

29th LDCF/SCCF Council Meeting
December 10, 2020
Virtual Meeting

STATUS REPORT FOR THE SPECIAL CLIMATE CHANGE FUND

(Financial Report prepared by the Trustee)



Special Climate Change Fund (SCCF)

Financial Report

Prepared by the Trustee

As of September 30, 2020



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Introduction

The information contained in this report is prepared based on financial information of the Special Climate Change Fund (SCCF) Trust Fund as of September 30, 2020.

The SCCF was established following the decision of the Conference of the Parties to the United Nations Framework Convention on Climate Change (the “UNFCCC”) at its Seventh Session (“COP 7”) in November 2001 to invite the Global Environment Facility (“GEF”) to operate such a fund (Decision 7/CP.7 of the UNFCCC). At its May 15-17, 2002 biannual meeting, the GEF Council (the “Council”) approved the arrangements proposed for the establishment of such a fund and invited IBRD to act as its Trustee (GEF/C.19/6).

Under the SCCF Trust Fund are the Program for Adaptation and Program for Technology Transfer, both of which have been established under the SCCF following the endorsement by the Council of such Programs on the basis of document GEF/C.24/12, Programming to Implement the Guidance for the Special Climate Change Fund adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its Ninth Session.

The report is produced by the Trustee in accordance with the Trustee’s role as set forth in the paper entitled Arrangements for the Establishment of the New Climate Change Funds (GEF/C.19/6) which states:

“[...] the World Bank would be responsible for the financial management of each fund, including: [...] (iv) the preparation of financial reports regarding the investment and use of the funds’ resources; and (v) regular reporting to the Council on the status of the funds’ resources.”

This report provides (i) a snapshot of the financial situation of the SCCF Trust Fund since its inception to September 30, 2020; (ii) the status of pledges and contributions, and (iii) the details of financial activities of the SCCF Trust Fund.



SCCF Trust Fund Financial Summary as of September 30, 2020

Pledges and Contributions:

As of September 30, 2020, 15 donors pledged and signed Contribution Agreements or Contribution Arrangements amounting to USDeq. 356.09 million, including USDeq. 294.46 million towards Program for Adaptation and USDeq. 61.33 million towards Program for Technology Transfer. The Trustee has received USDeq. 349.44 million in cash to date from these donors.

Investment Income:

As of September 30, 2020, the SCCF Trust Fund earned investment income of approximately USD 23.51 million on the undisbursed balance of the Trust Fund and USD 1.2 million as investment income from external agencies.

Funding Approvals and Trustee Commitments:

As of September 30, 2020, cumulative funding decisions by the Council and the CEO amounted to USD 361.93 million. Of the total amount approved, USD 320.87 million was for projects and project preparation activities, USD 31.46 million was for fees, and USD 9.59 million was for administrative expenses and corporate activities of the SCCF.

Funding approved by the Council and the CEO is committed by the Trustee and transferred following established procedures for all financial transactions as agreed between the Trustee and the Agencies. The Trustee has committed a total amount of USD 353.23 million, of which USD 312.83 million relates to projects and project preparation activities, USD 30.8 million to fees, and USD 9.59 million to cover corporate activities and administrative expenses.

Cash Transfers:

Cash transfers were made to Agencies on an as-needed basis to meet their projected disbursement requirements. Out of the cumulative commitments of USD 353.23 million, upon request from Agencies, the Trustee has transferred USD 304.81 million. The balance of USD 48.42 million remains payable as of September 30, 2020.

Funds Held in Trust and Funds Available for Council and CEO Funding Decisions:

Funds Held in Trust reflect financial activities related to new donor payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revaluation of the balance of promissory notes at month-end. Funds Held in Trust as of September 30, 2020 amounted to USDeq. 69.33 million.

Funds available to support Council or CEO decision amounted to USD 12.21 million as of September 30, 2020. This represents a net decrease of USD 1.99 million compared to funds available as of March 31, 2020.



1. SCCF Trust Fund Summary – Inception through September 30, 2020

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	354.44	99.5%
Pledges	1.66	0.5%
Total Pledges and Contributions	356.09	100.0%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	349.44	91.8%
Investment Income earned	23.51	6.2%
Investment Income received from external grants	1.20	0.3%
Total Resources Received	374.14	98.3%
<u>Resources not yet received</u>		
Contributions not yet paid	5.00	1.3%
Pledges	1.66	0.4%
Total resources not yet received	6.66	1.7%
Total Potential Resources (A)	380.80	100.0%
<u>Cumulative Funding Decisions</u>		
Projects	320.87	88.7%
Fees	31.46	8.7%
Administrative Budgets	9.59	2.7%
Total Funding Decisions Net of Cancellation (B)	361.93	100.0%
Total Potential Resources Net of Funding Decisions (A) - (B)	18.87	
<u>Funds Available</u>		
Funds Held in Trust	69.33	
Approved Amounts Pending Cash Transfers	57.12	
Amounts pending Council/CEO approval	-	
Total Funds Available to Support Council / CEO Decisions	12.21	

Note: The totals in the table may not add up due to rounding.



2. Pledges and Contributions

In USD millions

1	Total Pledges Outstanding and Contributions Finalized a/			Pledges Outstanding		Contribution Agreements Finalized				
	2	3 = 5 + 7	4 = 6 + 9+ 11	5	6	Paid (Receipts)			Unpaid	
						7 = 8 + 10	8	9	10	11
Contributing Participant	Currency	Amount	USDeq. b/	Amount	USDeq. c/	Total Contributions	Amount Paid in Currency	Amount Due in USDeq. d/	Amount Due in Currency	Amount Due in USDeq. c/
Belgium	EUR	31.00	41.21	-	-	31.00	31.00	41.21	-	-
Canada	CAD	13.50	12.89	-	-	13.50	13.50	12.89	-	-
Denmark	DKK	50.00	9.04	-	-	50.00	50.00	9.04	-	-
Finland	e/ EUR	13.87	17.95	-	-	13.87	13.87	17.95	-	-
	USD	0.37	0.37	-	-	0.37	0.37	0.37	-	-
Germany	EUR	90.02	120.45	-	-	90.02	90.02	120.45	-	-
Ireland	USD	2.13	2.13	-	-	2.13	2.13	2.13	-	-
Italy	USD	10.00	10.00	-	-	10.00	5.00	5.00	5.00 f/	5.00
Netherlands	EUR	2.40	3.13	-	-	2.40	2.40	3.13	-	-
Norway	NOK	198.00	34.59	-	-	198.00	198.00	34.59	-	-
Portugal	EUR	1.07	1.30	-	-	1.07	1.07	1.30	-	-
Spain	EUR	9.00	12.35	-	-	9.00	9.00	12.35	-	-
Sweden	SEK	40.00	6.12	-	-	40.00	40.00	6.12	-	-
Switzerland	e/ CHF	14.18	13.90	-	-	14.18	14.18	13.90	-	-
	USD	2.06	2.06	1.66 g/	1.66	0.40	0.40	0.40	-	-
United Kingdom	GBP	10.00	18.60	-	-	10.00	10.00	18.60	-	-
United States	USD	50.00	50.00	-	-	50.00	50.00	50.00	-	-
			356.09		1.66		349.44		5.00	

a/ Pledged contributions are made towards the Program for Adaptation and for the Transfer of Technology.

b/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) September 30, 2020 value of outstanding pledges and unpaid amounts.

c/ Valued at the exchange rates available on September 30, 2020.

d/ Represents the actual US dollar value of paid-in cash contributions.

e/ Contributions made in more than one currency.

f/ Represents past due contribution.

g/ Represents the balance of Switzerland's pledge of USD 3,312,500 made during the 25th Council meeting in December 2018.

Note: The totals in the table may not add up due to rounding.

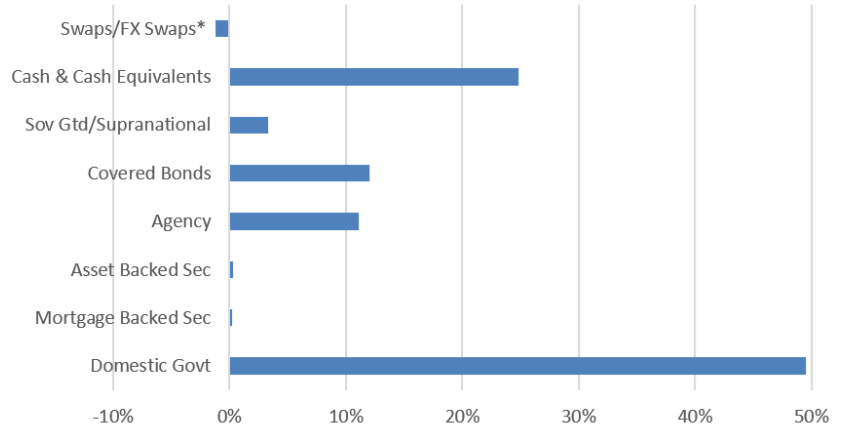
- The above table shows the total pledges and contributions to the SCCF. As of September 30, 2020, the Trustee had entered into Contribution Agreements with 15 donors for a total contribution of USDeq. 354.44 million and has received USDeq. 349.44 million in cash. In addition, an amount of USD 1.66 million has been pledged by Switzerland, which is pending finalization of contribution agreement.



3. Asset Mix and Investment Income

ASSET MIX

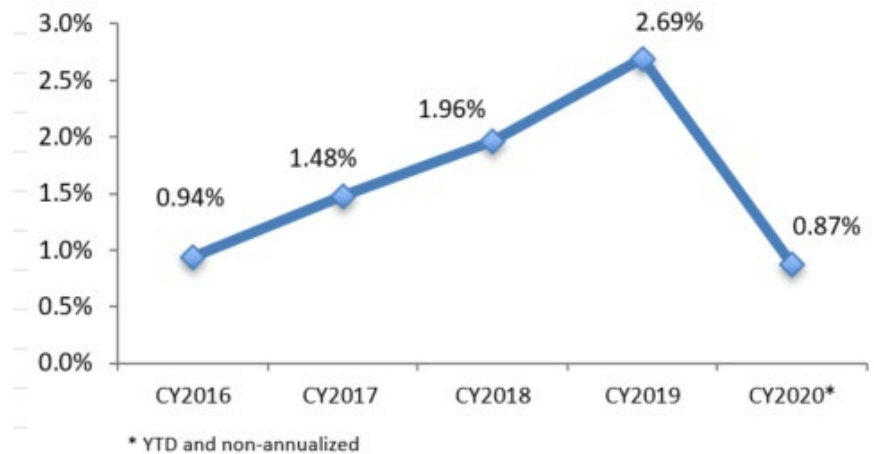
Funds held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The chart reflects the asset mix of the portfolio in which SCCF funds are invested as of September 30, 2020.



*The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio. These hedges remain in place.

INVESTMENT RETURNS

The SCCF funds are invested in accordance with the investment strategy established for all trust funds administered by the World Bank. Funds are managed such that the expected maximum loss, as measured by the Conditional Value-at-Risk (CVaR), at the portfolio’s investment horizon, is not to exceed 1% with 99% confidence. The SCCF Trust Fund liquid portfolio (which totaled approximately USD 69.33 million at end-September 2020) earned approximately USD 23.51 million in investment income since inception.



COVID-19 IMPACT ON INVESTMENT PERFORMANCE

Since the outbreak of the COVID-19 pandemic in early 2020, financial markets have reacted drastically with volatility spiking rapidly and liquidity strained momentarily following landslide sell-offs across almost all asset classes. Central banks around the world have since responded with unprecedented large-scale monetary easing measures including committing to ultra-low interest rates for the foreseeable future, which led directly to the stabilization of market sentiments. However, at the macro level, massive unemployment, credit downgrades and subdued consumer demand are still the greatest headwinds to economic recovery and long-term sustainable growth.



With preservation of capital as the primary investment objective for the WBTF Pool, the World Bank Treasury has not only consistently delivered positive returns while keeping the risk profiles of each model portfolio within respective prescribed risk tolerances, but has also dynamically adjusted asset allocations to capitalize on market opportunities as well as to rigorously manage risk profiles throughout the pandemic-induced volatile period.

- Performance and Risk

At end-June 2020, the WBTF Pool had a total size of US\$31.8 billion and posted total returns of 1.19% in the first 6 months of 2020 with all¹ constituent model portfolios also recording positive performances ranging from 62 basis points for the very short duration portfolios to over 2% for the model portfolios with durations in the 3-5 year area. In terms of investment income, this translates into US\$367 million generated for development purposes over the period.

For the full fiscal year 2020, the WBTF Pool had total returns of 2.52%, translating into US\$757 million of investment income earned over the period. All² constituent model portfolios had positive returns, ranging from 1.8% for the short duration portfolios, to almost 5% for the longer duration portfolios.

The *risk tolerance* or the risk-taking capacity of the model portfolios in the WBTF Pool is expressed by a measure called Conditional Value-at-Risk (CVaR), with a limit stipulated at the 99% confidence level. This means that the measure stipulates a maximum estimated average loss to the portfolio in the worst 1% of loss events over a given investment horizon. Despite the heightened volatility in financial markets through February and March, all model portfolios in the WBTF Pool remained in compliance with their risk tolerance levels, as verified by the office of the World Bank Chief Risk Officer.

- Dynamic Asset Allocation and Risk Management

To generate the investment returns and manage risk, World Bank Treasury adjusts the asset allocation of the model portfolio in the WBTF Pool dynamically. This approach allows World Bank Treasury to (1) take advantage of attractive market sectors on an opportunistic basis should risk premia temporarily deviate from their expected levels or market dislocations cause pricing anomalies, and (2) adjust exposure to certain market sectors should volatility, liquidity or valuation outlooks increase the likelihood of the model portfolios breaching their risk limits. Throughout February and March, World Bank Treasury reduced exposure to some market sectors such as Mortgage-Backed Securities in response to (i) reduced market liquidity, and (ii) increased price volatility in the asset class induced by unprecedented interest rate and economic conditions. Furthermore, the aftermath of the financial markets crisis continues to present some opportunities to adjust asset allocations to increase the expected returns on the model portfolios and consequently, the WBTF Pool as a whole.

Overall, the WBTF Pool has consistently delivered investment returns in line with the risk return profiles of each model portfolios and met the overarching investment objective of capital preservation and liquidity on demand. With COVID-19 remaining an overbearing menace to both public health and global economic activity, we expect markets to continue to reflect an outlook for depressed growth going forward with interest rates remaining low. In addition to that, the U.S. Presidential election in November and its aftermath will likely keep market volatility through the rest of 2020. The Trustee will continue to monitor the market conditions and the portfolio performance to keep LDC Trust Fund updated through the semi-annual Trustee reports submitted to Council.

¹ Except the EUR Cash Model Portfolio that has structurally negative yields

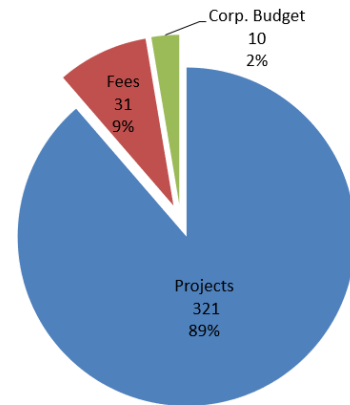
² Except the EUR Cash Model Portfolio that has structurally negative yields



4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

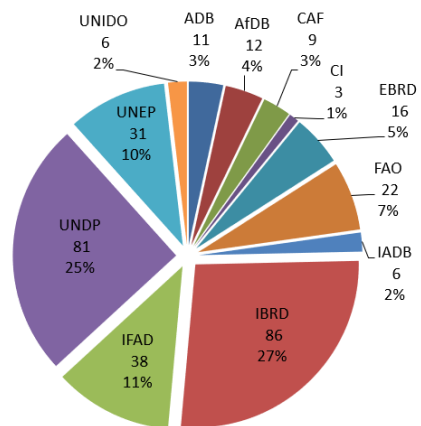
FUNDING DECISIONS BY ACTIVITY

Since inception to September 30, 2020 funding approvals made by the LDCF/SCCF Council totaled USD 361.93 million. Projects represent about 89%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Independent Evaluation Office 2%.

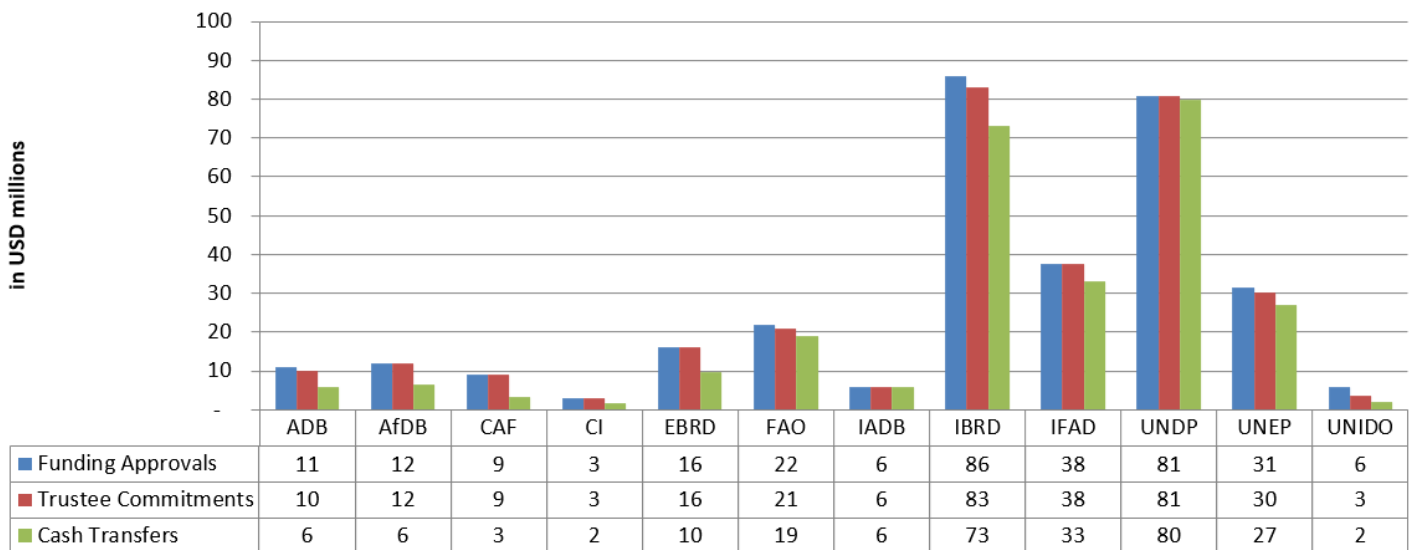


PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows the project funding decisions by Agency. Of the total USD 320.87 million of approved projects to date, 27% has been allocated to IBRD, 25% to UNDP, 11% to IFAD and 10% to UNEP.



The bar chart below shows Agency-wise breakdown of project funding decisions, commitments and transfers by Trustee. Details of funding approvals, commitments and cash transfers can be found in Annex II.



5. Funds Available

In USD millions

I. Program for Adaptation	As of September 30, 2020		As of March 31, 2020		Change
	(a)	(b)	(a)	(b)	(c) = (a) - (b)
1. Funds held in Trust		40.40		44.57	(4.17)
a. Cash and investments	40.40		44.57		(4.17)
b. Unencashed promissory notes	-		-		-
2. Approved Amounts Pending Cash Transfers to Agencies		35.32		37.08	(1.76)
a. Trustee committed	26.62		31.53		(4.91)
b. Approved by Council/CEO pending Endorsement	5.79		2.64		3.15
c. Umbrella Set-aside	2.91		2.91		-
3. Funding decisions pending for Council/CEO approval		-		-	-
4. Funds Available to Support Council or CEO Decisions (4 = 1 - 2 - 3)		5.07		7.49	(2.42)
II. Program for Technology Transfer	As of September 30, 2020		As of March 31, 2020		Change
	(a)	(b)	(a)	(b)	(c) = (a) - (b)
5. Funds held in Trust		28.93		28.68	0.25
a. Cash and investments	28.93		28.68		0.25
b. Unencashed promissory notes	-		-		-
6. Approved Amounts Pending Cash Transfers to Agencies		21.80		21.97	(0.18)
a. Trustee committed	21.80		21.97		(0.18)
b. Approved by Council/CEO pending Endorsement	-		-		-
7. Funds Available to Support Council or CEO Decisions (7 = 5 - 6)		7.14		6.71	0.43
III. Total SCCF Funds Available for Council/CEO approval and/or CEO endorsement (4 + 7)		12.21		14.20	(1.99)

Note: The totals in the table may not add up due to rounding

Highlights for the period April 1, 2020 through September 30, 2020:

- **Funds Held in Trust** represent cumulative cash receipts and investment income less cumulative cash transfers, and amount to USD 69.33 million as of September 30, 2020 (including USD 40.4 million for Program for Adaptation and USD 28.93 million for Program for Technology Transfer). Funds Held in Trust decreased by USD 3.92 million due to cash transfers (USD 5.29 million) exceeding cash receipts (USD 0.83 million) and investment income (USD 0.54 million) during the period.
- **Funding Decisions Pending Cash Transfer** arising from the LDCF/SCCF Council approvals amount to USD 57.12 million for both Programs.
- **Funding Availability** for Council decision amounts to USD 12.21 million representing a decrease of USD 1.99 million over the prior reporting period because fund transfers and new funding approvals by the Council and CEO exceeded receipt of new funds from donors and investment income earned during the same period.

Annex I - Pledges and Contributions Details by Program: Adaptation and Technology Transfer

In USD millions

1	Total Pledges Outstanding and Contributions Finalized			Pledges Outstanding		Contribution Agreements Finalized				
	2	3 = 5 + 7	4 = 6 + 9+	5	6	Paid (Receipts)			Unpaid	
						7 = 8 + 10	8	9	10	11
Contributing Participant	Currency	Amount	USDeq. a/	Amount	USDeq. b/	Total Contributions	Amount Paid in Currency	USDeq. c/	Amount Due in Currency	USDeq. b/
Program for Adaptation										
Canada	CAD	11.00	10.34	-	-	11.00	11.00	10.34	-	-
Denmark	DKK	40.00	7.23	-	-	40.00	40.00	7.23	-	-
Finland	d/ USD	0.37	0.37	-	-	0.37	0.37	0.37	-	-
	EUR	13.52	17.52	-	-	13.52	13.52	17.52	-	-
Germany	EUR	90.02	120.45	-	-	90.02	90.02	120.45	-	-
Ireland	USD	1.28	1.28	-	-	1.28	1.28	1.28	-	-
Italy	USD	5.00	5.00	-	-	5.00	0.00	0.00	5.00 e/	5.00
Netherlands	EUR	2.40	3.13	-	-	2.40	2.40	3.13	-	-
Norway	NOK	181.50	31.59	-	-	181.50	181.50	31.59	-	-
Portugal	EUR	1.07	1.30	-	-	1.07	1.07	1.30	-	-
Spain	EUR	8.00	11.05	-	-	8.00	8.00	11.05	-	-
Sweden	SEK	37.00	5.69	-	-	37.00	37.00	5.69	-	-
Switzerland	d/ CHF	8.50	8.84	-	-	8.50	8.50	8.84	-	-
	USD	2.06	2.06	1.66 f/	1.66	0.40	0.40	0.40	-	-
United Kingdom	GBP	10.00	18.60	-	-	10.00	10.00	18.60	-	-
United States	USD	50.00	50.00	-	-	50.00	50.00	50.00	-	-
			294.46		1.66			287.80		5.00
Program for Technology Transfer										
Belgium	EUR	31.00	41.21	-	-	31.00	31.00	41.21	-	-
Canada	CAD	2.50	2.55	-	-	2.50	2.50	2.55	-	-
Denmark	DKK	10.00	1.81	-	-	10.00	10.00	1.81	-	-
Finland	EUR	0.35	0.42	-	-	0.35	0.35	0.42	-	-
Ireland	USD	0.85	0.85	-	-	0.85	0.85	0.85	-	-
Italy	USD	5.00	5.00	-	-	5.00	5.00	5.00	-	-
Norway	NOK	16.50	3.00	-	-	16.50	16.50	3.00	-	-
Spain	EUR	1.00	1.30	-	-	1.00	1.00	1.30	-	-
Sweden	SEK	3.00	0.43	-	-	3.00	3.00	0.43	-	-
Switzerland	CHF	4.60	5.06	-	-	4.60	4.89	5.06	-	-
			61.63		-			61.63		-
TOTAL			356.09		1.66			349.44		5.00

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) September 30, 2020 value of amount pending FX.

b/ Valued at the exchange rates available on September 30, 2020.

c/ Represents the actual US dollar value of paid-in cash contributions.

d/ Contributions made in more than one currency.

e/ Represents past due payment.

f/ Represents the balance of Switzerland's pledge of USD 3,312,500 made during the 25th Council meeting in December 2018.

Note: The totals in the table may not add up due to rounding



Annex II - Cumulative Funding Decisions Details by Activity and Agency

Entity	Cumulative Net Amounts			
	Approved	Commitments	Transfers	Amount Due
	Allocations			
(1)	(2)	(3)	(4) = (2) - (3)	
<u>Projects</u>				
ADB	10.87	10.03	5.99	4.04
AfDB	12.08	12.08	6.48	5.61
CAF	8.96	8.96	3.38	5.58
CI	3.10	3.10	1.74	1.36
EBRD	16.14	16.14	9.75	6.39
FAO	21.92	21.03	19.04	1.99
IADB	6.03	6.03	6.03	0.00
IBRD	85.89	83.12	73.17	9.95
IFAD	37.64	37.64	33.19	4.45
UNDP	80.93	80.93	79.92	1.01
UNEP	31.37	30.28	27.03	3.24
UNIDO	5.93	3.48	1.96	1.52
Sub-total	320.87	312.83	267.68	45.15
<u>Fees</u>				
ADB	1.11	1.03	0.60	0.43
AfDB	1.13	1.13	0.00	1.13
CAF	0.53	0.48	0.48	0.00
CI	0.28	0.28	0.28	0.00
EBRD	1.58	1.58	1.56	0.02
FAO	1.85	1.79	1.79	0.00
IADB	0.60	0.60	0.60	0.00
IBRD	8.98	8.84	8.84	0.00
IFAD	3.75	3.75	2.55	1.19
UNDP	7.95	7.95	7.95	0.00
UNEP	3.13	3.03	2.93	0.10
UNIDO	0.56	0.33	0.32	0.01
Sub-total	31.46	30.80	27.92	2.89
<u>Corporate Budget</u> ^{a/}				
Secretariat	5.61	5.61	5.61	0.00
Evaluation	0.52	0.52	0.52	0.00
STAP	1.01	1.01	0.62	0.38
Trustee	2.45	2.45	2.45	0.00
Sub-total	9.59	9.59	9.21	0.38
Total for SCCF	361.93	353.23	304.81	48.42

^{a/} Includes amounts allocated to cover administrative expenses to manage the SCCF and Corporate activities.

Note: The totals in the table may not add up due to rounding.