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LEAST DEVELOPED COUNTRIES FUND FINANCIAL REPORT

Financial Report
As of September 30, 2015

(Prepared by the Trustee)

Least Developed Countries Fund (LDCF)

Financial Report

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Introduction

1. The information contained in this report is prepared based on financial information of the Least Developed Countries Fund as of September 30, 2015.
2. 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).
3. 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:
4. *“[...] 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.”*
5. This report provides (i) a snapshot of the financial situation of the LDCF Trust Fund since its inception to September 30, 2015 and some of the recent developments from April 1, 2015 to September 30, 2015; (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, 2015

Pledges and Contributions:

1. As of September 30, 2015, 25 donors pledged and signed Contribution Agreements amounting to USDeq. 963.66 million. The Trustee has received USDeq. 961.87 million in cash to date from these donors.

Investment Income:

2. As of September 30, 2015 the LDCF Trust Fund earned investment income of approximately USD 22.98 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 0.38%¹ through the calendar year to date.

Funding Approvals and Trustee Commitments:

3. As of September 30, 2015 cumulative funding decisions by the Council and the CEO amounted to USD 941.13 million. Of the cumulative amount approved, USD 849.44 million was for projects and project preparation activities, USD 82.25 million was for fees, and USD 9.45 million was for administrative expenses and corporate activities of the LDCF.

4. 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 672.75 million, of which USD 596.2 million relates to projects and project preparation activities, USD 67.1 million to fees, and USD 9.45 million to cover corporate activities and administrative expenses.

Cash Transfers:

5. Cash transfers were made to Agencies on an as-needed basis to meet their projected disbursement requirements. Out of the cumulative commitments of USD 672.75 million, upon request from Agencies, the Trustee transferred USD 376.84 million. The balance USD 295.9 million remains payable as of September 30, 2015.

Funds Held in Trust and Funds Available for Council and CEO Funding Decisions

6. **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, 2015 amounted to USD 608.35 million.

7. **Funds available to support Council or CEO decision amounted to USD 32.61 million as of September 30, 2015**, after taking into account USD 11.45 million funding decisions pending council approval in October

¹ Represents non-annualized rate of return.



2015. This represents an increase of USD 20.65 million compared to funds available as of March 31, 2015. Receipt of new funds from donors from April 1, 2015 to September 30, 2015 exceeded the funding approvals by the Council and CEO during the same period.



1. LDCF Trust Fund Summary – Inception through September 30, 2015²

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	961.87	99.8%
Pledges	1.79	0.2%
Total Pledges and Contributions	963.66	100.0%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	961.87	97.5%
Investment Income earned	22.98	2.3%
Investment Income Received from external agencies	0.34	0.0%
Total Resources Received	985.19	99.8%
<u>Resources not yet received</u>		
Contributions not yet paid	-	0.0%
Pledges	1.79	0.2%
Total resources not yet received	1.79	0.2%
Total Potential Resources (A)	986.99	100.0%
<u>Cumulative Funding Decisions</u>		
Projects	849.44	90.3%
Fees	82.25	8.7%
Administrative Budgets	9.45	1.0%
Total Funding Decisions Net of Cancellations (B)	941.13	100.0%
Total Potential Resources Net of Funding Decisions (A) - (B)	45.85	
<u>Funds Available</u>		
Funds Held in Trust	608.35	
Approved Amounts Pending Cash Transfers	564.29	
Funding Decisions Pending Council Approval	/a 11.45	
Total Funds Available to Support Council / CEO Decisions	32.61	

/a The work program submitted for council approval in October 2015

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		11
		3 = 5 + 7	11			7 = 8 + 10	8	9	10	
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	EUR	49.44	64.91	-	-	49.44	49.44	64.91	-	-
Canada	CAD	30.00	27.36	-	-	30.00	30.00	27.36	-	-
Czech Republic	EUR	0.02	0.03	-	-	0.02	0.02	0.03	-	-
Denmark	DKK	220.40	39.33	-	-	220.40	220.40	39.33	-	-
Finland	EUR	31.60	40.95	1.60	1.79	30.00	30.00	39.16	-	-
France	EUR	10.85	14.62	-	-	10.85	10.85	14.62	-	-
Germany	EUR	165.00	220.67	-	-	165.00	165.00	220.67	-	-
Hungary	EUR	1.00	1.34	-	-	1.00	1.00	1.34	-	-
Iceland	USD	0.63	0.63	-	-	0.63	0.63	0.63	-	-
Ireland	d/ EUR	6.73	8.51	-	-	6.73	6.73	8.51	-	-
	USD	8.00	8.00	-	-	8.00	8.00	8.00	-	-
Italy	USD	1.00	1.00	-	-	1.00	1.00	1.00	-	-
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	532.00	78.00	-	-	532.00	532.00	78.00	-	-
Switzerland	CHF	9.80	9.50	-	-	9.80	9.80	9.50	-	-
United Kingdom	GBP	92.00	148.73	-	-	92.00	92.00	148.73	-	-
United States	USD	133.20	133.20	-	-	133.20	133.20	133.20	-	-
			<u>963.66</u>		<u>1.79</u>			<u>961.87</u>		<u>0.00</u>

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) September 30, 2015 value of amount pending FX.

b/ Valued at the exchange rates available on September 30, 2015.

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

d/ Contributions made in more than one currency.

- The above table shows the total pledges and contributions to the LDCF. As of September 30, 2015, the Trustee had entered into Contribution Agreements/Contribution Arrangements with 25 donors for a total of USD eq. 963.66 million and received USD 961.87 million in cash to date from these donors.

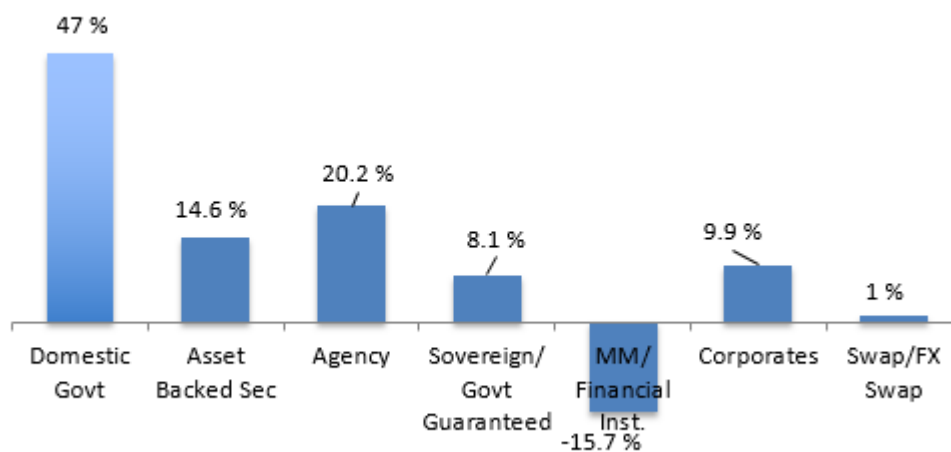
³ Totals may not add up due to rounding.



3. Asset Mix and Investment Income

ASSET MIX

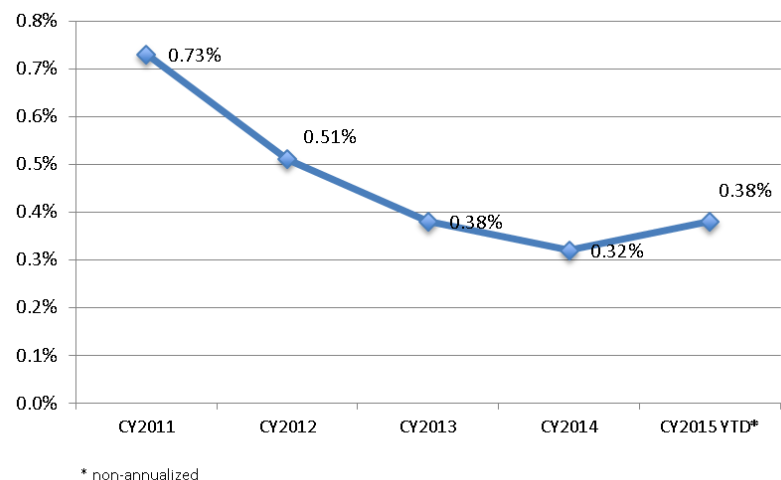
8. Funds held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The chart reflects the asset mix of the portfolio in which LDCF funds are invested as of August 31, 2015.



Note: The negative allocation to cash and cash equivalents (MM/Financial inst.) is a result of repurchase agreements that are used to purchase yield enhancing securities. The asset mix of the portfolio is as of August 31, 2015

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 608.35 million at end-September 2015) earned approximately USD 22.98 million in investment income since inception.

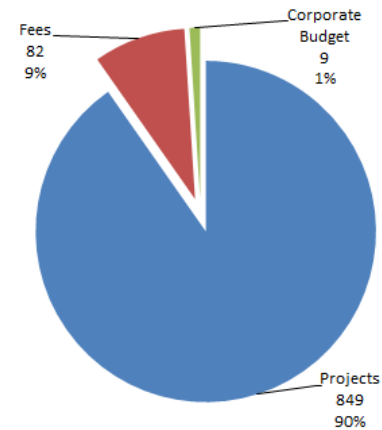




4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

FUNDING DECISIONS BY ACTIVITY

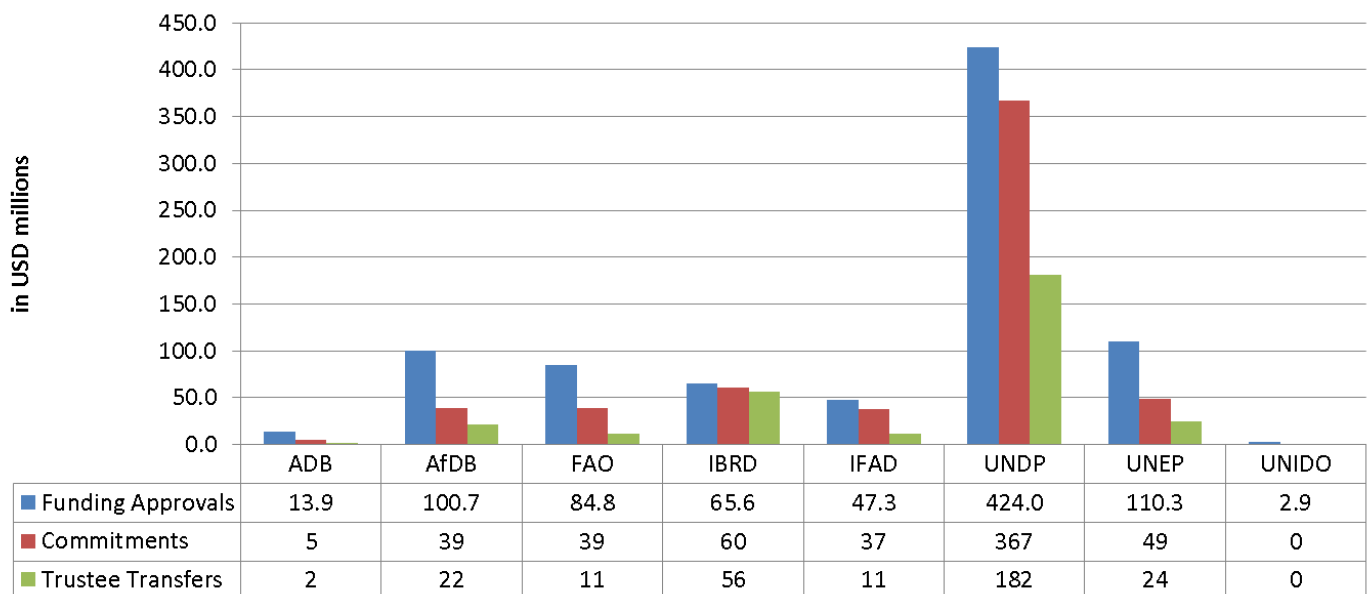
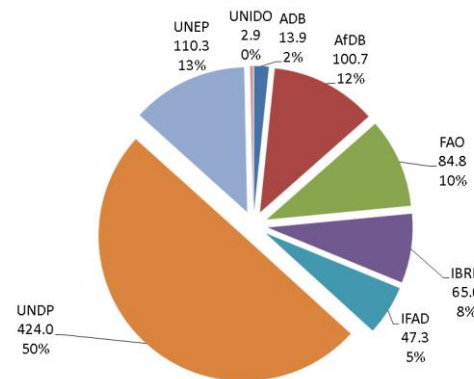
Since inception to September 30, 2015 funding approvals made by the LDCF/SCCF Council totaled USD 941.13 million. Projects represent about 90%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Evaluation Office 1%.



PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows project funding decisions by Agency. Of the total USD 849.44 million of approved projects to date, 50% has been allocated to UNDP, 13% to UNEP and 12% 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 September 30, 2015 (a)	As of March 31, 2015 (b)	Change (c) = (a) - (b)
1. Funds held in Trust	608.35	649.85	(41.50)
a. Cash and investments	608.35	649.85	(41.50)
b. Unencashed promissory notes	-	-	-
2. Approved Amounts Pending Cash Transfers to Agencies	564.29	637.89	(73.60)
a. Trustee committed	295.90	332.62	(36.72)
b. Approved by Council/CEO pending Endorsement	239.91	276.79	(36.88)
c. Umbrella set-aside	28.48	28.48	-
3. Funding Decisions Pending for the Council Approval /a	11.45		11.45
4. Funds Available to Support Council or CEO Decisions (4 = 1 - 2 - 3)	32.61	11.96	20.65

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

Highlights for the period April 1, 2015 through September 30, 2015:

- **Funds Held in Trust** represent cumulative receipts and investment income less cumulative cash transfers, and amount to USD 608.35 million as of September 30, 2015. Funds Held in Trust decreased by USD 41.5 million primarily due to:
 - Cash transfers to recipients amounting to USD 75.45 million.
 - Offset by contributions received from Germany (EUR 5 million), Ireland (EUR 1 million) and the United States (USD 26.18 million) during the period April 1, 2015 to September 30, 2015 valued at USD 32.73 million.
 - Offset by investment income received during the period April 1, 2015 to September 30, 2015 amounting to USD 1.22 million.
- **Funding Decisions Pending Cash Transfer to agencies** arising from the LDCF/SCCF Council approvals amounted to USD 564.29 million, representing a decrease of USD 73.6 million since March 31, 2015.
- **Funding Availability** amounts to USD 32.61 million representing an increase of USD 20.65 million over the prior reporting period as a result of donor payments received from April 1, 2015 to September 30, 2015 exceeding new funding decisions made by the LDCF/SCCF Council and the CEO during the same period and the funding decisions pending council approval in October 2015.

⁴ Totals may not add up due to rounding.



Annex I - Cumulative Funding Decisions Details by Activity and Agency⁵ as of September 30, 2015

In USD millions

Entity	Cumulative Net Amounts			
	Funding	Commitments	Cash Transfers	Amount Due
	Approvals			
	(1)	(2)	(3)	(4) = (2) - (3)
Projects				
ADB	13.90	4.60	2.00	2.60
AfDB	100.66	38.99	21.67	17.33
FAO	84.82	38.55	11.33	27.21
IBRD	65.59	60.26	56.03	4.23
IFAD	47.29	37.29	11.50	25.79
UNDP	423.98	367.41	181.52	185.89
UNEP	110.28	49.00	24.23	24.77
UNIDO	2.92	0.10	0.10	0.00
<i>Sub-total</i>	849.44	596.20	308.38	287.82
Fees				
ADB	1.11	0.37	0.36	0.00
AfDB	9.30	5.28	2.13	3.15
FAO	8.17	5.53	5.53	0.00
IBRD	6.23	5.92	5.74	0.18
IFAD	4.61	4.04	1.16	2.88
UNDP	41.87	38.65	37.32	1.32
UNEP	10.70	7.21	6.91	0.30
UNIDO	0.26	0.11	0.01	0.10
<i>Sub-total</i>	82.25	67.10	59.17	7.93
Corporate Budget and Workshop^{a/}				
Secretariat ^{b/}	6.31	6.31	6.31	0.00
Evaluation	0.21	0.21	0.07	0.15
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	9.30	0.15
Total for LDCF	941.13	672.75	376.84	295.90

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.