



Least Developed Countries Fund (LDCF)

Financial Report

Prepared by the Trustee

As of March 31, 2016



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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, 2016.

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, 2016 and some of the recent developments from October 1, 2015 to March 31, 2016; (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, 2016

Pledges and Contributions:

As of March 31, 2016, 25 donors pledged and signed Contribution Agreements amounting to USDeq. 1,193.75 million. The Trustee has received USDeq. 991.57 million in cash to date from these donors.

Investment Income:

As of March 31, 2016 the LDCF Trust Fund earned investment income of approximately USD 26.38 million on the undisbursed balance of the Trust Fund and USD 0.34 million as investment income from external agencies. The LDCF Trust Fund liquid portfolio has returned 0.46%¹ through the calendar year to date.

Funding Approvals and Trustee Commitments:

As of March 31, 2016 cumulative funding decisions by the Council and the CEO amounted to USD 1,008.46 million. Of the cumulative amount approved, USD 910.97 million was for projects and project preparation activities, USD 88.05 million was for fees, and USD 9.45 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 743.79 million, of which USD 660.87 million relates to projects and project preparation activities, USD 73.47 million to fees, and USD 9.45 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 743.79 million, upon request from Agencies, the Trustee transferred USD 413.46 million. The balance USD 330.33 million remains payable as of March 31, 2016.

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, 2016 amounted to USD 604.84 million.

Funds available to support Council or CEO decision amounted to USD 9.84 million as of March 31, 2016. This represents a decrease of USD 22.78 million compared to funds available as of September 30, 2015. New funding approvals by the Council and CEO from October 1, 2015 to March 31, 2016 exceeded the receipt of new funds from donors during the same period.

¹ Represents non-annualized rate of return.



1. LDCF Trust Fund Summary – Inception through March 31, 2016²

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	1,022.02	85.6%
Pledges	171.74	14.4%
Total Pledges and Contributions	<u>1,193.75</u>	<u>100.0%</u>

<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	991.57	81.2%
Investment Income earned	26.38	2.2%
Investment Income Received from external grants	0.34	0.0%
Total Resources Received	<u>1,018.30</u>	<u>83.4%</u>
<u>Resources not yet received</u>		
Contributions not yet paid	30.44	2.5%
Pledges	171.74	14.1%
Total resources not yet received	202.18	16.6%
Total Potential Resources (A)	<u>1,220.48</u>	<u>100.0%</u>

<u>Cumulative Funding Decisions</u>		
Projects	910.97	90.3%
Fees	88.05	8.7%
Administrative Budgets	9.45	0.9%
Total Funding Decisions Net of Cancellations (B)	<u>1,008.46</u>	<u>100.0%</u>
Total Potential Resources Net of Funding Decisions (A) - (B)	<u>212.02</u>	

<u>Funds Available</u>		
Funds Held in Trust	604.84	
Approved Amounts Pending Cash Transfers	595.00	
Funding Decisions Pending Council Approval	-	
Total Funds Available to Support Council / CEO Decisions	<u>9.84</u>	

² Totals may not add up due to rounding.



2. Pledges and Contributions³

In USD millions

1	Total Pledges Outstanding and Contributions Finalized			Pledges Outstanding		Contribution Agreements Finalized				
	2	4 = 6 + 9+		5	6	Paid (Receipts)		Unpaid		
		3 = 5 + 7	11			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	EUR	49.44	64.91	-	-	49.44	49.44	64.91	-	-
Canada e/	CAD	66.00	55.15	36.00	27.79	30.00	30.00	27.36	-	-
Czech Republic	EUR	0.02	0.03	-	-	0.02	0.02	0.03	-	-
Denmark	DKK	376.40	63.15	156.00	23.82	220.40	220.40	39.33	-	-
Finland	EUR	31.60	40.86	-	-	31.60	31.60	40.86	-	-
France	EUR	35.85	43.06	25.00	28.44	10.85	10.85	14.62	-	-
Germany	EUR	215.00	275.99	-	-	215.00	190.00	247.54	25.00	28.44
Hungary	EUR	1.00	1.34	-	-	1.00	1.00	1.34	-	-
Iceland	USD	0.78	0.78	-	-	0.78	0.78	0.78	-	-
Ireland d/	EUR	11.73	14.19	5.00	5.69	6.73	6.73	8.51	-	-
	USD	8.00	8.00	-	-	8.00	8.00	8.00	-	-
Italy	USD	3.00	3.00	-	-	3.00	1.00	1.00	-	2.00
Japan	USD	0.25	0.25	-	-	0.25	0.25	0.25	-	-
Luxembourg d/	EUR	1.00	1.58	-	-	1.00	1.00	1.58	-	-
	USD	4.12	4.12	-	-	4.12	4.12	4.12	-	-
Netherlands d/	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 d/	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	632.00	90.32	100.00	12.32	532.00	532.00	78.00	-	-
Switzerland	CHF	16.05	15.94	5.25	5.46	10.80	10.80	10.49	-	-
United Kingdom	GBP	122.00	191.94	30.00	43.21	92.00	92.00	148.73	-	-
United States	USD	158.20	158.20	25.00	25.00	133.20	133.20	133.20	-	-
			<u>1,193.75</u>		<u>171.74</u>			<u>991.57</u>		<u>30.44</u>

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) March 31, 2016 value of amount pending FX.

b/ Valued at the exchange rates available on March 31, 2016.

c/ Represents the actual US dollar value of paid-in cash contributions.

d/ Contributions made in more than one currency.

e/ Includes pledge of CAD 6 million made by Government of Quebec.

- The above table shows the total pledges and contributions to the LDCF, including pledges made at COP21 in December 2015. As of March 31, 2016, the Trustee had entered into Contribution Agreements/Contribution Arrangements with 25 donors for a total of USD eq. 1,193.75 million and received USD 991.57 million in cash to date from these donors.

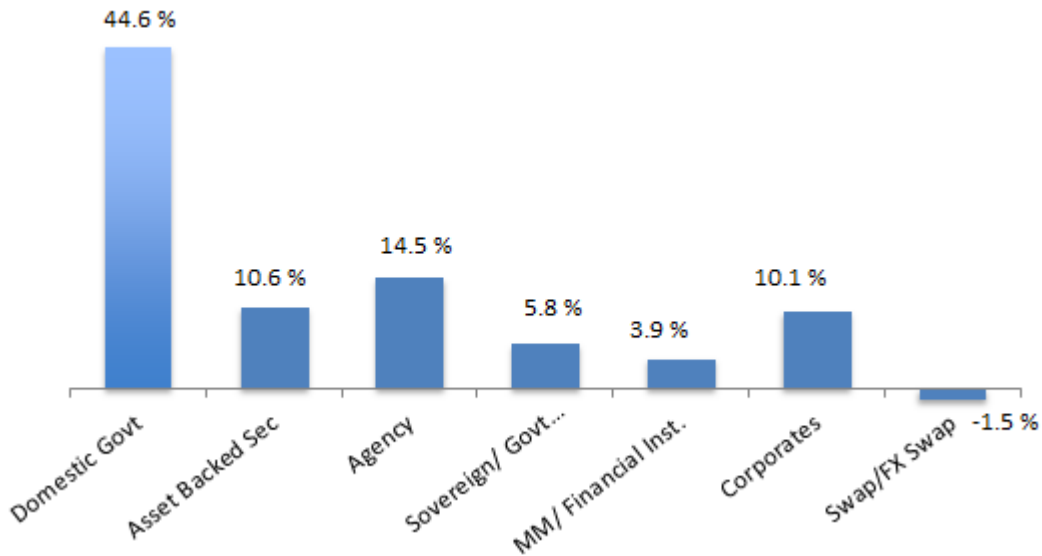
³ Totals may not add up due to rounding.



3. Asset Mix and Investment Income

ASSET MIX

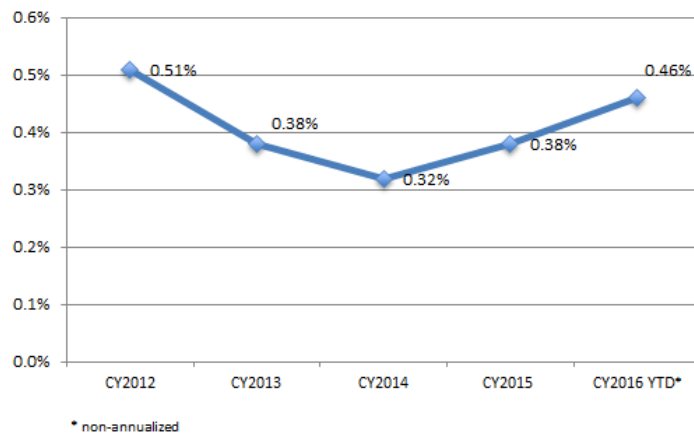
Funds held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The chart reflects the asset mix of the portfolio in which LDCF funds are invested as of March 31, 2016.



Note: The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio. These hedges remain in place.

INVESTMENT RETURNS

The LDCF funds are invested in accordance with the investment strategy established for all of the trust funds administered by the World Bank. On July 1st, 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 604.84 million at end-March 2016) earned approximately USD 26.38 million in investment income since inception.

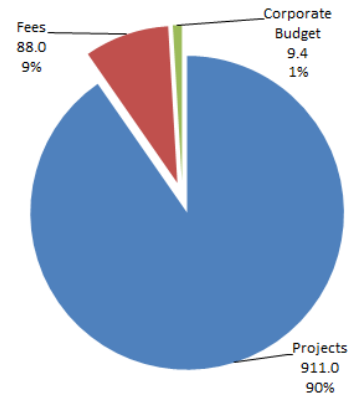




4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

FUNDING DECISIONS BY ACTIVITY

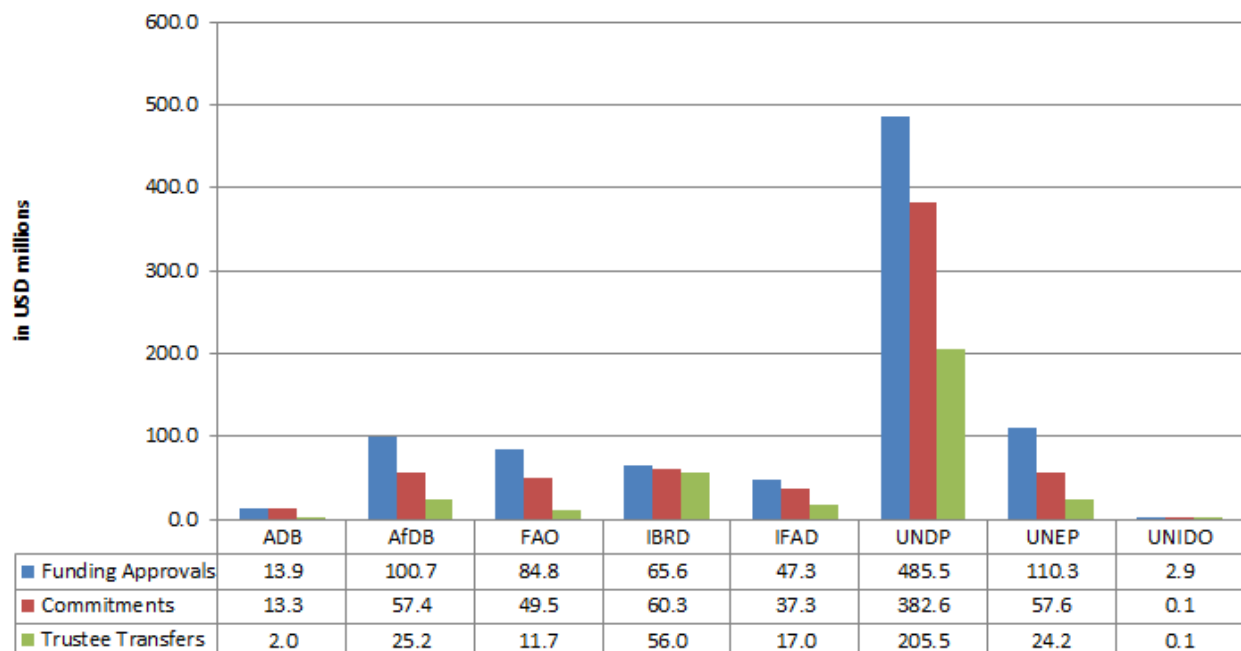
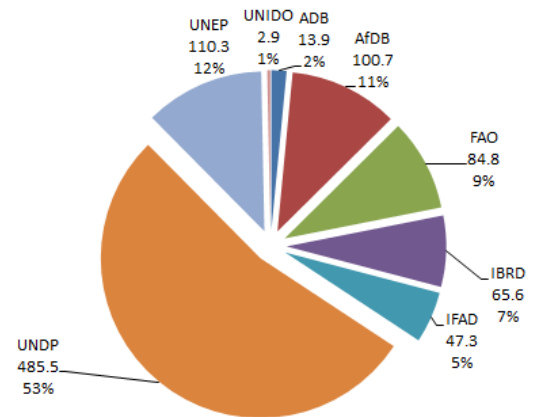
Since inception to March 31, 2016 funding approvals made by the LDCF/SCCF Council totaled USD 1,008.46 million. Projects represent about 90%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Evaluation Office 1%.



PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows project funding decisions by Agency. Of the total USD 910.97 million of approved projects to date, 53% has been allocated to UNDP, 12% to UNEP and 11% 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 Available⁴

In USD millions

	As of March 31, 2016 (a)	As of September 30, 2015 (b)	Change (c) = (a) - (b)
1. Funds held in Trust	604.84	608.35	(3.51)
a. Cash and investments	604.84	608.35	(3.51)
b. Unencashed promissory notes	-	-	-
2. Approved Amounts Pending Cash Transfers to Agencies	595.00	564.29	30.71
a. Trustee committed	330.33	295.90	34.42
b. Approved by Council/CEO pending Endorsement	251.02	239.91	11.11
c. Umbrella set-aside	13.65	28.48	(14.83)
3. Funding Decisions Pending for the Council Approval	-	11.45 /a	(11.45)
4. Funds Available to Support Council or CEO Decisions (4 = 1 - 2 - 3)	<u>9.84</u>	<u>32.61</u>	<u>(22.78)</u>

/a Work Program presented for the Council approval in October 2015.

Highlights for the period October 1, 2015 through March 31, 2016:

- **Funds Held in Trust** represent cumulative receipts and investment income less cumulative cash transfers, and amount to USD 604.84 million as of March 31, 2016. Funds Held in Trust decreased by USD 3.51 million primarily due to:
 - Cash transfers to recipients amounting to USD 36.62 million.
 - Offset by contributions received from Finland (EUR 1.6 million), Germany (EUR 25 million), Iceland (USD 150,000) and Switzerland (CHF 1 million) during the period October 1, 2015 to March 31, 2016 valued at USDeq. 29.71 million.
 - Offset by investment income received during the period October 1, 2015 to March 31, 2016 amounting to USD 3.39 million.
- **Funding Decisions Pending Cash Transfer to agencies** arising from the LDCF/SCCF Council approvals amounted to USD 595 million, representing an increase of USD 30.71 million since September 30, 2015.
- **Funding Availability** amounts to USD 9.84 million representing a decrease of USD 22.78 million over the prior reporting period as a result of new funding decisions made by the LDCF/SCCF Council and the CEO from October 1, 2015 to March 31, 2016 exceeding donor payments received during the same period.

⁴ Totals may not add up due to rounding.



Annex I - Cumulative Funding Decisions Details by Activity and Agency⁵ as of March 31, 2016

In USD millions

Entity	Cumulative Net Amounts			
	Funding Approvals	Commitments	Cash Transfers	Amount Due
	(1)	(2)	(3)	(4) = (2) - (3)
<u>Projects</u>				
ADB	13.90	13.25	2.00	11.25
AfDB	100.66	57.42	25.17	32.25
FAO	84.82	49.49	11.73	37.76
IBRD	65.59	60.26	56.03	4.23
IFAD	47.29	37.29	16.97	20.31
UNDP	485.51	382.62	205.52	177.10
UNEP	110.28	57.62	24.23	33.39
UNIDO	2.92	2.92	0.10	2.82
<i>Sub-total</i>	910.97	660.87	341.75	319.12
<u>Fees</u>				
ADB	1.11	1.06	0.36	0.70
AfDB	9.30	6.04	2.13	3.91
FAO	8.17	6.15	6.15	0.00
IBRD	6.23	5.92	5.74	0.18
IFAD	4.61	4.04	1.69	2.34
UNDP	47.67	42.30	38.49	3.81
UNEP	10.70	7.70	7.70	0.00
UNIDO	0.26	0.26	0.06	0.20
<i>Sub-total</i>	88.05	73.47	62.33	11.14
<u>Corporate Budget and Workshop^{a/}</u>				
Secretariat ^{b/}	6.31	6.31	6.31	0.00
Evaluation	0.21	0.21	0.14	0.07
STAP	0.40	0.40	0.40	0.00
Trustee	2.53	2.53	2.53	0.00
<i>Sub-total</i>	9.45	9.45	9.38	0.07
Total for LDCF	1,008.46	743.79	413.46	330.33

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.

⁵ Totals may not add due to rounding.