



Global Environment Facility

GEF/C.23/10/Rev.1
April 20, 2004

GEF Council
May 19-21, 2004

Agenda Item 13

STATUS REPORT ON THE LEAST DEVELOPED COUNTRIES TRUST FUND FOR CLIMATE CHANGE

Recommended Council Decision

The Council, having reviewed GEF/C.23/10, *Status report on the Least Developed Countries Trust Fund for Climate Change*, welcomes the progress that has been made in financing the preparation of National Adaptation Programs of Action (NAPAs) by the LDC Parties to the UNFCCC. The Council approves an administrative budget of US\$328,400 for the GEF Secretariat and the Trustee to administer the LDCTF for FY05-06.

BACKGROUND

1. At its meeting in May 2003, the Council took note of the resource mobilization for, and operations under, the Least Developed Countries Trust Fund for Climate Change (LDCTF fund) established by the GEF in accordance with the decisions of the United Nations Framework Convention on Climate Change (UNFCCC), and approved a corporate budget and Implementing Agency fee proposal for the two year period, FY 03-04. The Council requested the GEF Secretariat to keep it and the Conference of the Parties informed of progress made in regard to the LDCTF.
2. This paper reports on the current status of the Fund and approved operations. It also seeks Council approval for an administrative budget for the two year period FY05-06.
3. The LDCTF is kept separate from the GEF Trust Fund both for purposes of operations and charging administrative costs incurred in connection with managing the fund.

Trustee Report as of April 15, 2004

4. From inception, November 6, 2002, to April 15, 2004, total contributions received by the Trustee for the LDCTF amounted to USDeq.16.5 million. Investment income earned was USDeq.0.3 million. Details of the pledges and payments are found in Annex I: Status of Pledges.
5. Since the last report to the Council in November 2003, the Trustee has concluded two new Administration Agreements with Switzerland and Germany. Switzerland pledged and paid CHF 400,000, while Germany pledged EUR15.0 million over five years (2003 to 2007). Germany has paid its first installment of EUR3.0 million to the Trustee.
6. The Netherlands pledged EUR3.3 million to the LDCTF. The Trustee is working with the donor towards concluding an Administration Agreement.
7. The Trustee has also received payment of funds from Spain of EUR90,150 and France of EUR850,000.
8. To date, the Trustee has committed funds in the amount of US\$9.4 million for projects, Implementing Agency project fees and administrative budgets. Of this amount, US\$9.1 million has been committed to three Implementing Agencies (US\$6.5 million to UNDP, US\$2.4 million to UNEP and US\$0.2 to IBRD). Administrative costs of US\$144,000 has been committed to the GEF Secretariat and US\$150,000 to the Trustee. The remaining resources available for allocations thus total USDeq.7.4 million. (see Annex II: Statement of Funding Status)

Operations under the LDCTF

9. As of April 15, 2004, projects for the preparation of National Adaptation Programs of Action (NAPAs) have been approved for 37 countries, i.e. 11 new NAPAs were approved during the reporting period. In addition, four project proposals (for Burundi, Guinea Bissau, Rwanda,

and Sierra Leone) are at an advanced stage of preparation and another four (for Afghanistan, Myanmar, Nepal, and Solomon Island) are under development with the Implementing Agencies. Out of 48 LDC Parties to the UNFCCC, 45 countries have received or are working with the Implementing Agencies to prepare NAPAs projects. A list of the approved projects is set out in Annex III.

10. Among the 37 approved projects, 26 projects have begun implementation¹. Most of the approved projects foresee the completion of the NAPA within a period of 12 to 18 months. In terms of progress, based on preliminary reports from UNDP and UNEP, 19 countries have established their NAPA teams and a few have initiated NAPA related studies. A more comprehensive report will be provided for the Council at its meeting in November.

11. Further to guidance approved by COP8 on the need for regional workshops to advance the preparation of NAPAs, four workshops were organized in 2003 through two medium sized projects. The workshops were organized by UNDP in collaboration with UNITAR.

Further COP Decision/Guidance

12. The ninth session of the Conference of the Parties adopted a decision entitled *Further guidance for the operation of the Least Developed Countries Fund.*(see document GEF/C.23/6, *Institutional Relations.*) As requested in the decision, the GEF will be preparing operational proposals for financing the implementation of NAPAs of action taking into account the elements identified in the decision. These proposals will be presented to the Council at its meeting in November 2004.

Administrative Costs

13. The GEF Secretariat continues to be responsible for oversight of the fund, formulation of operational policies, review and processing of projects for CEO or Council approval, management of the portfolio of LDCTF projects, coordination with the Implementing Agencies, the Trustee and the Convention Secretariat, and reporting to the Council and the Convention. For these activities, and for technical support to the process which may be required from time to time, it is estimated that the GEF Secretariat will require 12 staff weeks per year for FY05 and FY06. This is the same number of staff weeks that were provided for FY03-04. The cost of 12 staff weeks is \$75,600 for a total cost of \$151,200 for the two fiscal years.

14. As agreed with the donors under the Trust Administration Agreements, the Trustee will receive an administrative fee to cover the reasonable actual expenses incurred by the Trustee in carrying out the Trustee function. For FY05 and FY06, the Trustee is requesting a fee of \$177,200 to cover its administrative expenses. The highlights of the Trustee work program over the coming two years include: (i) the management of donor contributions; (ii) financial and investment management of LDC resources; (iii) commitments and disbursements of LDC

¹ In the case of UNDP, when a project has received a written authority, i.e. UNDP Resident Representative has signed a project document simultaneously with a Government representative, the country begins implementation of the project. In the case of UNEP, provision of first cash advance allows a country to start the implementation.

resources to the Implementing Agencies; (iv) infrastructure and systems support; (v) accounting and reporting for the LDC Trust Fund; and (vi) assisting in the clarification and formularization of grant application procedures.

15. The administrative budget for administering the LDCTF for FY 05 and FY 06 is estimated at a total of \$328,400.

Implementing Agency fees

16. At the moment, the Implementing Agencies mainly engaged in assisting LDCs in the preparation of NAPAs. The Council approved a fee, for project cycle management services, equivalent to 11% of project costs for NAPAs, given the special nature of the fund and the complementarity with other enabling activity projects. NAPAs are a new area of work and the Implementing Agencies needed to establish procedures for preparing and processing projects, supervision, benchmarks for implementation, and monitoring and evaluation. Strong and sustained support to country teams is provided, especially given the institutional challenges in LDCs and the need for extensive and complex consultations required to prepare NAPAs.

17. It is proposed that when the work of the Implementing Agencies evolves into assisting countries to implement their NAPAs, the fee should be consistent with the fee policy approved for projects financed under the GEF Trust Fund.

LEAST DEVELOPED COUNTRIES FUND FOR CLIMATE CHANGE

Status of Pledges

as of April 15, 2004

| Donor | Currency | Contributions Pledged in Currency | Contributions Paid in Currency | Contributions Paid Converted to US\$ | Outstanding Pledges in Currency | Outstanding Pledges US\$ <i>c/</i> | in |
|-------------|----------|--------------------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|-------------------|
| Canada | CAD | 10,000,000 | 9,999,980 | 6,518,366 | 20 | | 15 |
| Denmark | DKK | 10,400,000 | 10,400,000 | 1,646,873 | - | | - |
| Finland | EUR | 500,000 | 500,000 | 552,850 | - | | - |
| Ireland | EUR | 634,869 | 634,869 | 647,894 | - | | - |
| Italy | USD | 1,000,000 | 1,000,000 | 1,000,000 | | | - |
| Norway | NOK | 4,000,000 | 4,000,000 | 579,248 | - | | - |
| Spain | EUR | 150,150 | 150,150 | 171,713 | - | | - |
| Sweden | SEK | 3,000,000 | 3,000,000 | 338,276 | - | | - |
| Switzerland | CHF | 400,000 | 400,000 | 317,889 | - | | - |
| France | EUR | 850,000 | 850,000 | 1,069,130 | - | | - |
| Germany | EUR | 15,000,000 | 3,000,000 | 3,700,500 | 12,000,000 | <i>a/</i> | 14,506,244 |
| Netherlands | EUR | 3,300,000 | - | - | 3,300,000 | <i>b/</i> | 3,989,217 |

| | |
|--|-------------------|
| Total donor contributions paid in USDeq. | 16,542,739 |
|--|-------------------|

| | |
|-------------------------------------|-------------------|
| Total outstanding pledges in USDeq. | 18,495,476 |
|-------------------------------------|-------------------|

a/ Germany has agreed to contribute EUR 15,000,000 in 5 equal annual installments in the amount of EUR 3,000,000 each from 2003 to 2007.

The installments will be paid by December 31 each year, except that the last installment will be paid by December 30, 2007.

b/ Netherlands pledged an amount of EUR 3,300,000 to the LDC Fund. The Trustee and the Netherlands are in the process of finalizing the Netherlands' Administration Agreement.

c/ Valued on the basis of April 7, 2004 exchange rates.

LEAST DEVELOPED COUNTRIES FOR CLIMATE CHANGE

Statement of Funding Status

As of April 15, 2004

| | | <u>Amount in US\$</u> |
|---|-------------------|--|
| 1. Amount received by the LDC Fund | | 16,542,739 |
| <i>Cash contribution received</i> | 16,542,739 | |
| <i>Promisory notes received</i> | - | |
| 2. Investment Income Earned | | 285,201 |
| 3. Funds available for Allocation by the Council (1+2) | | <u>16,827,940</u> |
| 4. Cummulative Allocations made by the Council | | 9,408,960 |
| <i>Allocations made for projects</i> | 8,220,219 | |
| <i>Allocations made for IA fees</i> | 894,741 | |
| <i>Allocations made for administrative budgets</i> | 294,000 <i>a/</i> | |
| 5. Net Funds available for Allocation by the Council (3 - 4) | | <u><u>7,418,980</u></u> <i>b/</i> |

a/ Administrative budgets include allocations for the GEF Secretariat and Trustee for FY03 & FY04.

b/ Net Funds available for allocation by the Council does not include the Pledge outstanding from the Netherlands and the contribution amounts yet to be paid from Germany under the Trust Administration Agreement as shown in Annex I

PROJECTS APPROVED BY CEO AS OF APRIL 15, 2004

| Country | Implementing Agencies | Amount Approved | Date of CEO Approval |
|--------------------------|-----------------------|------------------|----------------------|
| Bangladesh | UNDP | 200,000 | 4/17/2003 |
| Benin | UNDP | 200,000 | 3/5/2004 |
| Bhutan | UNDP | 199,000 | 10/14/2003 |
| Burkina Faso | UNDP | 200,000 | 7/17/2003 |
| Cambodia | UNDP | 199,500 | 12/17/2002 |
| Cape Verde | UNDP | 200,000 | 10/10/2003 |
| Central African Republic | UNEP | 200,000 | 1/23/2004 |
| Chad | UNDP | 200,000 | 4/5/2004 |
| Comoros | UNEP | 200,000 | 6/27/2003 |
| Congo DR | UNDP | 200,000 | 12/11/2003 |
| Djibouti | UNEP | 200,000 | 8/11/2003 |
| Eritrea | UNDP | 200,000 | 12/18/2002 |
| Ethiopia | UNDP | 200,000 | 4/7/2003 |
| Gambia | UNEP | 198,100 | 7/25/2003 |
| Guinea | UNDP | 200,000 | 11/3/2003 |
| Haiti | UNEP | 198,665 | 1/27/2003 |
| Kiribati | UNDP | 200,000 | 10/27/2003 |
| Lao PDR | UNDP | 200,000 | 7/30/2003 |
| Lesotho | UNEP | 190,000 | 2/19/2003 |
| Liberia | UNEP | 200,000 | 12/22/2003 |
| Malawi | UNDP | 200,000 | 3/21/2003 |
| Maldives | UNDP | 200,000 | 10/22/2003 |
| Mali | UNDP | 200,000 | 12/11/2003 |
| Mauritania | UNEP | 198,000 | 1/23/2003 |
| Mozambique | UNDP | 200,000 | 4/23/2003 |
| Niger | UNDP | 200,000 | 3/31/2004 |
| Samoa | UNDP | 200,000 | 12/17/2002 |
| Sao Tome and Principe | World Bank | 200,000 | 3/29/2004 |
| Senegal | UNEP | 195,000 | 10/22/2003 |
| Sudan | UNDP | 200,000 | 4/17/2003 |
| Tanzania | UNEP | 200,000 | 3/21/2003 |
| Togo | UNDP | 200,000 | 3/18/2004 |
| Tuvalu | UNDP | 200,000 | 2/12/2003 |
| Uganda | UNEP | 199,790 | 7/15/2003 |
| Vanuatu | UNDP | 200,000 | 4/7/2003 |
| Yemen | UNDP | 200,000 | 1/16/2003 |
| Zambia | UNDP | 197,500 | 12/5/2003 |
| Global | UNDP | 633,538 | 4/16/2003 |
| Global | UNDP | 211,126 | 9/2/2003 |
| Total | | 8,220,219 | |