



Least Developed Countries Fund (LDCF)

Financial Report

Prepared by the Trustee

As of September 30, 2016



Table of Contents

| | |
|--|----|
| Introduction | 3 |
| LDCF Trust Fund Financial Summary as of September 30, 2016 | 4 |
| 1. LDCF Trust Fund Summary – Inception through September 30, 2016 | 5 |
| 2. Pledges and Contributions | 6 |
| 3. Asset Mix and Investment Income..... | 7 |
| 4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers..... | 8 |
| 5. Funds Available | 9 |
| Annex I - Cumulative Funding Decisions Details by Activity and Agency as of September 30, 2016 | 10 |



Introduction

The information contained in this report is prepared based on financial information of the Least Developed Countries Fund as of September 30, 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 September 30, 2016 and some of the recent developments from April 1, 2016 to September 30, 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 September 30, 2016

Pledges and Contributions:

As of September 30, 2016, 25 donors pledged and signed Contribution Agreements amounting to USDeq. 1,219.28 million. The Trustee has received USDeq. 1,023.23 million in cash to date from these donors.

Investment Income:

As of September 30, 2016 the LDCF Trust Fund earned investment income of approximately USD 30.52 million on the undisbursed balance of the Trust Fund and USD 0.36 million as investment income from external agencies . The LDCF Trust Fund liquid portfolio has returned 1.16%¹ through the calendar year to date.

Funding Approvals and Trustee Commitments:

As of September 30, 2016 cumulative funding decisions by the Council and the CEO amounted to USD 1,009.74 million. Of the cumulative amount approved, USD 911.11 million was for projects and project preparation activities, USD 88.07 million was for fees, and USD 10.56 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 854.99 million, of which USD 765.05 million relates to projects and project preparation activities, USD 79.38 million to fees, and USD 10.56 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 854.99 million, upon request from Agencies, the Trustee transferred USD 482.5 million. The balance USD 372.49 million remains payable as of September 30, 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 September 30, 2016 amounted to USD 571.61 million.

Funds available to support Council or CEO decision amounted to USD 44.37 million as of September 30, 2016. This represents an increase of USD 34.53 million compared to funds available as of March 31, 2016. Receipt of new funds from donors from April 1, 2016 to September 30, 2016 exceeded the new funding approvals by the Council and CEO during the same period.

¹ Represents non-annualized rate of return.



1. LDCF Trust Fund Summary – Inception through September 30, 2016

In USD millions

| | Total | % of Total |
|---|------------------------|----------------------|
| <u>Donor Pledges and Contributions</u> | | |
| Contributions | 1,116.83 | 91.6% |
| Pledges | 102.45 | 8.4% |
| Total Pledges and Contributions | <u>1,219.28</u> | <u>100.0%</u> |

| | | |
|---|------------------------|----------------------|
| <u>Cumulative Resources</u> | | |
| <u>Resources received</u> | | |
| Cash Receipts | 1,023.23 | 81.8% |
| Investment Income earned | 30.52 | 2.4% |
| Investment Income Received from external grants | 0.36 | 0.0% |
| Total Resources Received | <u>1,054.11</u> | <u>84.3%</u> |
| <u>Resources not yet received</u> | | |
| Contributions not yet paid | 93.59 | 7.5% |
| Pledges | 102.45 | 8.2% |
| Total resources not yet received | 196.04 | 15.7% |
| Total Potential Resources (A) | <u>1,250.15</u> | <u>100.0%</u> |

| | | |
|---|------------------------|----------------------|
| <u>Cumulative Funding Decisions</u> | | |
| Projects | 911.11 | 90.2% |
| Fees | 88.07 | 8.7% |
| Administrative Budgets | 10.56 | 1.0% |
| Total Funding Decisions Net of Cancellations (B) | <u>1,009.74</u> | <u>100.0%</u> |
| Total Potential Resources Net of Funding Decisions (A) - (B) | <u>240.41</u> | |

| | | |
|---|---------------------|--|
| <u>Funds Available</u> | | |
| Funds Held in Trust | 571.61 | |
| Approved Amounts Pending Cash Transfers | 527.24 | |
| Funding Decisions Pending Council Approval | - | |
| Total Funds Available to Support Council / CEO Decisions | <u>44.37</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 | 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 | EUR | 73.44 | 91.70 | - | - | 73.44 | 49.44 | 64.91 | 24.00 | 26.80 |
| Canada d/ | CAD | 66.00 | 54.81 | 30.00 | 22.79 | 36.00 | 36.00 | 32.02 | - | - |
| Czech Republic | EUR | 0.02 | 0.03 | - | - | 0.02 | 0.02 | 0.03 | - | - |
| Denmark | DKK | 376.40 | 62.71 | 156.00 | 23.38 | 220.40 | 220.40 | 39.33 | - | - |
| Finland | EUR | 31.60 | 40.86 | - | - | 31.60 | 31.60 | 40.86 | - | - |
| France | EUR | 35.85 | 42.53 | 25.00 | 27.91 | 10.85 | 10.85 | 14.62 | - | - |
| Germany | EUR | 215.00 | 275.45 | - | - | 215.00 | 190.00 | 247.54 | 25.00 | 27.91 |
| 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 e/ | EUR | 11.73 | 14.09 | 5.00 | f/ 5.58 | 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 | 3.00 | 3.00 | - | - |
| Japan | USD | 0.25 | 0.25 | - | - | 0.25 | 0.25 | 0.25 | - | - |
| Luxembourg e/ | EUR | 1.00 | 1.58 | - | - | 1.00 | 1.00 | 1.58 | - | - |
| | USD | 4.12 | 4.12 | - | - | 4.12 | 4.12 | 4.12 | - | - |
| Netherlands e/ | 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 e/ | 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 | 682.00 | 95.40 | 150.00 | g/ 17.40 | 532.00 | 532.00 | 78.00 | - | - |
| Switzerland | CHF | 16.05 | 15.87 | 5.25 | 5.39 | 10.80 | 10.80 | 10.49 | - | - |
| United Kingdom | GBP | 122.00 | 187.61 | - | - | 122.00 | 92.00 | 148.73 | - | 38.88 |
| United States | USD | 158.20 | 158.20 | - | - | 158.20 | 158.20 | 158.20 | - | - |
| | | | <u>1,219.28</u> | | <u>102.45</u> | | | <u>1,023.23</u> | | <u>93.59</u> |

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) September 30, 2016 value of pledged and unpaid contributions.

b/ Valued at the exchange rates available on September 30, 2016.

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

d/ Includes contribution of CAD 6 million from the Government of Quebec. Contributions made in more than one currency.

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

f/ A Contribution Agreement for EUR 3 million is currently being finalized with Ireland.

g/ A Contribution Agreement with Sweden for SEK 150 million (SEK 100 million pledged in COP 21, topped up by a recent pledge of an additional SEK 50 million) is being finalized.

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, 2016, the Trustee had entered into Contribution Agreements/Contribution Arrangements with 25 donors for a total of USD eq. 1,219.28 million and received USD 1,023.23 million in cash to date.

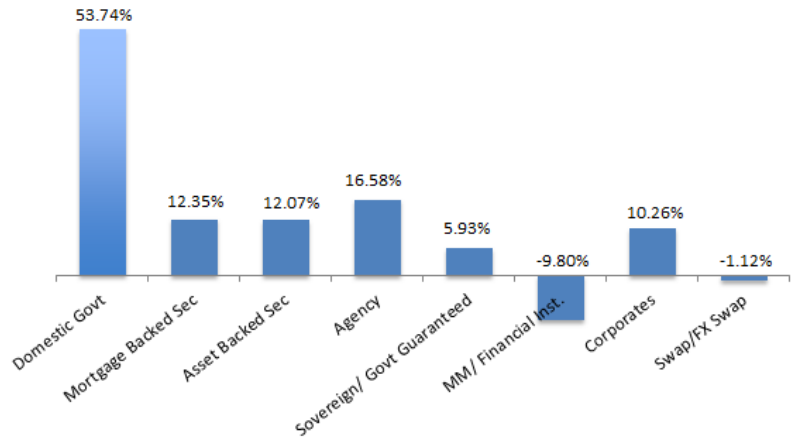


3. Asset Mix and Investment Income

ASSET MIX

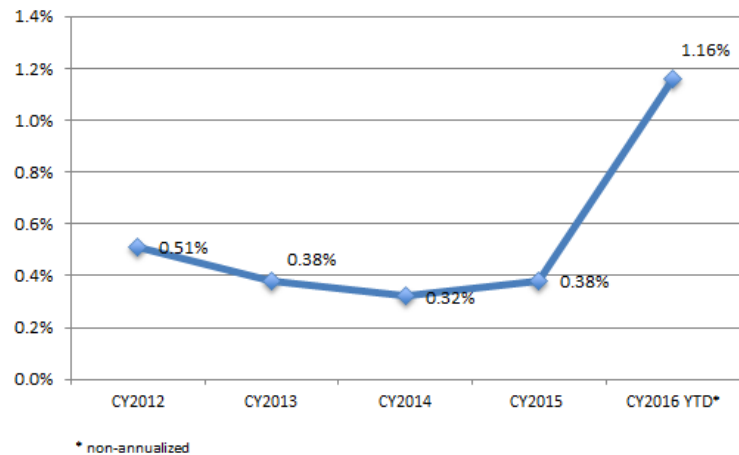
Funds held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The chart reflects the asset mix of the portfolio in which LDCF funds are invested as of August 31, 2016.²

Note: The negative allocation to money market/financial instruments is a result of repurchase agreements that are used to purchase yield enhancing securities. 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.



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 571.61 million at end-September 2016) earned approximately USD 30.52 million in investment income since inception.



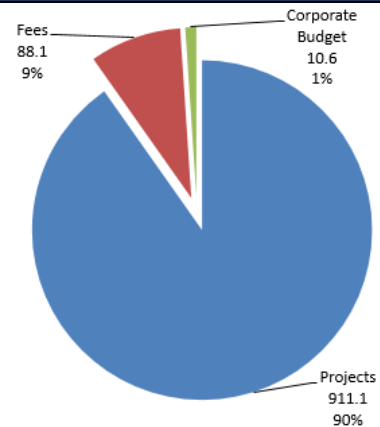
² Latest available figures as of report publishing date.



4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

FUNDING DECISIONS BY ACTIVITY

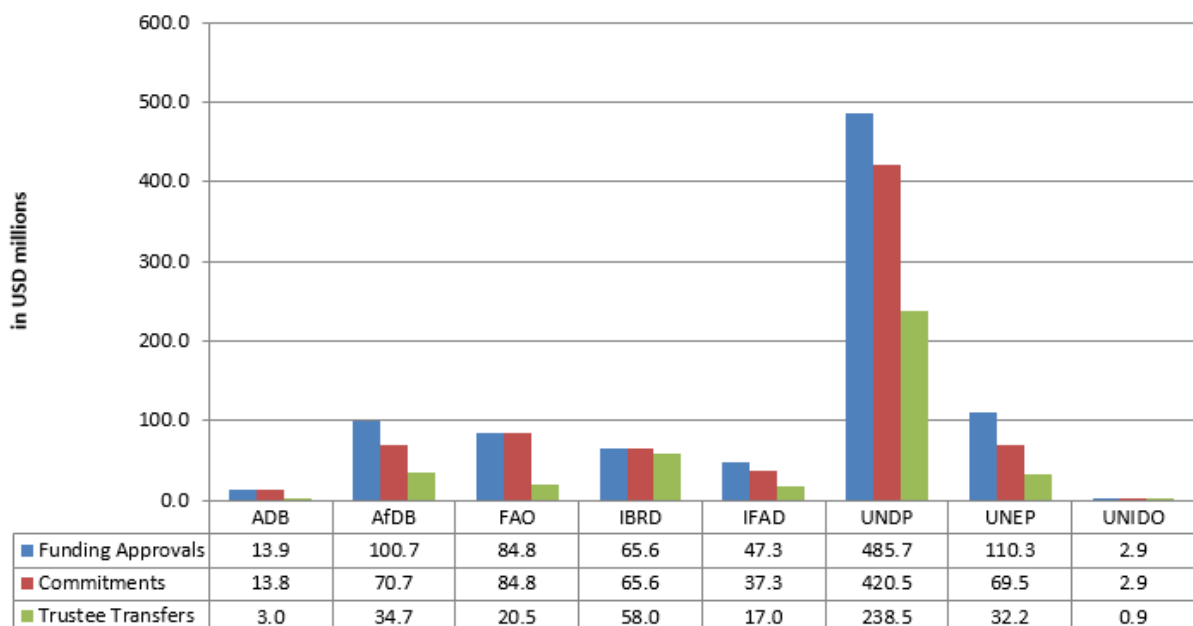
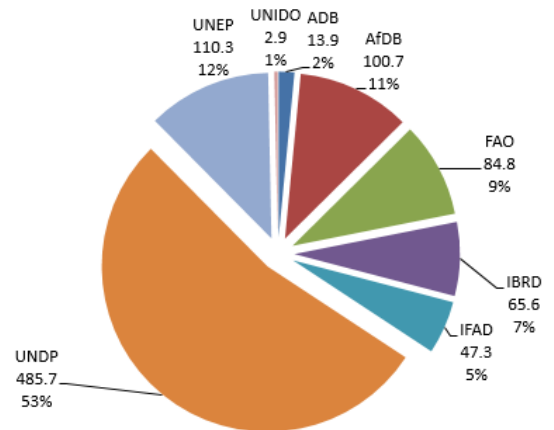
Since inception to September 30, 2016 funding approvals made by the LDCF/SCCF Council totaled USD 1,009.74 million. Projects represent about 90%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Evaluation Office 1%.



PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows project funding decisions by Agency. Of the total USD 911.11 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 Available

In USD millions

| | As of September 30, 2016 (a) | As of March 31, 2016 (b) | Change (c) = (a) - (b) |
|---|---------------------------------|-----------------------------|---------------------------|
| 1. Funds held in Trust | 571.61 | 604.84 | (33.22) |
| a. Cash and investments | 571.61 | 604.84 | (33.22) |
| b. Unencashed promissory notes | - | - | - |
| 2. Approved Amounts Pending Cash Transfers to Agencies | 527.24 | 595.00 | (67.76) |
| a. Trustee committed | 372.49 | 330.33 | 42.16 |
| b. Approved by Council/CEO pending Endorsement | 141.64 | 251.02 | (109.38) |
| c. Umbrella set-aside | 13.11 | 13.65 | (0.54) |
| 3. Funding Decisions Pending for the Council Approval | - | - | - |
| 4. Funds Available to Support Council or CEO Decisions (4 = 1 - 2 - 3) | <u>44.37</u> | <u>9.84</u> | <u>34.53</u> |

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

Highlights for the period April 1, 2016 through September 30, 2016:

- **Funds Held in Trust** represent cumulative receipts and investment income less cumulative cash transfers, and amount to USD 571.61 million as of September 30, 2016. Funds Held in Trust decreased by USD 33.22 million primarily due to:
 - Cash transfers to recipients amounting to USD 69.04 million.
 - Offset by contributions received from Italy (USD 2 million), the Government of Quebec³ (CAD 6 million), and the United States (USD 25 million) during the period April 1, 2016 to September 30, 2016 valued at USDeq. 31.66 million.
 - Offset by investment income received during the period April 1, 2016 to September 30, 2016 amounting to USD 4.16 million.
- **Funding Decisions Pending Cash Transfer to agencies** arising from the LDCF/SCCF Council approvals amounted to USD 527.24 million, representing a decrease of USD 67.76 million compared to March 31, 2016.
- **Funding Availability** amounts to USD 44.37 million representing an increase of USD 34.53 million over the prior reporting period as a result of donor payments and the investment income received from April 1, 2016 to September 30, 2016 exceeding new funding decisions made by the LDCF/SCCF Council and the CEO during the same period.

³ Contribution amount reported under Canada.



Annex I - Cumulative Funding Decisions Details by Activity and Agency as of September 30, 2016

In USD millions

| Entity | Cumulative Net Amounts | | | |
|---|------------------------|---------------|----------------|-----------------|
| | Funding Approvals | Commitments | Cash Transfers | Amount Due |
| | (1) | (2) | (3) | (4) = (2) - (3) |
| Projects | | | | |
| ADB | 13.90 | 13.75 | 3.00 | 10.75 |
| AfDB | 100.66 | 70.66 | 34.69 | 35.97 |
| FAO | 84.82 | 84.82 | 20.53 | 64.28 |
| IBRD | 65.59 | 65.59 | 58.03 | 7.56 |
| IFAD | 47.29 | 37.29 | 16.97 | 20.31 |
| UNDP | 485.65 | 420.54 | 238.52 | 182.01 |
| UNEP | 110.28 | 69.49 | 32.23 | 37.26 |
| UNIDO | 2.92 | 2.92 | 0.87 | 2.05 |
| <i>Sub-total</i> | 911.11 | 765.05 | 404.84 | 360.21 |
| Fees | | | | |
| ADB | 1.11 | 1.10 | 0.36 | 0.74 |
| AfDB | 9.30 | 7.20 | 2.13 | 5.07 |
| FAO | 8.17 | 8.17 | 6.15 | 2.01 |
| IBRD | 6.23 | 6.23 | 5.92 | 0.30 |
| IFAD | 4.61 | 4.04 | 1.69 | 2.34 |
| UNDP | 47.69 | 44.01 | 42.73 | 1.29 |
| UNEP | 10.70 | 8.37 | 8.13 | 0.24 |
| UNIDO | 0.26 | 0.26 | 0.13 | 0.13 |
| <i>Sub-total</i> | 88.07 | 79.38 | 67.25 | 12.12 |
| Corporate Budget and Workshop^{a/} | | | | |
| Secretariat ^{b/} | 6.97 | 6.97 | 6.97 | 0.00 |
| Evaluation | 0.25 | 0.25 | 0.21 | 0.04 |
| STAP | 0.51 | 0.51 | 0.38 | 0.13 |
| Trustee | 2.84 | 2.84 | 2.84 | 0.00 |
| <i>Sub-total</i> | 10.56 | 10.56 | 10.40 | 0.16 |
| Total for LDCF | 1,009.74 | 854.99 | 482.50 | 372.49 |

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.