

**Special Climate Change
Fund (SCCF)**

**(Funds administered by CAF)
Independent Auditor's Report**

**Statements of cash collections
and disbursements**

For the years ended
December 31, 2024 and 2023



SPECIAL CLIMATE CHANGE FUND (SCCF)

(Funds administered by CAF)

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Independent Auditor's Report

To the Stockholders and Board of Directors of
Corporación Andina de Fomento (CAF)

Opinion

We have audited the statement of cash collections and disbursements administered by Corporación Andina de Fomento (CAF), of **Special Climate Change Fund (SCCF)**, for the year ended December 31, 2024, and the related notes (the "financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash collections and disbursements of funds for the year ended December 31, 2024, in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the **SCCF** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.



Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **SCCF** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **SCCF** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte.

June 24, 2025

Caracas – Venezuela

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SPECIAL CLIMATE CHANGE FUND (SCCF)

(Funds administered by CAF)

Statements of cash collections and disbursements

For years ended December 31, 2024 and 2023

(In U.S. dollars)

	NOTES	2024	2023
Cash collection:			
Interest income		4,832	10,495
Total cash collection	3	4,832	10,495
Disbursements:			
Project Andes Adaptation to the Impacts of Climate Change in Water Resources		-	65,596
Project UAVs/drones for Equitable Climate Change Adaptation		-	126,125
Project agency costs		82,845	66,155
Returned investment income earned on funds		5,705	12,906
Other disbursements		735	759
Total disbursements	3	89,285	271,541
Net decrease in cash		(84,453)	(261,046)
Fund balance at beginning of year		297,893	558,939
Fund balance at end of year		213,440	297,893
Fund balance consists of:			
Contributions in deposits with banks	4	213,440	297,893

See accompanying notes to statements of cash collection and disbursements

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(Funds administered by CAF)

Notes to the statement of cash collections and disbursements
For the years ended December 31, 2024 and 2023
(In U.S. dollars)

1. DESCRIPTION OF THE FINANCIAL PROCEDURES AGREEMENT

On February 23, 2017, Corporación Andina de Fomento (CAF) and International Bank for Reconstruction and Development (the “World Bank”) as a Trustee of the Special Climate Change Fund (SCCF), agreed the standard provisions applicable to the Trust Funds that set forth certain terms and conditions generally applicable to the financial procedures agreement. The financial procedures agreement provides for the conditions for the transfer of funds by the Trustee to CAF and the use of these funds.

The Trustee applies the procedures described in Article IV of the financial procedure agreement for all the commitments of funds granted to CAF, as Project Agency; these procedures include the signing of a Letter of Commitment for each approved transaction. In addition, after the funds have been committed by the Trustee and the Fund project has been approved by CAF, the latter, as project agency, may request transfers of funds for a Fund project. The funds received by the Trustee are presented as cash receipts in the statement of cash collections and disbursements.

The funds transferred to CAF under the financial procedures agreement shall be used for the purpose for which they have been provided; in addition, the disbursements of funds from CAF to the recipients shall be made in accordance with CAF’s policies and procedures, including its applicable disbursement procedures. The funds shall not be used for the purpose of any payment to persons or entities or for the import of goods, if such payment or import, to the CAF’s knowledge or belief, is prohibited by a resolution, action or decision of the United Nations Security Council taken under Chapter VII of the United Nations. The funds used and disbursed by CAF to mainly executing agencies are presented as cash disbursement in the statement of cash collections and disbursements.

Unused funds from the fund projects, for which no further disbursements are due to be made, shall be held by CAF, and reflected in the net cash position reported by CAF to the Trustee. If so requested by the Trustee, CAF shall return to the SCCF, any unused fund from the Fund projects. If the funds were not used for the purpose provided under the instrument and/or the decisions made by the fund council, as applicable, due to the CAF’s actions or due to the action of a third party as a result of the Project Agency’s gross negligence or willful misconduct, CAF shall promptly return to the SCCF the amount of Fund resources, and, as applicable, shall take the necessary actions within its control to address the matter, including in accordance with its policies and procedures, using reasonable efforts to recover from such third party the amount of the Fund resources that have not been used for the purposes provided, and return such resources to the SCCF.

According to the fee policy for Global Environment Facility (GEF) Partner Agencies and the financial procedures agreement, CAF receives agency fees, to cover the project agency’s cost in respect of the services performed by the project agency in connection with the GEF. The fee policy for GEF partner agency establishes fees for 9.5 % of the grant, for GEF project grant up to, and including, US\$ 10 million. For GEF project grant above US\$ 10 million, GEF agencies will receive fees at 9.0 % of the grant. The project agency’s cost are presented as disbursement in the statement of cash collections and disbursements.

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(In U.S. dollars)

In 2001, the parties to the United Nations Framework Convention on Climate Change (UNFCCC) established the Special Climate Change Fund (SCCF) under the decision 7/CP.7 of the Parties' convention, to support climate change activities that are complementary to the GEF's climate change projects, with a special focus on the most vulnerable countries. The objective of the Special Climate Change Fund (SCCF) is to support adaptation and technology transfer projects and programs that: are country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies.

The Project Agency shall exercise the same degree of care and diligence in the discharge of its functions under the Financial Procedures Agreement as it exercises with respect to the administration and management of its own resources. Subject to the terms of the Financial Procedures Agreement and the MOU, the Project Agency shall do any and all such acts as may be necessary or appropriate for the proper administration of the Project Agency TF and shall be accountable to the Fund Council for its Fund-financed activities.

On March 8, 2018, CAF and *Consortio para el Desarrollo Sostenible de la Ecorregión Andina* (CONDESAN) signed an agreement to execute project "Andes Adaptation to the Impacts of Climate Change in Water Resources" (AICCA) to generate and share data, information and experiences relevant for adaptation to climate variability and change, useful for formulation of policies in selected sectors, and to pilot investments in priority areas in the four Andean countries. As of the date of issuance of the statements of cash collections and disbursements, the project is in progress.

On December, 8, 2021, CAF and Massachusetts Institute of Technology (MIT) signed an agreement to execute the project UAVS/Drones for equitable climate change adaptation: participatory risk management through landslide and debris flow monitoring in Mocoa, Colombia to increase the equitable adaptation to climate change by decreasing vulnerability and increasing the resilience in Mocoa through the development of innovative technology of unmanned aerial vehicles (UAV or drones) to monitor landslides and flow of debris, and forecast risks based on community. As of the date of issuance of the statements of cash collections and disbursements, the project is in progress.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Under the cash basis of accounting, contributions and disbursements are recorded in the accounts when cash is collected, and cash is disbursed to mainly executing agencies such as *Consortio para el Desarrollo Sostenible de la Ecorregión Andina* (CONDESAN) and the Massachusetts Institute of Technology (MIT); and to contracted service agencies. The accompanying statement has been prepared in U.S. dollars.

3. COMMITMENTS, COLLECTIONS AND DISBURSEMENTS

During the years ended December 31, 2024 and 2023, the Trustee did not approve commitments for projects execution purposes. Additionally, during the years ended December 31, 2024 and 2023, CAF did not receive additional contributions. However, during the year ended December 31, 2024, CAF made disbursements amounting to US\$ 82,845 for project agency costs. Additionally, during the year ended December 31, 2023, CAF made disbursements for projects of the fund and project agency costs amounting to US\$ 191,721 and US\$ 66,155, respectively.

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Information on approved commitments, collections and disbursements for project execution purposes is detailed below:

- During the year ended December 31, 2024, CAF made disbursements for US\$ 64,990 corresponding to project agency costs. Likewise, during the year ended December 31, 2023, CAF made disbursements to CONDESAN amounting to US\$ 65,596, for project execution purposes, and US\$ 61,662 for project agency costs.
- During the year ended December 31, 2024, CAF made disbursements amounting to US\$ 17,855 for project agency costs. Likewise, during the year ended December 31, 2023, CAF made disbursements to MIT amounting to US\$ 126,125 for project execution purposes, and US\$ 4,493 for project agency costs.

As of December 31, 2024, the status of the projects is as follow:

<u>Project</u>	<u>Transfer of funds by the trustee (1)</u>	<u>Disbursements (2)</u>
Project Andes Adaptation to the Impacts of Climate Change in Water Resources	8,938,648	8,774,560
Project UAVs/drones for Equitable Climate Change Adaptation	549,905	502,530
	<u>9,488,553</u>	<u>9,277,090</u>

- (1) The transfer of funds by the trustee are comprising to contributions to executing the project and contributions for agencies cost.
- (2) The disbursements of funds by CAF comprise payments to execute the project and project agency costs payment. Note that while CAF made these disbursements, they may still be under execution by the executing agencies.

Additionally, during the years ended December 2024 and 2023, CAF received other transfers for US\$ 4,832 and US\$ 10,495, respectively, corresponding to bank interests monthly earned on the balance maintained in the fund's bank account. For the years ended December 2024 and 2023, interest on funds returned to the trustee amounting to US\$ 5,705 and US\$ 12,906, respectively; and it made other disbursements for US\$ 735 and US\$ 759, respectively, for finance costs corresponding to the bank account.

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4. CONTRIBUTIONS IN DEPOSITS WITH BANKS

As of December 31, contributions in deposits with banks are as follows:

Bank accounts	2024	2023
Corporación Andina de Fomento	114,345	197,190
Bank of America	99,095	100,703
	<u>213,440</u>	<u>297,893</u>



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