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WORLD BANK GROUP
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June 29, 2023

Brasilia, Brazil

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 March 31, 2023



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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 March 31, 2023.

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 March 31, 2023; (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 March 31, 2023

Pledges and Contributions:

As of March 31, 2023, 28 donors pledged and signed Contribution Agreements amounting to USDeq. 2,065.41 million. The Trustee has received USDeq. 1,875.44 million in cash to date from these donors.

Investment Income:

As of March 31, 2023, the LDCF Trust Fund earned investment income of approximately USD 97.14 million on the undisbursed balance of the Trust Fund and USD 1.95 million as investment income from implementing agencies.

Funding Approvals and Trustee Commitments:

As of March 31, 2023, cumulative funding decisions by the Council and the CEO amounted to USD 1,762.66 million. Of the cumulative amount approved, USD 1,587.18 million was for projects and project preparation activities, USD 153.71 million was for fees, and USD 21.76 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 1,540.64 million, of which USD 1,398.60 million relates to projects and project preparation activities, USD 120.27 million to fees, and USD 21.76 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 1,540.64 million, upon request from Agencies, the Trustee transferred USD 1,100.33 million. The balance USD 440.30 million remains payable as of March 31, 2023.

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 March 31, 2023 amounted to USD 874.20 million.

Funds available to support Council or CEO decision amounted to USD 211.87 million as of March 31, 2023. This represents an increase of USD 119.38 million compared to funds available as of September 30, 2022. Receipt of new funds from donors from October 1, 2022 to March 31, 2023 exceeded new funding approvals by the Council and CEO and fund transfers during the same period.



1. LDCF Trust Fund Summary – Inception through March 31, 2023

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	1,927.04	93.3%
Pledges	138.36	6.7%
Total Pledges and Contributions	2,065.41	100.0%

<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	1,875.44	86.6%
Investment Income earned	97.14	4.5%
Investment Income Received from implementing agencies	1.95	0.1%
Total Resources Received	1,974.53	91.2%
<u>Resources not yet received</u>		
Contributions not yet paid	51.61	2.4%
Pledges	138.36	6.4%
Total resources not yet received	189.97	8.8%
Total Potential Resources (A)	2,164.50	100.0%

<u>Cumulative Funding Decisions</u>		
Projects	1,587.18	90.0%
Fees	153.71	8.7%
Administrative Budgets	21.76	1.2%
Total Funding Decisions Net of Cancellations (B)	1,762.66	100.0%
Total Potential Resources Net of Funding Decisions (A) - (B)	401.84	

<u>Funds Available</u>		
Funds Held in Trust	874.20	
Approved Amounts Pending Cash Transfers	662.33	
Funding Decisions Pending Council Approval	-	
Total Funds Available to Support Council / CEO Decisions	211.87	

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



2. Pledges and Contributions - Inception through March 31, 2023

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	186.59	217.50	27.00	h/ 29.35	159.59	154.59	182.72	5.00	5.43
Canada	e/ CAD	111.00	90.14	-	-	111.00	111.00	90.14	-	-
Czech Republic	EUR	0.02	0.03	-	-	0.02	0.02	0.03	-	-
Denmark	DKK	1,136.40	174.57	270.00	h/ 39.40	866.40	866.40	135.17	-	-
Estonia	EUR	1.00	1.14	-	-	1.00	1.00	1.14	-	-
Finland	EUR	44.60	55.75	-	-	44.60	44.60	55.75	-	-
France	EUR	75.85	85.41	-	h/ -	75.85	65.85	74.54	10.00	10.87
Germany	EUR	424.00	508.80	-	-	424.00	409.00	492.49	15.00	16.30
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	19.23	22.45	-	-	19.23	19.23	22.45	-	-
	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	80.20	100.35	25.00	h/ 27.17	55.20	55.20	73.17	-	-
	USD	100.20	100.20	-	-	100.20	81.20	81.20	-	19.00
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	-	-
Qatar	USD	0.50	0.50	-	-	0.50	0.50	0.50	-	-
Romania	EUR	0.15	0.21	-	-	0.15	0.15	0.21	-	-
Slovenia	EUR	0.12	0.13	-	-	0.12	0.12	0.13	-	-
Spain	EUR	1.35	1.77	-	-	1.35	1.35	1.77	-	-
Sweden	SEK	1,537.00	186.80	-	-	1,537.00	1,537.00	186.80	-	-
Switzerland	CHF	43.73	45.65	16.00	g/ 17.44	27.73	27.73	28.21	-	-
United Kingdom	GBP	122.00	186.84	-	-	122.00	122.00	186.84	-	-
United States	USD	183.20	183.20	25.00	h/ 25.00	158.20	158.20	158.20	-	-
			<u>2,065.41</u>		<u>138.36</u>			<u>1,875.44</u>		<u>51.61</u>

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) March 31, 2023 value of pledges outstanding, contribution amounts pending FX, and unpaid amounts.

b/ Valued at the exchange rates available on March 31, 2023.

c/ Represents the (1) actual US dollar value of paid-in cash contributions and (2) March 31, 2023 value of contribution amount pending FX.

d/ Includes paid in contribution of EUR 17.15 million and outstanding pledge of EUR 2 million 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/ Represents Switzerland's pledge during COP27.

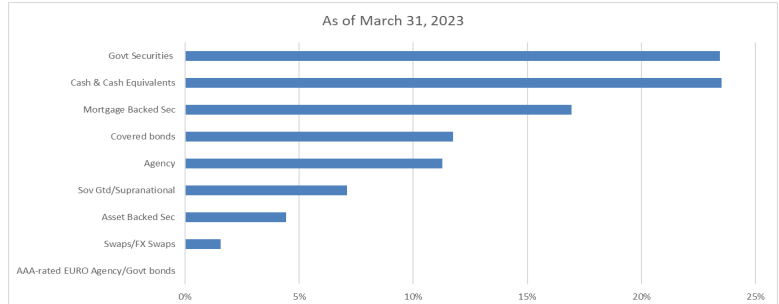
Note: The totals in the table may not add up due to rounding.



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

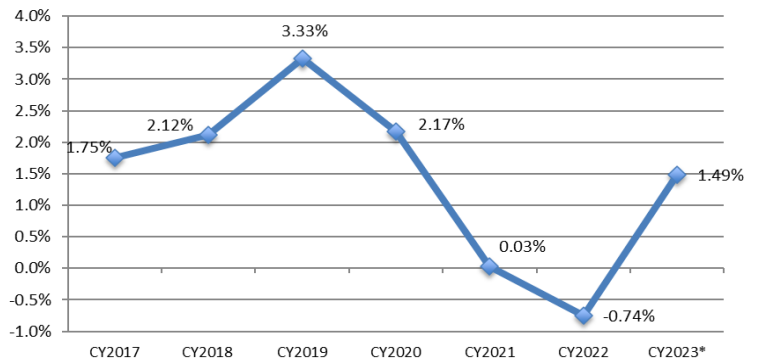


optimize investment returns subject to preserving capital and maintaining adequate liquidity to meet foreseeable cash flow needs, within a conservative risk management framework¹. While future returns will depend on market conditions, the Trust Fund Investment Pool is actively monitored and adjusted 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 March 31, 2023 are to cash and cash equivalents.

INVESTMENT RETURNS

The LDCF Trust Fund liquid portfolio (which totaled approximately USD 874.20 million at end-March 2023) earned USD 97.14 million in investment income since inception. The portfolio returns over the first three months of CY23 were 1.49%. Investment performance of the portfolio was positive during the first three months of calendar year 2023 though the markets witnessed the most turbulent and volatile period since the start of the pandemic. Stress in the Banking sector led to flight to quality sentiment in the market which was positive for the fixed income portfolios. The portfolio positioning remains duration neutral and the current valuations look positive for long-term portfolios.



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.

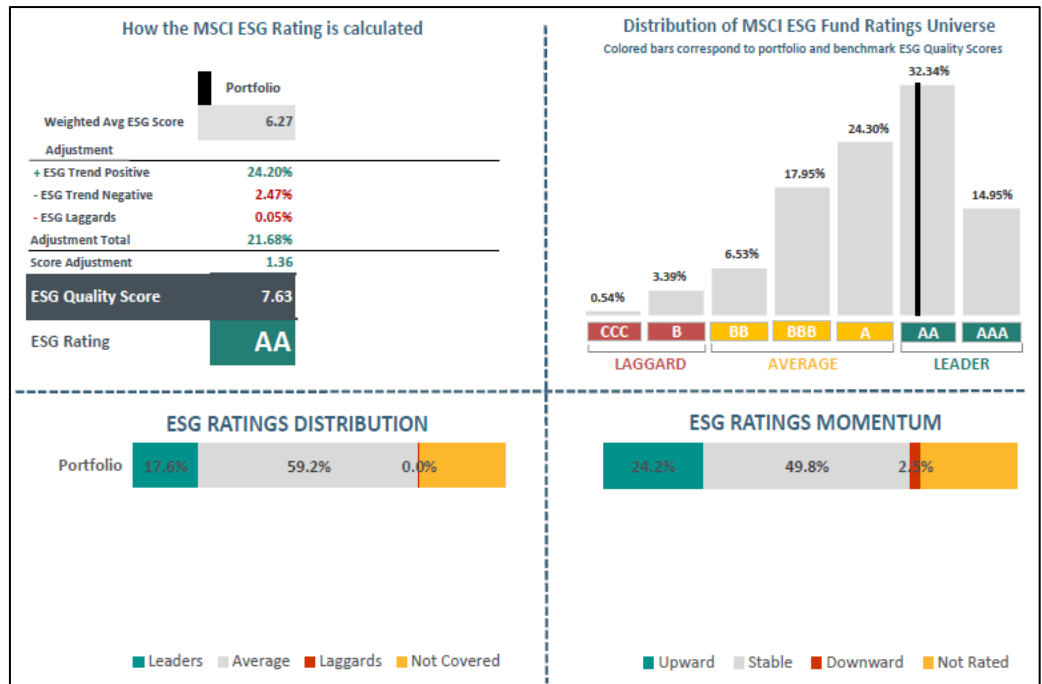
² Mark-to-market gains or losses represent unrealized gains or losses resulting from changes in the value of securities in the portfolio which have not yet been sold.



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 March 31, 2023, the portfolio has an ESG Quality Score³ of 7.63 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 leader group 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.

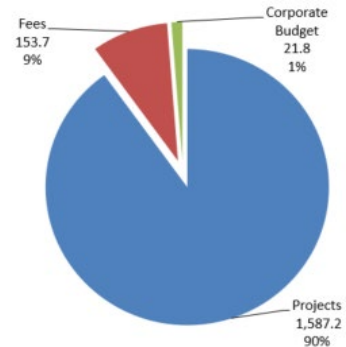
^{3/4} ESG Quality Score is based on MSCI ESG Ratings and measured on a scale of 0 to 10 (worst to best) following a rule-based methodology. ESG Ratings Momentum represents the percentage of a portfolio's market value coming from holdings that have had an ESG Ratings upgrade, and those with a downgrade, 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/1296102/15388113/MSCI+ESG+Fund+Ratings+Exec+Summary+Methodology.pdf>.



4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

FUNDING DECISIONS BY ACTIVITY

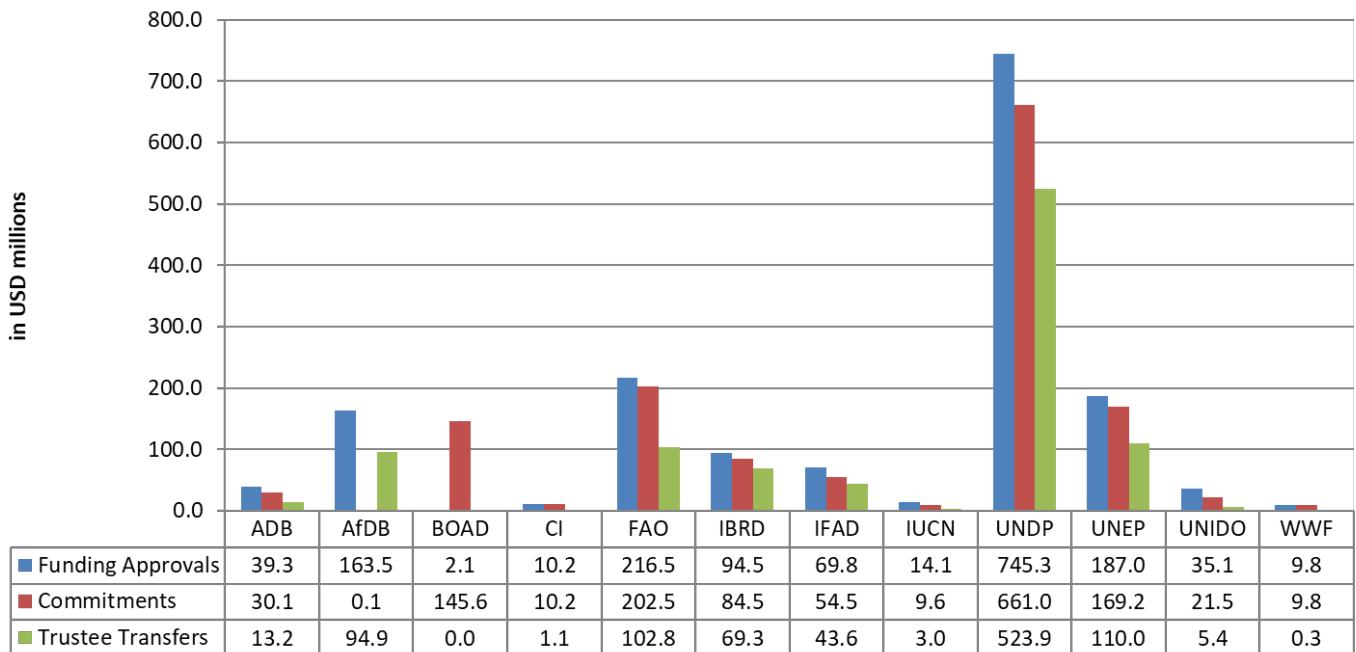
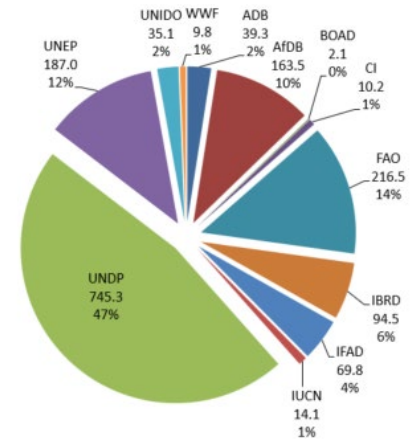
Since inception to March 31, 2023 funding approvals made by the LDCF/SCCF Council totaled USD 1,762.66 million. Projects represent about 90%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Independent Evaluation Office 1%.



PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows project funding decisions by Agency. Of the total USD 1,587.18 million of approved projects to date, 47% has been allocated to UNDP, 14% 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 March 31, 2023 (a)	As of September 30, 2022 (b)	Change (c) = (a) - (b)
1. Funds held in Trust	874.20	825.07	49.13
a. Cash and investments	874.20	825.07	49.13
b. Unencashed promissory notes	-	-	-
2. Approved Amounts Pending Cash Transfers to Agencies	662.33	732.58	(70.25)
a. Trustee committed	440.30	429.43	10.87
b. Approved by Council/CEO pending Endorsement	221.86	302.98	(81.12)
c. Umbrella set-aside	0.17	0.17	(0.00)
3. Funding Decisions Pending Council Approval	-	-	-
4. Funds Available to Support Council or CEO Decisions (4 = 1 - 2 - 3)	211.87	92.49	119.38

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

Highlights for the period October 1, 2022 through March 31, 2023:

- **Funds Held in Trust** represent cumulative receipts and investment income less cumulative cash transfers, and amount to USD 874.20 million as of March 31, 2023. Funds Held in Trust increased by USD 49.13 million primarily due to:
 - Contributions received from donors during the period October 1, 2022 to March 31, 2023 valued at USDeq. 107.19 million, and
 - Net increase in investment income from funds held in trust and the investment income received from Agencies during the period October 1, 2022 to March 31, 2023 amounting to USD 23.65 million,
 - Offset by cash transfers to Agencies amounting to USD 81.77 million.
- **Funding Decisions Pending Cash Transfer to agencies** arising from the LDCF/SCCF Council approvals amounted to USD 662.33 million, representing a net decrease of USD 70.25 million compared to September 30, 2022.
- **Funding Availability** amounts to USD 211.87 million representing a net increase of USD 119.38 million over the prior reporting period as a result of donor payments and investment income received from October 1, 2022 to March 31, 2023 exceeding new funding decisions made by the LDCF/SCCF Council and the CEO during the same period.



Annex I - Cumulative Funding Decisions Details by Activity and Agency

In USD millions

Entity	Cumulative Net Amounts			
	Approved Allocations	Commitments	Transfers	Amount Due
	(1)	(2)	(3)	(4) = (2) - (3)
Projects				
ADB	39,276,007	30,135,177	13,182,400	16,952,777
AfDB	163,518,465	50,000	94,878,870	(94,828,870)
BOAD	2,050,000	145,645,277	0	145,645,277
CI	10,229,335	10,229,335	1,080,000	9,149,335
FAO	216,529,588	202,500,365	102,753,181	99,747,184
IBRD	94,511,610	84,511,610	69,312,092	15,199,518
IFAD	69,818,002	54,475,454	43,553,065	10,922,389
IUCN	14,114,679	9,617,325	3,000,000	6,617,325
UNDP	745,252,765	660,989,299	523,886,485	137,102,815
UNEP	186,966,521	169,177,249	110,000,000	59,177,249
UNIDO	35,147,198	21,502,892	5,378,019	16,124,873
WWF	9,770,643	9,770,643	313,305	9,457,338
<i>Sub-total</i>	1,587,184,813	1,398,604,626	967,337,417	431,267,209
Fees				
ADB	3,413,357	1,556,125	1,229,153	326,972
AfDB	15,412,978	12,109,824	5,352,020	6,757,804
BOAD	163,750	3,750	0	3,750
CI	920,642	167,838	167,838	0
FAO	20,782,293	13,509,762	13,383,900	125,862
IBRD	9,182,628	8,115,596	7,237,564	878,032
IFAD	7,265,289	5,083,092	4,981,442	101,650
IUCN	1,270,319	579,945	400,000	179,945
UNDP	72,583,991	61,949,778	61,854,757	95,021
UNEP	18,517,410	15,969,744	15,969,744	0
UNIDO	3,320,450	995,001	509,196	485,805
WWF	879,358	229,608	147,023	82,585
<i>Sub-total</i>	153,712,465	120,270,063	111,232,637	9,037,426
Corporate Budget ^{a/}				
Secretariat	14,776,347	14,776,347	14,776,347	0
Evaluation	476,098	476,098	476,098	0
STAP	1,273,405	1,273,405	1,273,405	0
Trustee	5,234,732	5,234,732	5,234,732	0
<i>Sub-total</i>	21,760,581	21,760,581	21,760,581	0
Total for LDCF	1,762,657,859	1,540,635,270	1,100,330,635	440,304,635

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

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