

23rd LDCF/SCCF Council Meeting
November 30, 2017
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, 2017



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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, 2017.

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, 2017 and some of the recent developments from April 1, 2017 to September 30, 2017; (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, 2017

Pledges and Contributions:

As of September 30, 2017, 25 donors pledged and signed Contribution Agreements amounting to USDeq. 1,227.47 million. The Trustee has received USDeq. 1,202.65 million in cash to date from these donors.

Investment Income:

As of September 30, 2017, the LDCF Trust Fund earned investment income of approximately USD 38.73 million on the undisbursed balance of the Trust Fund and USD 0.45 million as investment income from external agencies. The LDCF Trust Fund liquid portfolio has returned 1.31%¹ through the calendar year to date.

Funding Approvals and Trustee Commitments:

As of September 30, 2017, cumulative funding decisions by the Council and the CEO amounted to USD 1,169.87 million. Of the cumulative amount approved, USD 1,056.24 million was for projects and project preparation activities, USD 101.68 million was for fees, and USD 11.95 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 966.66 million, of which USD 863.88 million relates to projects and project preparation activities, USD 90.82 million to fees, and USD 11.95 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 966.66 million, upon request from Agencies, the Trustee transferred USD 587.39 million. The balance USD 379.26 million remains payable as of September 30, 2017.

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, 2017 amounted to USD 654.43 million.

Funds available to support Council or CEO decision amounted to USD 71.95 million as of September 30, 2017. This represents an increase of USD 9.79 million compared to funds available as of March 31, 2017. Receipt of new funds from donors and increase in investment income from April 1, 2016 to September 30, 2017 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, 2017

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	1,221.50	99.5%
Pledges	5.97	0.5%
Total Pledges and Contributions	<u>1,227.47</u>	<u>100.0%</u>

<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	1,202.65	94.9%
Investment Income earned	38.73	3.1%
Investment Income Received from external grants	0.45	0.0%
Total Resources Received	<u>1,241.82</u>	<u>98.0%</u>
<u>Resources not yet received</u>		
Contributions not yet paid	18.85	1.5%
Pledges	5.97	0.5%
Total resources not yet received	24.82	2.0%
Total Potential Resources (A)	<u>1,266.65</u>	<u>100.0%</u>

<u>Cumulative Funding Decisions</u>		
Projects	1,056.24	90.3%
Fees	101.68	8.7%
Administrative Budgets	11.95	1.0%
Total Funding Decisions Net of Cancellations (B)	<u>1,169.87</u>	<u>100.0%</u>
Total Potential Resources Net of Funding Decisions (A) - (B)	<u>96.78</u>	

<u>Funds Available</u>		
Funds Held in Trust	654.43	
Approved Amounts Pending Cash Transfers	582.48	
Funding Decisions Pending Council Approval	-	
Total Funds Available to Support Council / CEO Decisions	<u>71.95</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	7 = 8+10	Paid (Receipts)		Unpaid	
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	83.69	102.81	-	-	83.69	75.69	93.36	8.00	9.45
Canada	d/ 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	63.02	-	-	376.40	324.62	54.80	51.78	8.22
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	215.00	274.17	-	-	215.00	215.00	274.17	-	-
Hungary	EUR	1.00	1.34	-	-	1.00	1.00	1.34	-	-
Iceland	USD	0.98	0.98	-	-	0.98	0.98	0.98	-	-
Ireland	e/ EUR	11.73	14.24	2.00	f/ 2.36	9.73	8.73	10.69	1.00	1.18
	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	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	94.39	-	-	682.00	682.00	94.39	-	-
Switzerland	CHF	16.05	15.80	3.50	g/ 3.61	12.55	12.55	12.19	-	-
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>1,227.47</u>		<u>5.97</u>			<u>1,202.65</u>		<u>18.85</u>

a/ Represents (1) the actual US dollar value of paid-in cash contributions and (2) September 30, 2017 value of pledges outstanding, contribution amounts pending FX, and unpaid amounts.

b/ Valued at the exchange rates available on September 30, 2017.

c/ Represents the (1) actual US dollar value of paid-in cash contributions and (2) September 30, 2017 value of contribution amount pending FX.

d/ Contributions made in more than one currency.

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

f/ Balance of EUR 5 million pledge from COP21; the Additional Contribution Agreement for EUR 3 million had been fully executed, of which EUR 2 million was received.

g/ Balance of CHF 5.25 million pledge from COP21; the Additional Contribution Agreement for CHF 1.75 million had been fully executed; the full amount had been received.

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

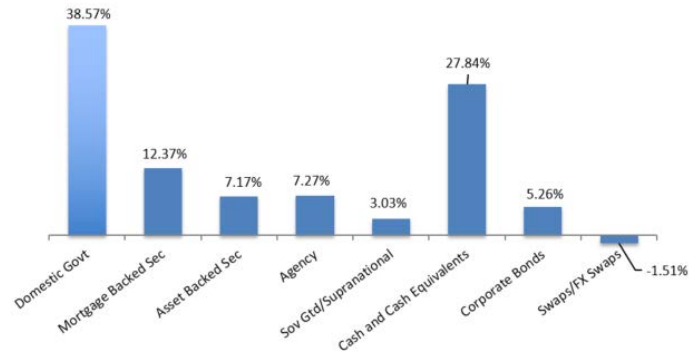
- The above table shows the total pledges and contributions to the LDCF. As of September 30, 2017, the Trustee had entered into Contribution Agreements/Contribution Arrangements with 25 donors for a total of USD eq. 1,227.47 million and received USD 1,202.65 million in cash to date.



3. Asset Mix and Investment Income

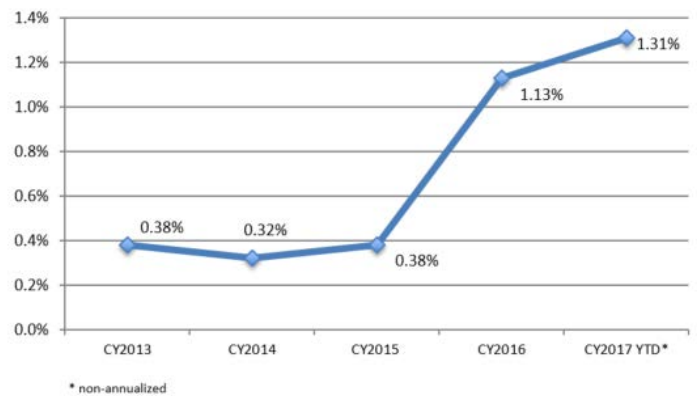
ASSET MIX

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, 2017².



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 654.43 million at end-September 2017) earned approximately USD 38.73 million in investment income since inception. In addition, the investment income received from the external agencies is USD 0.45 million.



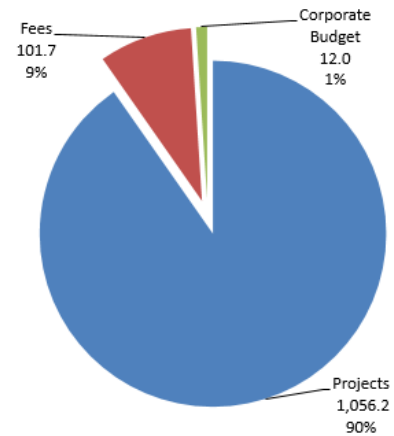
² The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio. These hedges remain in place.



4. Cumulative Funding Decisions, Trustee Commitments and Cash Transfers

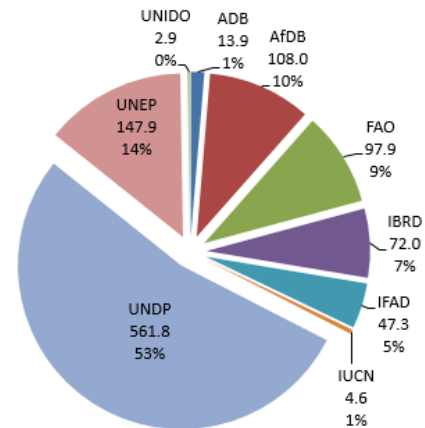
FUNDING DECISIONS BY ACTIVITY

Since inception to September 30, 2017 funding approvals made by the LDCF/SCCF Council totaled USD 1,169.87 million. Projects represent about 90%, fees for Agencies 9%, and corporate budgets for the Secretariat, the Trustee, STAP and Independent Evaluation Office 1%.

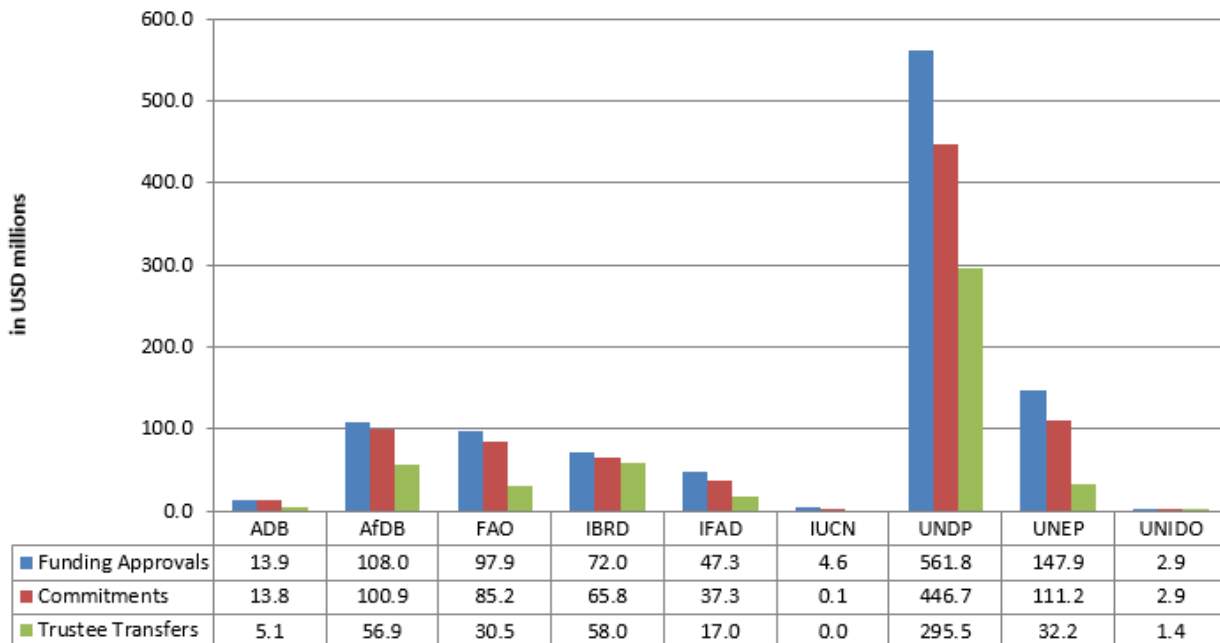


PROJECT FUNDING DECISIONS BY AGENCY

The pie chart shows project funding decisions by Agency. Of the total USD 1,056.24 million of approved projects to date, 53% 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, 2017 (a)	As of March 31, 2017 (b)	Change (c) = (a) - (b)
1. Funds held in Trust	654.43	647.20	7.23
a. Cash and investments	654.43	647.20	7.23
b. Unencashed promissory notes	-	-	-
2. Approved Amounts Pending Cash Transfers to Agencies	582.48	585.04	(2.57)
a. Trustee committed	379.29	382.24	(2.96)
b. Approved by Council/CEO pending Endorsement	203.02	194.99	8.04
c. Umbrella set-aside	0.16	7.81	(7.65)
3. Funding Decisions Pending for the Council Approval	-	-	-
4. Funds Available to Support Council or CEO Decisions (4 = 1 - 2 - 3)	<u>71.95</u>	<u>62.16</u>	<u>9.79</u>

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

Highlights for the period April 1, 2017 through September 30, 2017:

- **Funds Held in Trust** represent cumulative receipts and investment income less cumulative cash transfers, and amount to USD 654.43 million as of September 30, 2017. Funds Held in Trust increased by USD 7.23 million primarily due to:
 - Contributions received from Belgium (EUR 3.25 million), Canada (CAD 10 million), Denmark (DKK 60 million), France (EUR 10 million), Iceland (USD 100,000), and Ireland (EUR 1 million) during the period April 1, 2017 to September 30, 2017 valued at USDeq. 33.01 million
 - Investment income received during the period April 1, 2017 to September 30, 2017 amounting to USD 6.03 million
 - Offset by cash transfers to recipients amounting to USD 31.82 million.
- **Funding Decisions Pending Cash Transfer to agencies** arising from the LDCF/SCCF Council approvals amounted to USD 582.48 million, representing a decrease of USD 2.57 million compared to March 31, 2017.
- **Funding Availability** amounts to USD 71.95 million representing an increase of USD 9.79 million over the prior reporting period as a result of donor payments and the investment income received from April 1, 2017 to September 30, 2017 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 as of September 30, 2017

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	13.75	5.05	8.70
AfDB	107.97	100.91	56.95	43.96
FAO	97.93	85.17	30.53	54.63
IBRD	71.98	65.77	58.03	7.74
IFAD	47.29	37.29	16.97	20.31
IUCN	4.59	0.14	0.00	0.00
UNDP	561.80	446.70	295.52	151.18
UNEP	147.86	111.23	32.23	79.00
UNIDO	2.92	2.92	1.38	1.54
<i>Sub-total</i>	<u>1,056.24</u>	<u>863.88</u>	<u>496.67</u>	<u>367.22</u>
<u>Fees</u>				
ADB	1.11	1.10	0.86	0.24
AfDB	9.99	9.59	2.13	7.46
FAO	9.41	8.68	8.68	0.00
IBRD	6.84	6.48	6.48	0.00
IFAD	4.61	4.04	3.09	0.94
IUCN	0.41	0.17	0.00	0.00
UNDP	54.78	48.31	46.87	1.44
UNEP	14.27	12.18	10.75	1.43
UNIDO	0.26	0.26	0.16	0.10
<i>Sub-total</i>	<u>101.68</u>	<u>90.82</u>	<u>79.03</u>	<u>11.79</u>
<u>Corporate Budget and Workshop^{a/}</u>				
Secretariat ^{b/}	7.89	7.89	7.89	0.00
Evaluation	0.28	0.28	0.28	0.00
STAP	0.63	0.63	0.38	0.25
Trustee	3.15	3.15	3.15	0.00
<i>Sub-total</i>	<u>11.95</u>	<u>11.95</u>	<u>11.70</u>	<u>0.25</u>
Total for LDCF	1,169.87	966.66	587.39	379.26

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.