

31st LDCF/SCCF Council Meeting
December 10, 2021
Virtual Meeting

STATUS REPORT FOR THE LEAST DEVELOPED COUNTRIES FUND

(Financial Report prepared by the Trustee)



Least Developed Countries Fund (LDCF)

Financial Report

Prepared by the Trustee

As of September 30, 2021



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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, 2021.

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, 2021; (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, 2021

Pledges and Contributions:

As of September 30, 2021, 25 donors pledged and signed Contribution Agreements amounting to USDeq. 1,787.45 million. The Trustee has received USDeq. 1,601.14 million in cash to date from these donors.

Investment Income:

As of September 30, 2021, the LDCF Trust Fund earned investment income of approximately USD 90.57 million on the undisbursed balance of the Trust Fund and USD 1.76 million as investment income from implementing agencies.

Funding Approvals and Trustee Commitments:

As of September 30, 2021, cumulative funding decisions by the Council and the CEO amounted to USD 1,656.57 million. Of the cumulative amount approved, USD 1,493.96 million was for projects and project preparation activities, USD 143.96 million was for fees, and USD 18.64 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 1,294.96 million, of which USD 1,160.81 million relates to projects and project preparation activities, USD 115.5 million to fees, and USD 18.64 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 1,294.96 million, upon request from Agencies, the Trustee transferred USD 943.85 million. The balance USD 351.1 million remains payable as of September 30, 2021.

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, 2021 amounted to USD 749.62 million.

Funds available to support Council or CEO decision amounted to USD 36.91 million as of September 30, 2021. This represents a decrease of USD 40.72 million compared to funds available as of March 31, 2021. New funding approvals by the Council and CEO and fund transfers from April 1, 2021 to September 30, 2021 exceeded the receipt of new funds from donors during the same period.



1. LDCF Trust Fund Summary – Inception through September 30, 2021

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	1,666.77	93.2%
Pledges	120.68	6.8%
Total Pledges and Contributions	<u>1,787.45</u>	<u>100.0%</u>
<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	1,601.14	85.2%
Investment Income earned	90.57	4.8%
Investment Income Received from implementing agencies	1.76	0.1%
Total Resources Received	<u>1,693.47</u>	<u>90.1%</u>
<u>Resources not yet received</u>		
Contributions not yet paid	65.63	3.5%
Pledges	120.68	6.4%
Total resources not yet received	186.31	9.9%
Total Potential Resources (A)	<u>1,879.78</u>	<u>100.0%</u>
<u>Cumulative Funding Decisions</u>		
Projects	1,493.96	90.2%
Fees	143.96	8.7%
Administrative Budgets	18.64	1.1%
Total Funding Decisions Net of Cancellations (B)	<u>1,656.57</u>	<u>100.0%</u>
Total Potential Resources Net of Funding Decisions (A) - (B)	<u>223.21</u>	
<u>Funds Available</u>		
Funds Held in Trust	749.62	
Approved Amounts Pending Cash Transfers	712.71	
Funding Decisions Pending Council Approval	-	
Total Funds Available to Support Council / CEO Decisions	<u>36.91</u>	

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

2. Pledges and Contributions - Inception through September 30, 2021

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	Paid (Receipts)			Unpaid	
						7 = 8 + 10	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	146.89	176.66	-	-	146.89	124.19	150.39	22.70	26.27
Canada	e/ CAD	73.50	60.70	-	-	73.50	73.50	60.70	-	-
Czech Republic	EUR	0.02	0.03	-	-	0.02	0.02	0.03	-	-
Denmark	DKK	736.40	115.65	-	-	736.40	736.40	115.65	-	-
Finland	EUR	40.60	51.49	-	-	40.60	40.60	51.49	-	-
France	EUR	55.85	63.95	-	-	55.85	55.85	63.95	-	-
Germany	EUR	415.00	506.18	100.00	g/ 115.71	315.00	315.00	390.47	-	-
Hungary	EUR	1.00	1.34	-	-	1.00	1.00	1.34	-	-
Iceland	USD	1.18	1.18	-	-	1.18	1.18	1.18	-	-
Ireland	f/ EUR	16.73	19.86	-	-	16.73	14.73	17.55	2.00	2.31
	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	55.20	73.17	-	-	55.20	55.20	73.17	-	-
	USD	57.20	57.20	-	-	57.20	49.70	49.70	-	7.50
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	184.82	-	-	1,487.00	1,227.00	155.27	260.00	29.55
Switzerland	f/ CHF	21.75	21.76	-	-	21.75	21.75	21.76	-	-
	USD	4.97	4.97	4.97	h/ 4.97	-	-	-	-	-
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>1,787.45</u>		<u>120.68</u>			<u>1,601.14</u>		<u>65.63</u>

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) September 30, 2021 value of pledges outstanding, contribution amounts pending FX, and unpaid amounts.

b/ Valued at the exchange rates available on September 30, 2021.

c/ Represents the (1) actual US dollar value of paid-in cash contributions and (2) September 30, 2021 value of contribution amount pending FX.

d/ Includes contribution of EUR 14.45 million from the Walloon Government of Belgium, of which EUR 11.75 million is paid.

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

f/ Contributions made in more than one currency.

g/ Pledge made in January 2021 at the Climate Adaptation Summit 2021 which is pending finalization of the contribution agreement.

h/ Represents the balance of Switzerland's pledge of USD 9,937,500 made during the 25th Council meeting in December 2018 which is pending finalization of the contribution agreement.

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



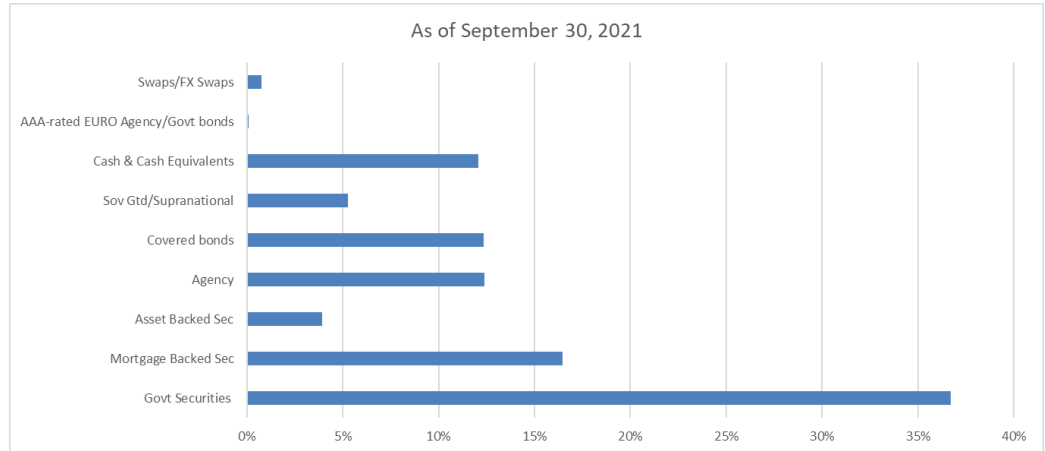
3. Investment Management - Asset Mix and Investment Income

ASSET MIX

LDC Trust Fund assets are invested across three of the World Bank Trust Fund’s investment model portfolios, (“Model Portfolio 0” for short-term working capital needs, “Model Portfolio 1” with an investment horizon of one year, and “Model Portfolio 2” with a broader investment universe

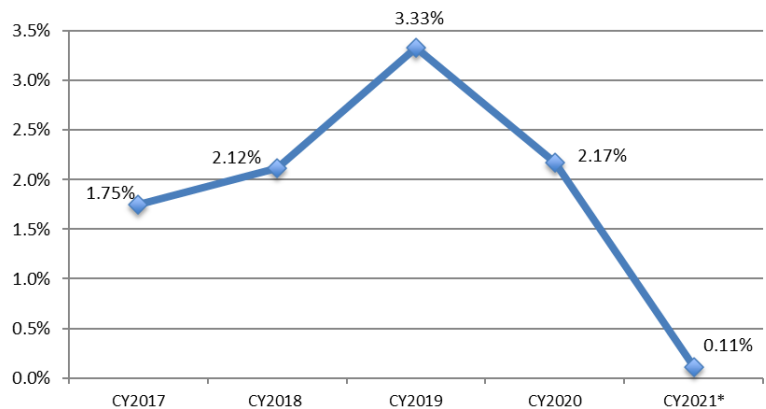
and an investment horizon of three years). The investment objectives for the LDC Trust Fund are to optimize investment returns subject to preserving capital and maintaining adequate liquidity to meet foreseeable cash flow needs, within a conservative risk management framework¹. While future returns will depend on market conditions, the Trust Fund Investment Pool is actively monitored and adjusted to preserve donor funds over the investment horizons. Over shorter periods, however, market volatility may result in negative actual or ‘mark-to-market’² returns. Overall, the LDC Trust Fund cumulative returns have been driven by its investment in longer-term model portfolios, which may be exposed to higher volatility in returns over shorter periods but are expected to have higher returns over longer periods.

By asset class, the largest allocations as of September 30, 2021 are to government securities.



INVESTMENT RETURNS

The LDCF Trust Fund liquid portfolio (which totaled approximately USD 749.62 million at end-September 2021) earned USD 90.57 million in investment income since inception. The portfolio returns over the first nine months of CY21 were 0.11%. The portfolio’s lower returns can be attributed to an environment of rising yields during the period.



¹ Risk tolerance is defined as the expected maximum loss, as measured by the Conditional Value-at-Risk (CVaR), at the portfolio’s investment horizon, not to exceed 1% at portfolio’s investment horizon, with 99% confidence.

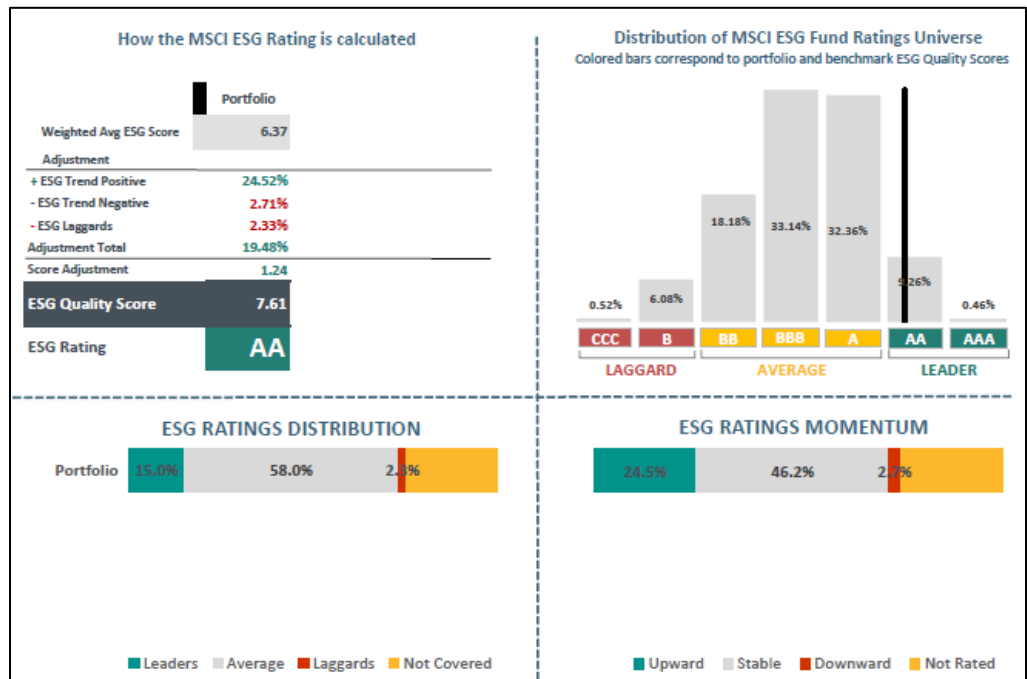
² Mark-to-market gains or losses represent unrealized gains or losses resulting from changes in the value of securities in the portfolio which have not yet been sold.



ESG RATING OF THE LDCF TRUST FUND

Starting from July 2019, the Trustee has applied ESG Integration as the default Sustainable and Responsible Investment (SRI) approach for all portfolios managed by the World Bank, including for the LDCF Trust Fund assets. The implementation of ESG Integration falls within the purview of existing authorizations by the World Bank Board, and thus would not involve any changes in the current investment objectives or risk limits for the LDCF Trust Fund portfolio.

Considering and incorporating ESG factors into investment processes should, all things being equal, lead to portfolios that have stronger ESG profiles compared to portfolios that do not explicitly consider these ESG issues. ESG Integration has become part of the existing investment processes and is intended to help fulfil the existing investment objectives without changes to the current investment objectives or risk limits of the portfolios for which it is used. Therefore, applying ESG Integration as part of the



investment process would not involve any changes in the current investment objectives or risk limits for the LDCF Trust Fund portfolio. The LDCF investment portfolio is primarily comprised of high-grade fixed-income securities (sovereign, supranational and agency securities, and bank deposits), and as of September 30, 2021, the portfolio has an ESG Quality Score³ of 7.61 and an ESG Rating⁴ of AA. Based on its ESG positioning in the MSCI ESG Fund Ratings Universe (upper right of below chart), which is deemed to be the more consistent reference indicator, LDCF's investment portfolio falls within the top decile of the ratings universe. This reflects high capability of LDCF portfolio's holdings in terms of managing key medium to long term risks and opportunities arising from Environmental, Social and Governance factors.

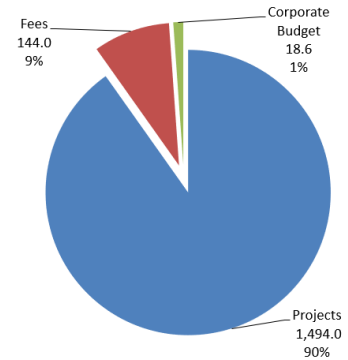
^{3/4} ESG Quality Score is based on MSCI ESG Ratings and measured on a scale of 0 to 10 (worst to best) following a rule-based methodology. ESG Ratings Momentum represents the percentage of a portfolio's market value coming from holdings that have had an ESG Ratings upgrade, and those with a downgrade, since their previous ESG Rating assessment. The ESG Quality Score is calculated as a weighted average of ESG scores of individual holdings adjusted by ESG Ratings Momentum and ESG laggards (if any). The weight applied to the individual ESG scores is determined by the portfolio weight of individual holdings as of the reporting date. Based on the above, the ESG Quality Score, which is subject to potential skewing effect from any factor in the calculation, could slightly vary between different reporting dates along with changes in individual holdings and their portfolio weights as well as changes in ESG Ratings Momentum. Please see details on MSCI ESG Ratings Methodology from: <https://www.msci.com/documents/1296102/4769829/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Dec+2020.pdf/15e36bed-bba2-1038-6fa0-2cf52a0c04d6?t=1608110671584>.



4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

FUNDING DECISIONS BY ACTIVITY

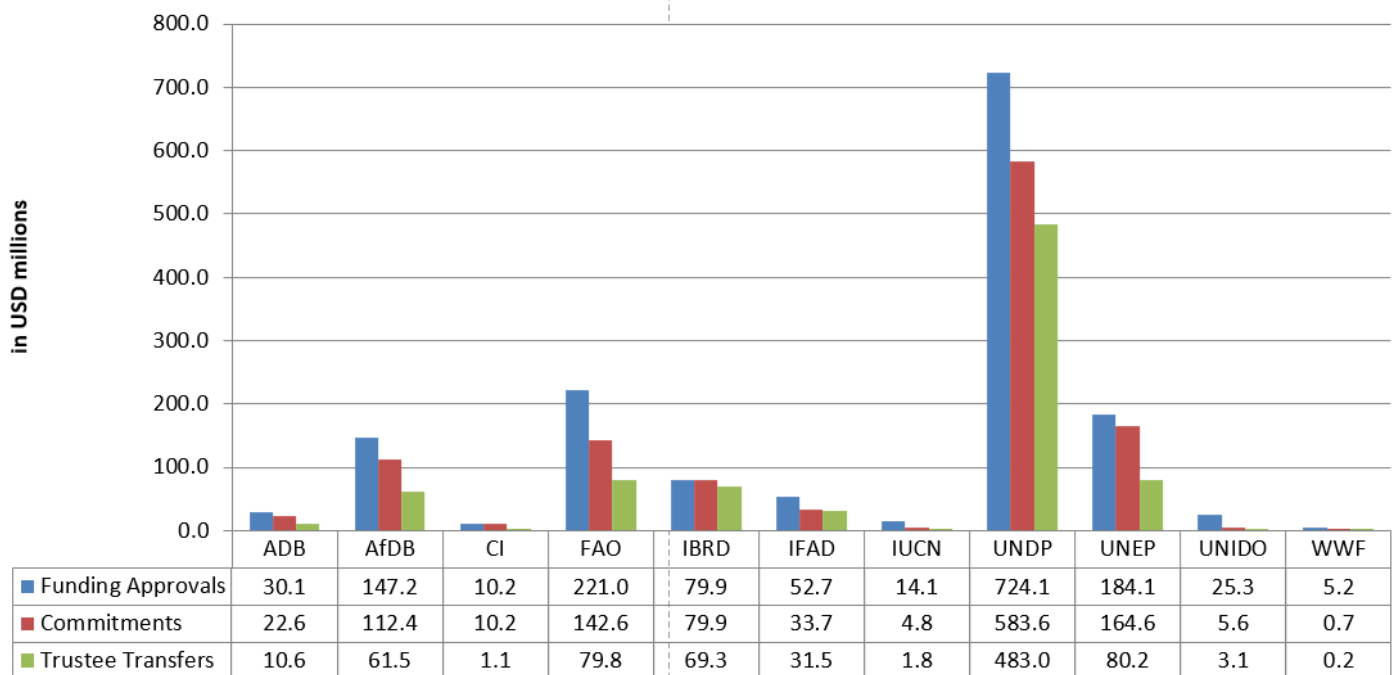
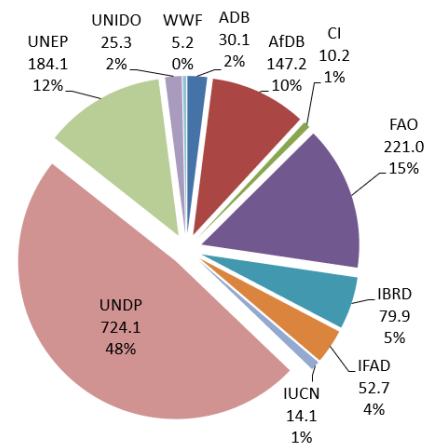
Since inception to September 30, 2021 funding approvals made by the LDCF/SCCF Council totaled USD 1,656.57 million. Projects represent about 90%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Independent Evaluation Office 1%.



PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows project funding decisions by Agency. Of the total USD 1,493.96 million of approved projects to date, 48% has been allocated to UNDP, 15% to FAO and 12% to UNEP.

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, 2021 (a)	As of March 31, 2021 (b)	Change (c) = (a) - (b)
1. Funds held in Trust	749.62	743.90	5.72
a. Cash and investments	749.62	743.90	5.72
b. Unencashed promissory notes	-	-	-
2. Approved Amounts Pending Cash Transfers to Agencies	712.71	666.27	46.44
a. Trustee committed	351.10	300.70	50.40
b. Approved by Council/CEO pending Endorsement	361.45	365.40	(3.96)
c. Umbrella set-aside	0.16	0.16	-
3. Funding Decisions Pending Council Approval	-	-	-
4. Funds Available to Support Council or CEO Decisions (4 = 1 - 2 - 3)	<u>36.91</u>	<u>77.63</u>	<u>(40.72)</u>

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

Highlights for the period April 1, 2021 through September 30, 2021:

- **Funds Held in Trust** represent cumulative receipts and investment income less cumulative cash transfers, and amount to USD 749.62 million as of September 30, 2021. Funds Held in Trust increased by USD 5.72 million primarily due to:
 - Contributions received from donors during the period April 1, 2021 to September 30, 2021 valued at USDeq. 21.13 million, and
 - Net increase in investment income from funds held in trust and the investment income received from Agencies amounting to USD 1.85 million,
 - Offset by cash transfers to Agencies amounting to USD 17.26 million.
- **Funding Decisions Pending Cash Transfer to agencies** arising from the LDCF/SCCF Council approvals amounted to USD 712.71 million, representing a net increase of USD 46.44 million compared to March 31, 2021.
- **Funding Availability** amounts to USD 36.91 million representing a net decrease of USD 40.72 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, 2021 to September 30, 2021 exceeding donor payments received and investment income earned during the same period.



Annex I - Cumulative Funding Decisions Details by Activity and Agency

In USD millions

Entity	Cumulative Net Amounts			
	Funding Approvals	Commitments	Cash Transfers	Amount Due
	(1)	(2)	(3)	(4) = (2) - (3)
<u>Projects</u>				
ADB	30.10	22.63	10.55	12.08
AfDB	147.22	112.45	61.45	51.00
CI	10.23	10.23	1.08	0.00
FAO	221.01	142.57	79.78	62.79
IBRD	79.88	79.88	69.31	10.57
IFAD	52.66	33.67	31.49	2.18
IUCN	14.11	4.81	1.75	0.00
UNDP	724.14	583.60	483.02	100.57
UNEP	184.13	164.61	80.23	84.38
UNIDO	25.30	5.63	3.10	2.53
WWF	5.18	0.75	0.18	0.57
<i>Sub-total</i>	1,493.96	1,160.81	821.94	338.88
<u>Fees</u>				
ADB	2.59	1.38	0.86	0.52
AfDB	13.69	11.24	3.45	7.79
CI	0.92	0.17	0.00	0.00
FAO	21.02	12.37	11.82	0.55
IBRD	7.84	7.84	7.24	0.60
IFAD	5.62	4.21	3.09	1.12
IUCN	1.27	0.58	0.20	0.00
UNDP	70.43	60.66	60.43	0.24
UNEP	17.73	16.06	16.06	0.00
UNIDO	2.39	0.89	0.29	0.60
WWF	0.47	0.10	0.10	0.00
<i>Sub-total</i>	143.96	115.50	103.53	11.97
<u>Corporate Budget and Workshop</u> ^{a/}				
Secretariat ^{b/}	12.27	12.27	12.27	0.00
Evaluation	0.45	0.45	0.45	0.00
STAP	1.15	1.15	0.89	0.26
Trustee	4.77	4.77	4.77	0.00
<i>Sub-total</i>	18.64	18.64	18.39	0.26
Total for LDCF	1,656.57	1,294.96	943.85	351.10

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.