



Least Developed Countries Fund (LDCF)

Financial Report

Prepared by the Trustee

As of September 30, 2019



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Introduction

The information contained in this report is prepared based on financial information of the Least Developed Countries Fund as of September 30, 2019.

The LDCF 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).

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 LDCF Trust Fund since its inception to September 30, 2019 and some of the recent developments from October 1, 2019 to November 15, 2019; (ii) the status of pledges and contributions, and (iii) the details of financial activities of the LDCF Trust Fund.



LDCF Trust Fund Financial Summary as of September 30, 2019

Pledges and Contributions:

As of September 30, 2019, 25 donors pledged and signed Contribution Agreements amounting to USDeq. 1,565.09 million. The Trustee has received USDeq. 1,367.34 million in cash to date from these donors.

Investment Income:

As of September 30, 2019, the LDCF Trust Fund earned investment income of approximately USD 71.34 million on the undisbursed balance of the Trust Fund and USD 1.19 million as investment income from external agencies. The LDCF Trust Fund liquid portfolio has returned 2.66%¹ through the calendar year to September 30, 2019. Of this, USD 11.22 million was earned during the period April 1, 2019 to September 30, 2019.

Funding Approvals and Trustee Commitments:

As of September 30, 2019, cumulative funding decisions by the Council and the CEO amounted to USD 1,401.13 million. Of the cumulative amount approved, USD 1,264.26 million was for projects and project preparation activities, USD 121.7 million was for fees, and USD 15.17 million was for administrative expenses and corporate activities of the LDCF.

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 1,117.14 million, of which USD 997.08 million relates to projects and project preparation activities, USD 104.9 million to fees, and USD 15.17 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 1,117.14 million, upon request from Agencies, the Trustee transferred USD 825.07 million. The balance USD 292.08 million remains payable as of September 30, 2019.

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

Funds Held in Trust reflect financial activities related to donor payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revaluation of the balance of promissory notes, if any, at month-end. Funds Held in Trust as of September 30, 2019 amounted to USD 614.8 million.

Funds available to support Council or CEO decision amounted to USD 38.74 million as of September 30, 2019. This represents a decrease of USD 73.32 million compared to funds available as of March 31, 2019. New funding approvals by the Council and CEO and fund transfers from April 1, 2019 to September 30, 2019 exceeded receipt of new funds from donors and increase in investment income during the same period.

Updates for the period October 1 to November 15, 2019: Contribution payments from Switzerland in the amount of CHF 2.5 million (USDeq. 2.51 million, representing full payment), from Sweden in the amount of SEK 130 million (USDeq. 13.55 million, representing partial payment) and from the Netherlands in the amount of USD 8 million (representing partial payment) were received between October 1, 2019 and November 15, 2019. The following new pledges made during the UN Climate Week in New York were formalized with contribution agreements in November 2019: EUR 50 million from Germany and EUR 20 million from the Netherlands.

¹ Represents non-annualized rate of return.



1. LDCF Trust Fund Summary – Inception through September 30, 2019

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	1,444.80	92.3%
Pledges	120.28	7.7%
Total Pledges and Contributions	<u>1,565.09</u>	<u>100.0%</u>

<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	1,367.34	83.5%
Investment Income earned	71.34	4.4%
Investment Income Received from external grants	1.19	0.1%
Total Resources Received	<u>1,439.87</u>	<u>87.9%</u>
<u>Resources not yet received</u>		
Contributions not yet paid	77.46	4.7%
Pledges	120.28	7.3%
Total resources not yet received	197.75	12.1%
Total Potential Resources (A)	<u>1,637.61</u>	<u>100.0%</u>

<u>Cumulative Funding Decisions</u>		
Projects	1,264.26	90.2%
Fees	121.70	8.7%
Administrative Budgets	15.17	1.1%
Total Funding Decisions Net of Cancellations (B)	<u>1,401.13</u>	<u>100.0%</u>
Total Potential Resources Net of Funding Decisions (A) - (B)	<u>236.48</u>	

<u>Funds Available</u>		
Funds Held in Trust	614.80	
Approved Amounts Pending Cash Transfers	576.06	
Funding Decisions Pending Council Approval	-	
Total Funds Available to Support Council / CEO Decisions	<u>38.74</u>	

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			Pledges Outstanding		Contribution Agreements Finalized					
	2	3 = 5 + 7	4 = 6 + 9 + 11	5	6	7 = 8 + 10		Paid (Receipts)		Unpaid	
						8	9	10	11		
Contributing Participant	Currency	Amount	USDeq. a/	Amount	USDeq. b/	Total Contributions	Amount Paid in	USDeq. c/	Amount Due in Currency	USDeq. b/	
Australia	AUD	46.50	42.97	-	-	46.50	46.50	42.97	-	-	
Austria	EUR	1.90	2.67	-	-	1.90	1.90	2.67	-	-	
Belgium	d/ EUR	96.49	118.25	-	-	96.49	96.49	118.25	-	-	
Canada	e/ CAD	73.50	60.39	7.50 g/	5.66	66.00	66.00	54.73	-	-	
Czech Republic	EUR	0.02	0.03	-	-	0.02	0.02	0.03	-	-	
Denmark	DKK	736.40	115.29	210.00 h/	30.72	526.40	376.40	62.63	150.00	21.94	
Finland	EUR	33.60	43.15	-	-	33.60	33.60	43.15	-	-	
France	EUR	55.85	63.95	-	-	55.85	55.85	63.95	-	-	
Germany	EUR	315.00	387.01	50.00 h/	54.61	265.00	265.00	332.40	-	-	
Hungary	EUR	1.00	1.34	-	-	1.00	1.00	1.34	-	-	
Iceland	USD	1.08	1.08	-	-	1.08	1.08	1.08	-	-	
Ireland	f/ EUR	11.73	14.10	-	-	11.73	11.73	14.10	-	-	
	USD	8.00	8.00	-	-	8.00	8.00	8.00	-	-	
Italy	USD	3.00	3.00	-	-	3.00	3.00	3.00	-	-	
Japan	USD	1.08	1.08	-	-	1.08	1.08	1.08	-	-	
Luxembourg	f/ EUR	1.00	1.58	-	-	1.00	1.00	1.58	-	-	
	USD	4.12	4.12	-	-	4.12	4.12	4.12	-	-	
Netherlands	f/ EUR	75.20	95.02	20.00 h/	21.84	55.20	55.20	73.17	-	-	
	USD	11.20	11.20	-	-	11.20	11.20	11.20	-	-	
New Zealand	NZD	8.10	5.81	-	-	8.10	8.10	5.81	-	-	
Norway	f/ NOK	180.00	30.16	-	-	180.00	180.00	30.16	-	-	
	USD	2.00	2.00	-	-	2.00	2.00	2.00	-	-	
Portugal	EUR	0.05	0.06	-	-	0.05	0.05	0.06	-	-	
Romania	EUR	0.15	0.21	-	-	0.15	0.15	0.21	-	-	
Spain	EUR	1.35	1.77	-	-	1.35	1.35	1.77	-	-	
Sweden	SEK	1,487.00	179.98	-	-	1,487.00	967.00	126.98	520.00 h/	53.01	
Switzerland	f/ CHF	18.55	18.36	-	-	18.55	16.05	15.84	2.50 i/	2.51	
	USD	7.45	7.45	7.45 i/	7.45	-	-	-	-	-	
United Kingdom	GBP	122.00	186.84	-	-	122.00	122.00	186.84	-	-	
United States	USD	158.20	158.20	-	-	158.20	158.20	158.20	-	-	
			<u>1,565.09</u>		<u>120.28</u>			<u>1,367.34</u>		<u>77.46</u>	

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) September 30, 2019 value of pledges outstanding, contribution amounts pending FX, and unpaid amounts.

b/ Valued at the exchange rates available on September 30, 2019.

c/ Represents the (1) actual US dollar value of paid-in cash contributions and (2) September 30, 2019 value of contribution amount pending FX.

d/ Includes contribution of EUR 9.05 million received from the Walloon Government of Belgium.

e/ Includes CAD 6 million received from the Government of Quebec.

f/ Contributions made in more than one currency.

g/ Pledge made at the G-7 Summit in August 2019.

h/ Pledges made in September 2019 during UN Climate Week in New York.

i/ Represents 75% of Switzerland's pledge of USD 9,937,500 made during the 25th Council meeting in December 2018 which is subject to parliamentary approval. 25% of the pledge was formalized with contribution agreement in August 2019, which is reflected in unpaid contributions in CHF currency.

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

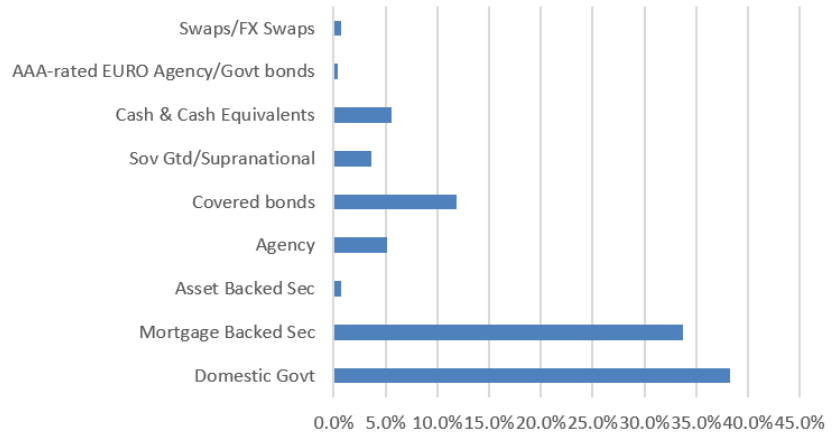
- The above table shows the total pledges and contributions to the LDCF. As of September 30, 2019, the Trustee had entered into Contribution Agreements/Contribution Arrangements with 25 donors for a total of USD eq. 1,444.8 million and received USD 1,367.34 million in cash to date.



3. Asset Mix and Investment Income

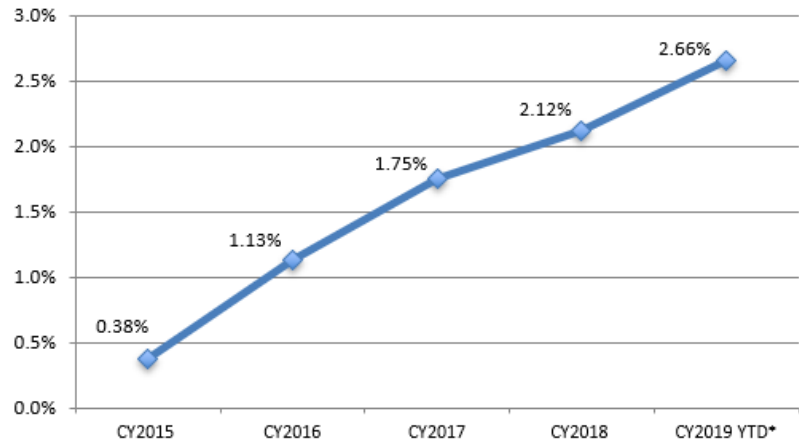
ASSET MIX

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 LDCF funds are invested as of September 30, 2019.



INVESTMENT RETURNS

LDCF Trust Fund assets are invested across three of the World Bank Trust Fund’s investment model portfolios, (“Tranche 0” for short term working capital needs, “Tranche 1” with an investment horizon of one year, and “Tranche 2” with an investment horizon of three years). The risk constraint of Model Portfolio 1 is expressed as the 1-year 99% Conditional VaR being no worse than -25bps. The risk constraint of Model Portfolio 2 is expressed as the 3-year 99% Conditional VaR being no worse than -100bps.



* non-annualized

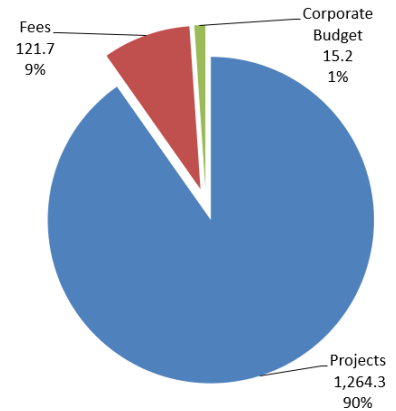
The LDCF Trust Fund liquid portfolio (which totaled approximately USD 614.8 million at end-September 2019) earned approximately USD 71.34 million in investment income since inception.



4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

FUNDING DECISIONS BY ACTIVITY

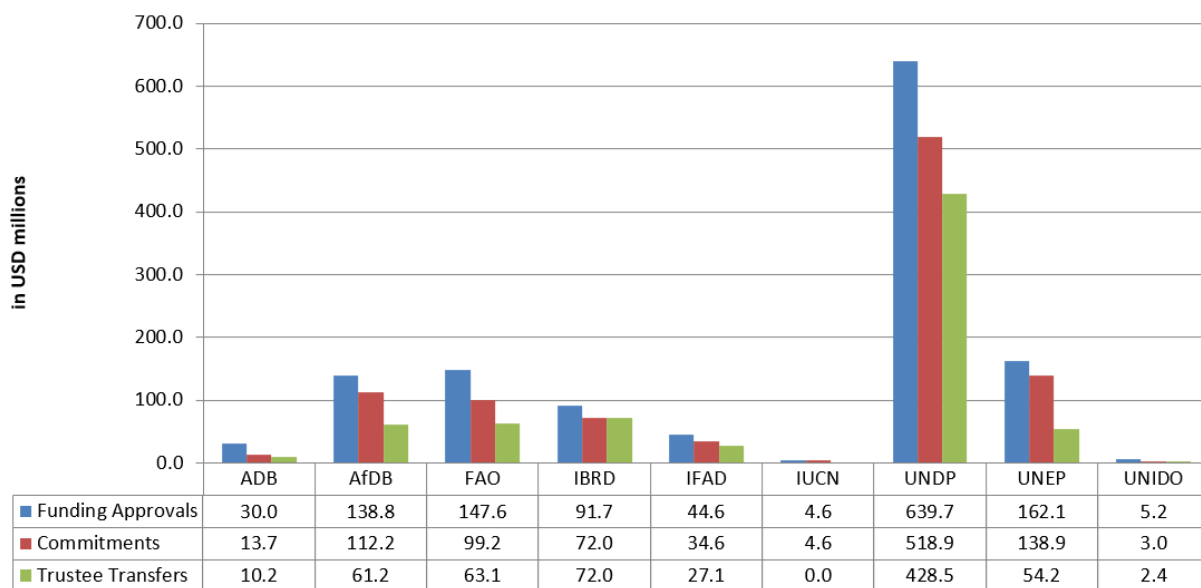
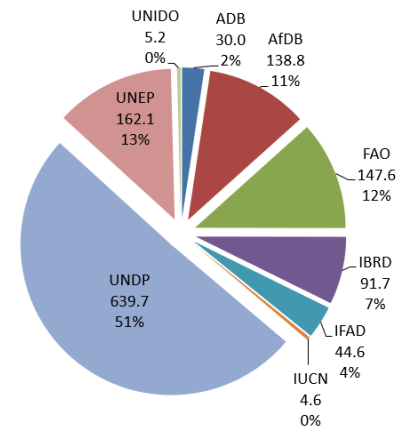
Since inception to September 30, 2019 funding approvals made by the LDCF/SCCF Council totaled USD 1,401.13 million. Projects represent about 90%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Independent Evaluation Office 1%.



PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows project funding decisions by Agency. Of the total USD 1,264.26 million of approved projects to date, 51% has been allocated to UNDP, 13% to UNEP and 12% to FAO.

The bar chart below shows the projects funding decisions, commitments and transfers by Agency. Details of funding approvals, commitments and cash transfers can be found in Annex 1.





5. Funds Available

In USD millions

	As of September 30, 2019 (a)	As of March 31, 2019 (b)	Change (c) = (a) - (b)
1. Funds held in Trust	614.80	660.75	(45.95)
a. Cash and investments	614.80	660.75	(45.95)
b. Unencashed promissory notes	-	-	-
2. Approved Amounts Pending Cash Transfers to Agencies	576.06	548.69	27.37
a. Trustee committed	292.08	319.50	(27.43)
b. Approved by Council/CEO pending Endorsement	283.71	228.92	54.80
c. Umbrella set-aside	0.27	0.27	-
3. Funding Decisions Pending for the Council Approval	-	-	-
4. Funds Available to Support Council or CEO Decisions (4 = 1 - 2 - 3)	<u>38.74</u>	<u>112.06</u>	<u>(73.32)</u>

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

Highlights for the period April 1, 2019 through September 30, 2019:

- **Funds Held in Trust** represent cumulative receipts and investment income less cumulative cash transfers, and amount to USD 614.8 million as of September 30, 2019. Funds Held in Trust decreased by USD 45.95 million primarily due to:
 - Cash transfers to Agencies amounting to USD 76.65 million,
 - Offset by contributions received from France (EUR 12.5 million), Ireland (EUR 2 million), and the Walloon Region of Belgium (EUR 2.9 million) during the period April 1, 2019 to September 30, 2019 valued at USDeq. 19.5 million,
 - Investment income earned from funds held in trust and received from agencies during the period April 1, 2019 to September 30, 2019 amounting to USD 11.22 million.
- **Funding Decisions Pending Cash Transfer to agencies** arising from the LDCF/SCCF Council approvals amounted to USD 576.06 million, representing an increase of USD 27.37 million compared to March 31, 2019.
- **Funding Availability** amounts to USD 38.74 million representing a decrease of USD 73.32 million over the prior reporting period as a result of new funding decisions made by the LDCF/SCCF Council and the CEO from April 1, 2019 to September 30, 2019 exceeding donor payments and investment income received during the same period.



Annex I - Cumulative Funding Decisions Details by Activity and Agency as of September 30, 2019

In USD millions

Entity	Cumulative Net Amounts			
	Funding Approvals (1)	Commitments (2)	Cash Transfers (3)	Amount Due (4) = (2) - (3)
Projects				
ADB	29.96	13.65	10.15	3.50
AfDB	138.82	112.22	61.20	51.02
FAO	147.61	99.24	63.11	36.13
IBRD	91.72	71.98	71.98	0.00
IFAD	44.56	34.56	27.05	7.51
IUCN	4.59	4.59	0.00	0.00
UNDP	639.72	518.93	428.52	90.41
UNEP	162.11	138.93	54.23	84.70
UNIDO	5.17	2.97	2.40	0.56
<i>Sub-total</i>	<u>1,264.26</u>	<u>997.08</u>	<u>718.65</u>	<u>278.43</u>
Fees				
ADB	2.56	1.38	0.86	0.52
AfDB	12.89	11.06	3.45	7.61
FAO	14.13	10.62	10.62	0.00
IBRD	8.67	7.40	6.84	0.57
IFAD	4.61	4.04	3.09	0.94
IUCN	0.41	0.41	0.00	0.00
UNDP	62.32	55.32	54.45	0.87
UNEP	15.64	14.32	12.18	2.14
UNIDO	0.48	0.35	0.28	0.07
<i>Sub-total</i>	<u>121.70</u>	<u>104.90</u>	<u>91.76</u>	<u>13.14</u>
Corporate Budget and Workshop ^{a/}				
Secretariat ^{b/}	9.98	9.98	9.98	0.00
Evaluation	0.38	0.38	0.38	0.00
STAP	0.89	0.89	0.38	0.51
Trustee	3.92	3.92	3.92	0.00
<i>Sub-total</i>	<u>15.17</u>	<u>15.17</u>	<u>14.66</u>	<u>0.51</u>
Total for LDCF	1,401.13	1,117.14	825.07	292.08

a/ Includes amounts allocated to cover administrative expenses to manage the LDCF and Corporate Activities, including audit.

b/ USD 700,000 loan from the LDCF Trust Fund to the Adaptation Fund Secretariat Trust Fund has been reimbursed and is included in Secretariat amounts.

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