



ADAPTATION FUND

AFB/EFC.3/8
November 15, 2010

Adaptation Fund Board
Ethics and Finance Committee
Third Meeting
Cancun, December 13, 2010

Agenda item 8 a)

**FINANCIAL STATUS OF THE
ADAPTATION FUND TRUST FUND**
(as at 31 October 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. 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 Disbursements

2. Table 1 shows the schedule of receipts and disbursements of the Adaptation Fund Trust Fund as of October 31, 2010. The Funds Held in Trust represent cumulative receipts less cumulative disbursements, and amount to USD eq. 192.51 million as of October 31, 2010.

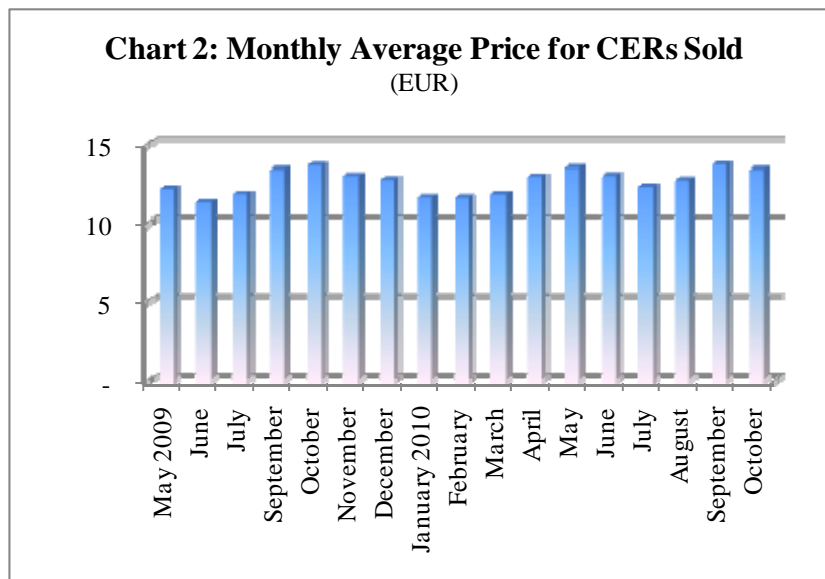
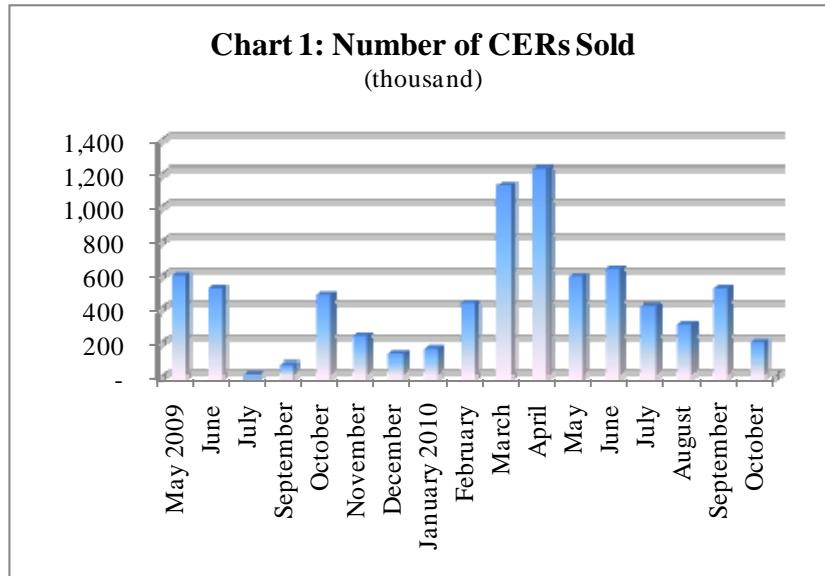
	<u>As of October 31, 2010</u>	<u>As of July 31, 2010</u>
<u>1. Cumulative Receipts</u>	202.09	169.98
a. Cash receipts from CER proceeds a/	130.55	112.47
b. Cash receipts from Donors and Other Sources	70.95	57.07
c. Investment Income earned on undisbursed balances of AF Funds	0.59	0.44
<u>2. Cumulative Disbursements</u>	9.58	9.54
a. Operational Expense b/	9.58	9.54
b. Projects and Programs	-	-
<u>3. Funds held in Trust (3 = 1 - 2)</u>	192.51	160.43

a/ Includes cash receipts from CER proceeds pending foreign exchange conversion.
b/ Includes administrative budgets and reimbursements to donors.

3. **Proceeds from CER sales:** The Trustee has generated revenues of USD eq. 130.55 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 October 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
August	1,650,637	310,000	5.14
September	1,306,693	520,000	9.23
October	1,320,841	200,000	3.72
Total		7,675,000	130.55

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



4. **Donations:** Since the last report, the Trustee has executed a donation agreement with the Government of Germany for an amount of EUR 10 million, which was paid by Germany in October. In addition, the Trustee executed donation agreements with Japan and Norway, for donations corresponding to their pro-rata share of funds remaining in the Administrative Trust Fund. France is presently reviewing the donation agreement corresponding to its pro-rata share of such funds.

5. Sweden has pledged a donation of SEK 100 million to the Adaptation Fund and is currently reviewing the draft donation agreement sent by the Trustee. As of October 31, 2010, the total cash donations received by the Trustee amounted to USD eq. 70.95 million.

<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 c/	-	-
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 c/	-	-
Monaco	EUR	10,000	10,000	10,000	12,197
Norway b/	USD	87,700	87,700 c/	-	-
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>					70,950,763

a/ Represents actual USD receipts.
b/ Donation corresponds to the Donor's pro-rata share of the balance in the Multi-Donor Trust Fund for the AF Board and Secretariat.
c/ Funds will be transferred upon completion of final closure of the Administrative Trust Fund.

6. **Investment Income:** As of October 31, 2010, the Adaptation Fund Trust Fund earned investment income of approximately USD 600 thousand on the undisbursed balance of the Trust Fund, representing a rate of return of 1.07% since inception. In anticipation of upcoming 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. **Disbursements:** The Trustee has disbursed, based on Adaptation Fund Board decisions, a total of USD 9.58 million from inception to October 31, 2010. These approved disbursements were in respect of: i) Trustee administrative expenses for the fiscal years ending June 30, 2009 and 2010 as well as the current fiscal year up to March 31, 2010; 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 Board and Secretariat Administrative Trust Fund.

III. Funding Decisions

8. The cumulative funding decisions made by the Adaptation Fund Board up to October 31, 2010 amount to USD 40.62 million. The breakdown of the funding decisions is presented in Table 2.

Table 2: Cumulative Funding Decisions	
Inception to October 31, 2010 (in USD millions)	
<u>Programs and Projects</u>	29.92
Senegal	8.6
Honduras	5.7
Guatemala a/	5.5
Madagascar a/	4.5
Mongolia a/	5.5
Initial project formulation costs for NIEs	0.1
<u>Operational Expenses</u>	10.70
Reimbursement to Donors b/	1.68
Trustee Administrative Budget FY09 c/	1.33
Trustee Administrative Budget FY10 c/	1.08
Trustee Administrative Budget FY11 (to March 31, 2011)	0.91
AF Board and Secretariat Administrative Budget FY10 d/	2.29
AF Board and Secretariat Administrative Budget FY11	2.72
Amendment to AF Board and Sec Admin Budget e/	0.07
Amendment to AF Board and Sec Admin Budget f/	0.37
AF Board Travel	0.18
Amendment to AF Board and Sec Admin Budget g/	0.07
Total	40.62
<p>a/ Represents concept approval - subject to final approval by the Board</p> <p>b/ Represents reimbursable contributions from UNEP, Australia and the United Kingdom to the Secretariat Administrative Trust Fund.</p> <p>c/ Represents actual costs incurred.</p> <p>d/ Represents FY10 budget only. The FY09 budget for the AF Board and Secretariat was covered by the Secretariat Administrative Trust Fund.</p> <p>e/ Represents budget increase approved at AFB 7th Meeting to cover publication materials for AF side event for 5th meeting of CMP.</p> <p>f/ Represents budget increase approved at AFB 8th Meeting to cover accreditation panel experts' fees and travel expenses.</p> <p>g/ Represents budget increase approved at AFB 11th Meeting to cover communications strategy.</p>	

IV. Funding Availability

9. 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 October 31, 2010 is **USD 158.47 million**, representing an increase of USD 2.19 million since July 31, 2010.

	<u>As of October 31, 2010</u>	<u>As of July 31, 2010</u>
<u>1. Funds held in Trust</u>	192.51	160.43
<u>2. Restricted Funds a/</u>	3.00	3.00
<u>3. Funds held in Trust with no restrictions (3 = 1 - 2)</u>	189.51	157.43
<u>4. Funding decisions pending disbursement</u>	31.04	1.15
<u>5. Funds available to support AF Board funding decisions (5 = 3 - 4)</u>	158.47	156.28
<u>6. Amounts presented to the AF Board for funding decisions</u>	-	-
<u>7. Funds available to support New AF Board funding decisions (7 = 5 - 6)</u>	158.47	156.28

a/ Reserve to cover anticipated operational requirements of the AF Board to end 2011.

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 October 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	-	-	-
	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 b/	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 b/	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 b/	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 b/	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 b/	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 b/	1,540
October	OTC	-	-	-	-	-	-	-
	Exchange	200,000	13.37	2,673,400	3,716,652	800	2,000 b/	2,800
Total		7,675,000		96,832,600	130,552,490	10,120	35,650	45,770

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: 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 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 October 31, 2010).

Estimates of potential resources available for the Adaptation Fund from October 31, 2010 to December 31, 2012 range from approximately USD 303.36 million to USD 416.47 million. Using the medium case assumptions results in a potential value of approximately USD 356.15 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 to December 31, 2012

Estimated as of October 31, 2010

		<u>Low</u>	<u>Medium</u>	<u>High</u>
CER price				
CER Price in Euro a/	(1)	10.46	13.07	15.68
USD/EUR Exchange Rate b/	(2)	1.25	1.39	1.52
CER Price in USD	(3) = (1) x (2)	<u>13.04</u>	<u>18.12</u>	<u>23.91</u>
Number of CERs (million)				
CERs issued by 2012 c/	(4)	954.00	954.00	954.00
CERs for AF by 2012 (2% Share)	(5) = (4) x 2%	19.08	19.08	19.08
CERs sold d/	(6)	7.68	7.68	7.68
Estimated CERs Available in 2010-2012 e/	(7)	11.41	11.41	11.41
CER Reserve f/	(8)	1.00	1.00	1.00
Net CERs to be sold in 2010-2012	(9) = (7) - (8)	10.41	10.41	10.41
Total CER Proceeds (in USD millions)	(10) = (3) x (9)	<u>135.72</u>	<u>188.50</u>	<u>248.82</u>
Investment Income g/	(11)	0.05	0.05	0.06
Donations h/	(12)	15.12	15.12	15.12
Cash Inflow (in USD millions)	(13) = (10) + (11) + (12)	<u>150.89</u>	<u>203.68</u>	<u>264.00</u>
Administrative Budgets i/	(14)	6.00	6.00	6.00
Funds Available j/	(15)	158.47	158.47	158.47
Potential Resources (in USD millions)	(16) = (13) - (14) + (15)	<u>303.36</u>	<u>356.15</u>	<u>416.47</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 October 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, 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 October 31, 2010 representing: i) funds held in trust with no restrictions, less ii) total funding decisions pending disbursements.