	-
Papua New Guinea	UNDP	5.23	-
Seychelles	UNDP	6.46	-
Uruguay	ANII	-	7.35
Sub-Total by IE type		52.12	17.32

2. Total Project Concepts	69.43
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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, and ii) total funding decisions pending cash transfers. Funds available to support AF Board funding decisions as of June 30, 2011 amount to **USD 171.57 million**.

Table 3: Schedule of Funds Available

Updated as of June 30, 2011

(in USD eq. millions)

	<u>As of June 30, 2011</u>	<u>As of April 30, 2011</u>
1. Funds held in Trust	228.40	220.76
2. Restricted Funds a/	3.00	3.00
3. Funds held in Trust with no restrictions (3 = 1 - 2)	225.40	217.76
4. Funding decisions pending cash transfers	53.83	34.56
5. Funds available to support AF Board funding decisions (5 = 3 - 4)	171.57	183.20

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 June 30, 2011									
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
	February	Exchange	60,000	11.42	685,100	929,233	240	600	840
	March	OTC	300,000	12.81	3,847,500	5,437,099	-	-	-
	April	OTC	500,000	13.02	6,509,000	9,357,538	-	-	-
	May	Exchange	185,000	12.79	2,374,500	3,396,901	680	1,850	2,530
	May	Auction	200,000	12.52	2,504,000	3,567,699	40	2,000	2,040
	June	Exchange	130,000	12.10	1,572,400	2,265,944	520	1,300	1,820
Total		9,530,000		120,017,100	163,118,431	13,520	46,200	59,720	

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 six-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 June 30, 2011).

Estimates of potential resources available for the Adaptation Fund from June 30, 2011 to December 31, 2012 range from approximately USD 315 million to USD 440 million. Using the medium case assumptions results in a potential value of approximately USD 373 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 through December 31, 2012
estimated as of June 30, 2011

		Low	Medium	High
CER price				
CER Price in Euro a/	(1)	9.81	12.26	14.72
USD/EUR Exchange Rate b/	(2)	1.30	1.45	1.59
CER Price in USD	(3) = (1) x (2)	<u>12.78</u>	<u>17.75</u>	<u>23.43</u>
Number of CERs (million)				
CERs issued by 2012 c/	(4)	1,112.00	1,112.00	1,112.00
CERs for AF by 2012 (2% Share)	(5) = (4) x 2%	22.24	22.24	22.24
CERs sold d/	(6)	9.53	9.53	9.53
CERs available to be sold e/	(7)	12.71	12.71	12.71
CER Reserve f/	(8)	1.00	1.00	1.00
Net CERs to be sold in 2010-2012	(9) = (7) - (8)	11.71	11.71	11.71
Total CER Proceeds (in USD millions)	(10) = (3) x (9)	<u>149.67</u>	<u>207.87</u>	<u>274.39</u>
Investment Income g/	(11)	0.03	0.04	0.04
Donations h/	(12)	0.05	0.05	0.05
Cash Inflow (in USD millions)	(13) = (10) + (11) + (12)	<u>149.76</u>	<u>207.97</u>	<u>274.49</u>
Administrative Budgets i/	(14)	6.00	6.00	6.00
Funds Available j/	(15)	171.57	171.57	171.57
Potential Resources (in USD millions)	(16) = (13) - (14) + (15)	<u>315.33</u>	<u>373.54</u>	<u>440.06</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, August 1st 2011

d/ Since inception up to June 30, 2011

e/ Represents the estimated amount available for the Adaptation 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 June 30, 2011 representing: i) funds held in trust with no restrictions, less ii) total funding decisions pending cash transfers.