

25th LDCF/SCCF Council Meeting
December 20, 2018
Washington DC

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, 2018



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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, 2018.

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, 2018 and some of the recent developments from April 1, 2018 to September 30, 2018; (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, 2018

Pledges and Contributions:

As of September 30, 2018, 25 donors pledged and signed Contribution Agreements amounting to USDeq. 1,331.3 million. The Trustee has received USDeq. 1,275.17 million in cash to date from these donors.

Investment Income:

As of September 30, 2018, the LDCF Trust Fund earned investment income of approximately USD 48.32 million on the undisbursed balance of the Trust Fund and USD 0.63 million as investment income from external agencies. The LDCF Trust Fund liquid portfolio has returned 1.13%¹ through the calendar year to September 30, 2018.

Funding Approvals and Trustee Commitments:

As of September 30, 2018, cumulative funding decisions by the Council and the CEO amounted to USD 1,254.31 million. Of the cumulative amount approved, USD 1,131.77 million was for projects and project preparation activities, USD 109.01 million was for fees, and USD 13.53 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 1,023.66 million, of which USD 913.47 million relates to projects and project preparation activities, USD 96.66 million to fees, and USD 13.53 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 1,023.66 million, upon request from Agencies, the Trustee transferred USD 712.96 million. The balance USD 310.7 million remains payable as of September 30, 2018.

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, 2018 amounted to USD 611.15 million.

Funds available to support Council or CEO decision amounted to USD 69.81 million as of September 30, 2018. This represents a decrease of USD 26.35 million compared to funds available as of March 31, 2018. New funding approvals by the Council and CEO and fund transfers from April 1, 2018 to September 30, 2018 exceeded the receipt of new funds from donors and increase in investment income during the same period.

Updates for the period October 1 to October 31, 2018: Sweden's contribution of SEK 135 million (USDeq. 14.7 million) was received in October 2018.

¹ Represents non-annualized rate of return.



1. LDCF Trust Fund Summary – Inception through September 30, 2018

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	1,312.16	98.6%
Pledges	19.14	1.4%
Total Pledges and Contributions	1,331.30	100.0%

<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	1,275.17	92.4%
Investment Income earned	48.32	3.5%
Investment Income Received from external grants	0.63	0.0%
Total Resources Received	1,324.12	95.9%
<u>Resources not yet received</u>		
Contributions not yet paid	36.99	2.7%
Pledges	19.14	1.4%
Total resources not yet received	56.13	4.1%
Total Potential Resources (A)	1,380.25	100.0%

<u>Cumulative Funding Decisions</u>		
Projects	1,131.77	90.2%
Fees	109.01	8.7%
Administrative Budgets	13.53	1.1%
Total Funding Decisions Net of Cancellations (B)	1,254.31	100.0%
Total Potential Resources Net of Funding Decisions (A) - (B)	125.94	

<u>Funds Available</u>		
Funds Held in Trust	611.15	
Approved Amounts Pending Cash Transfers	541.34	
Funding Decisions Pending Council Approval	-	
Total Funds Available to Support Council / CEO Decisions	69.81	

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	Paid (Receipts)		Unpaid		
						7 = 8+10	8	9	10	11
Contributing Participant	Currency	Amount	US\$eq. a/	Amount	US\$eq. b/	Total Contributions	Amount Paid in	US\$eq. c/	Amount Due in Currency	US\$eq. 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	93.59	115.00	-	-	93.59	93.59	115.00	-	-
Canada	e/ CAD	66.00	54.73	-	-	66.00	66.00	54.73	-	-
Czech Republic	EUR	0.02	0.03	-	-	0.02	0.02	0.03	-	-
Denmark	DKK	376.40	62.85	-	-	376.40	324.62	54.80	51.78	8.04
Finland	EUR	31.60	40.86	-	-	31.60	31.60	40.86	-	-
France	EUR	35.85	41.35	-	-	35.85	35.85	41.35	-	-
Germany	EUR	265.00	332.83	-	-	265.00	240.00	303.88	25.00	28.95
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	14.17	2.00	g/ 2.32	9.73	9.73	11.86	-	-
	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	2.10	2.10	-	-	2.10	2.10	2.10	-	-
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	967.00	127.44	135.00	h/ 15.18	832.00	832.00	112.26	-	-
Switzerland	CHF	16.05	15.86	1.61	g/ 1.64	14.44	14.44	14.22	-	-
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>1,331.30</u>		<u>19.14</u>			<u>1,275.17</u>		<u>36.99</u>

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) September 30, 2018 value of pledges outstanding, contribution amounts pending FX, and unpaid amounts.

b/ Valued at the exchange rates available on September 30, 2018.

c/ Represents the (1) actual US dollar value of paid-in cash contributions and (2) September 30, 2018 value of contribution amount pending FX.

d/ Includes contribution of EUR 6.15 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/ Balance of pledges from COP21 in 2015.

h/ Consists of SEK 85 million, the balance of SEK185 million pledged during COP 23 and also announced during the November 2017 Council Meeting, and SEK 50 million pledged during the 24th LDCF/SCCF Meeting in June 2018. The contribution agreement for the full amount has been finalized on October 17, 2018 and payment was received within the same month.

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

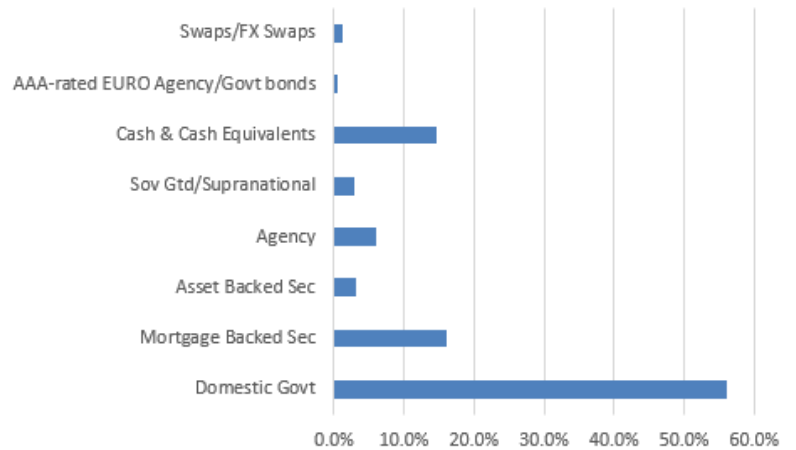
- The above table shows the total pledges and contributions to the LDCF. As of September 30, 2018, the Trustee had entered into Contribution Agreements/Contribution Arrangements with 25 donors for a total of USD eq. 1,331.3 million and received USD 1,275.17 million in cash to date.



3. Asset Mix and Investment Income

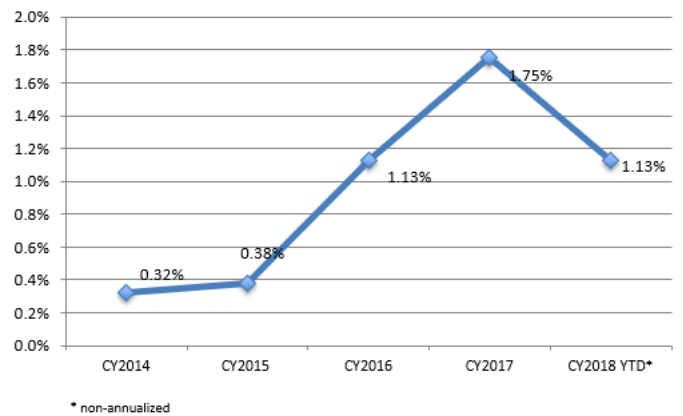
ASSET MIX

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, 2018.



INVESTMENT RETURNS

The LDCF funds are invested in accordance with the investment strategy established for all the trust funds administered by the World Bank. On July 1, 2015, the World Bank formally adopted the Conditional Value-at-Risk (CVaR) measure as the risk constraint in the management of trust funds. Funds are managed such that the expected maximum loss, as measured by the CVaR, at the portfolio’s investment horizon, is not to exceed 1% with 99% confidence. The LDCF Trust Fund liquid portfolio (which totaled approximately USD 611.15 million at end-September 2018) earned approximately USD 48.32 million in investment income since inception. In addition, the investment income received from the external agencies is USD 0.63 million.

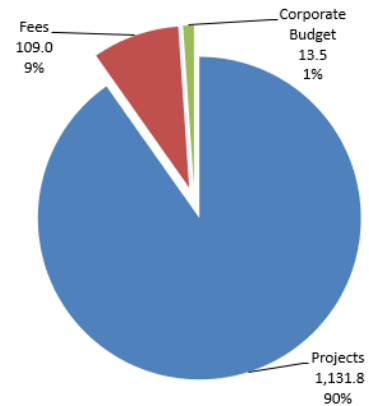




4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

FUNDING DECISIONS BY ACTIVITY

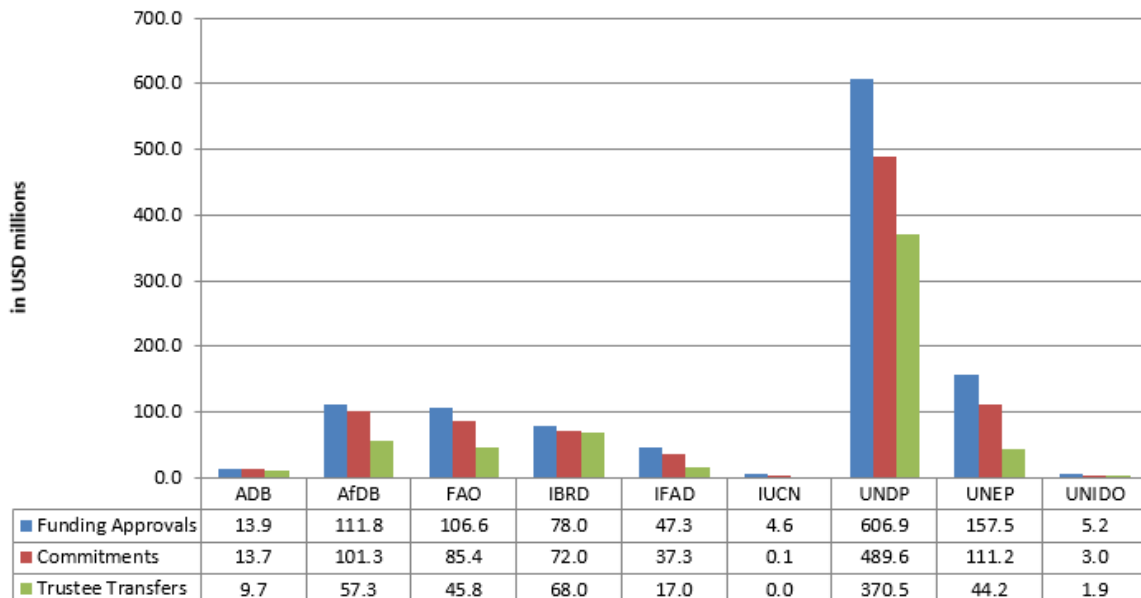
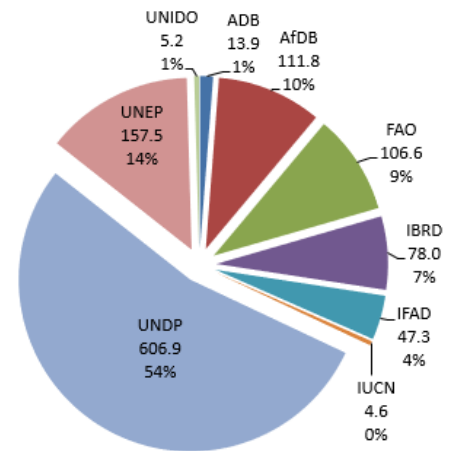
Since inception to September 30, 2018 funding approvals made by the LDCF/SCCF Council totaled USD 1,254.31 million. Projects represent about 90%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Independent Evaluation Office 1%.



PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows project funding decisions by Agency. Of the total USD 1,131.77 million of approved projects to date, 54% has been allocated to UNDP, 14% to UNEP and 10% to AfDB.

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, 2018 (a)	As of March 31, 2018 (b)	Change (c) = (a) - (b)
1. Funds held in Trust	611.15	687.27	(76.12)
a. Cash and investments	611.15	687.27	(76.12)
b. Unencashed promissory notes	-	-	-
2. Approved Amounts Pending Cash Transfers to Agencies	541.34	591.12	(49.77)
a. Trustee committed	310.70	389.07	(78.37)
b. Approved by Council/CEO pending Endorsement	230.37	201.77	28.60
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>69.81</u>	<u>96.16</u>	<u>(26.35)</u>

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

Highlights for the period April 1, 2018 through September 30, 2018:

- **Funds Held in Trust** represent cumulative receipts and investment income less cumulative cash transfers, and amount to USD 611.15 million as of September 30, 2018. Funds Held in Trust decreased by USD 76.12 million primarily due to:
 - Cash transfers to recipients amounting to USD 87.04 million,
 - Offset by contributions received from Belgium's Walloon Region (EUR 2.9 million), Iceland (USD 0.1 million), and Ireland (EUR 1 million) during the period April 1, 2018 to September 30, 2018 valued at USDeq. 4.67 million,
 - Investment income received during the period April 1, 2018 to September 30, 2018 amounting to USD 6.26 million.
- **Funding Decisions Pending Cash Transfer to agencies** arising from the LDCF/SCCF Council approvals amounted to USD 541.34 million, representing a decrease of USD 49.77 million compared to April 1, 2018.
- **Funding Availability** amounts to USD 69.81 million representing a decrease of USD 26.35 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, 2018 to September 30, 2018 exceeding donor payments and the investment income received during the same period.



Annex I - Cumulative Funding Decisions Details by Activity and Agency as of September 30, 2018

In USD millions

Entity	Cumulative Net Amounts			
	Funding Approvals	Commitments	Cash Transfers	Amount Due
	(1)	(2)	(3)	(4) = (2) - (3)
Projects				
ADB	13.90	13.65	9.70	3.95
AfDB	111.82	101.26	57.30	43.96
FAO	106.60	85.44	45.84	39.60
IBRD	77.98	71.98	68.03	3.95
IFAD	47.29	37.29	16.97	20.31
IUCN	4.59	0.14	0.00	0.00
UNDP	606.87	489.56	370.52	119.04
UNEP	157.55	111.18	44.23	66.96
UNIDO	5.17	2.97	1.86	1.11
<i>Sub-total</i>	<u>1,131.77</u>	<u>913.47</u>	<u>614.45</u>	<u>299.02</u>
Fees				
ADB	1.11	1.09	0.86	0.24
AfDB	10.36	9.76	2.87	6.89
FAO	10.24	9.03	8.68	0.35
IBRD	7.41	7.06	6.84	0.23
IFAD	4.61	4.04	3.09	0.94
IUCN	0.41	0.17	0.00	0.00
UNDP	59.19	52.59	50.67	1.92
UNEP	15.21	12.56	12.18	0.38
UNIDO	0.48	0.35	0.17	0.18
<i>Sub-total</i>	<u>109.01</u>	<u>96.66</u>	<u>85.36</u>	<u>11.30</u>
Corporate Budget and Workshop ^{a/}				
Secretariat ^{b/}	8.93	8.93	8.93	0.00
Evaluation	0.31	0.31	0.31	0.00
STAP	0.76	0.76	0.38	0.38
Trustee	3.53	3.53	3.53	0.00
<i>Sub-total</i>	<u>13.53</u>	<u>13.53</u>	<u>13.15</u>	<u>0.38</u>
Total for LDCF	1,254.31	1,023.66	712.96	310.70

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.