

GEF Council Meeting
October 28 – 30, 2014
Washington, D.C.

GEF TRUST FUND FINANCIAL REPORT

*Summary of Financial Information
As of September 30, 2014*

(Prepared by the Trustee)

Global Environment Facility Trust Fund

Financial Report

Prepared by the Trustee

Summary of Financial Information

As of September 30, 2014

Table of Contents

Introduction.....	1
GEF Trust Fund Financial Summary as of September 30, 2014	2
1. GEF Trust Fund Summary – Inception through September 30, 2014.....	5
2. Cumulative Resources and Funding Decisions	6
2a. Cumulative Resources.....	7
2b. Asset Mix and Investment Income	9
2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies.....	11
3. Funding Availability	14
4. GEF-6 Specific Funding Decisions	15
5. Update on the Trustee Special Initiative: Information Technology Systems (FIF IT Platform)	17



Introduction

The information contained in this report is prepared based on financial information as of September 30, 2014.

The Global Environment Facility (GEF) was established in 1994 as an independent financial mechanism for providing grants and concessional funding to cover the incremental or additional costs of measures to assist in the protection of the global environment and to promote environmental sustainable development. Today, the GEF is the largest funder of projects focused on global environmental challenges and a global partnership among 182 countries, international institutions, non-governmental organizations, and the private sector. It provides grants for projects related to the following main areas: (i) biodiversity, (ii) climate change (mitigation and adaptation), (iii) international waters, (iv) land degradation, and (v) chemicals and waste.

The report is produced by the Trustee in accordance with the Trustee's role in the GEF Trust Fund as set forth in Annex B of the GEF Instrument paragraph 4 (b) which states:

"The responsibilities of the Trustee shall include in particular [...] the financial management of the Fund, including investment of its liquid assets, the disbursement of funds to the implementing and other executing agencies as well as the preparation of the financial report regarding the investment and use of the Fund's resources [...]"

This report provides (i) a snapshot of the financial situation of the GEF Trust Fund since its inception to September 30, 2014, and some of the recent developments since the previous report; (ii) the details of financial activities of the GEF Trust Fund; (iii) the status of implementation of the GEF-6 Replenishment; and (iv) an update on the Trustee special initiative Information Technology Systems (FIF IT Platform).



GEF Trust Fund Financial Summary as of September 30, 2014

Pledges and Contributions

GEF Contributing Participants have pledged SDR 11,582 million (USDeq. 16,606 million)¹ to date, of which SDR 9,493 million (USDeq. 13,452 million) has been confirmed by Donors depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

GEF-6 pledges totaled SDR 2,460 million (USDeq. 3,716 million)², of which Donors have deposited 15.93% of the amount with the Trustee as IoCs or QIoCs.

Investment Income

As of September 30, 2014, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,175 million. The investment income earned over the GEF-6 period amounted to USD 7 million (1.2% investment return) and the overall investment income projected to be earned over the GEF-6 period is SDR 88 million (USDeq. 134 million).

Funding Approvals and Commitments

Cumulative funding decisions (approvals by the GEF Council/CEO) to date amounted to USD 13,990 million net of cancellations and pending decisions of intersessional and Council meetings, of which the GEF-5 funding decisions amounted to USD 3,889 million. The GEF-5 net funding decisions between April 1, 2014 and July 29, 2014 (end of GEF-5 period) amounted to USD 374 million (including administrative budget).

The GEF-6 funding decisions from July 30, 2014 to September 30, 2014 amounted to USD 197 million including the USD 191 million proposed work program for Council approval. As of September 30, 2014, committed amounts pending transfers to Agencies totaled USD 2,431million, representing an increase in amount of USD 76 million compared to the status as of March 31, 2014.

Cash Transfers

Total cash transfers amounted to USD 436 million between April 1, 2014 and September 30, 2014. Of this amount, USD 408 million was transferred to Agencies for projects and project preparation grants.

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

Funds Held in Trust reflect financial activities related to new donor payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revaluation of the balance of promissory notes at month-end. Funds Held in Trust as of September 30, 2014 amounted to USDeq. 4,684 million, 23% of which represented unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 16 million as of September 30, 2014, in addition to the work program pending Council approval. This represents a decrease of USD 226 million compared to March 31, 2014.

¹ Does not include co-financing under the GEF Pilot Program.

² Valued based on GEF-6 agreed exchange rates



GEF-6 Replenishment

Contributing Participants completed the negotiations under the sixth replenishment of the GEF Trust Fund (“GEF-6”) in April 2014. Contributing Participants to the GEF-6 agreed to provide resources to the GEF Trust Fund for grant and other financing to GEF recipient countries for the period between July 1, 2014 and June 30, 2018. The agreed total envelope for the GEF-6 period was SDR 2,935.31 million (USDeq. 4,433 million). This funding envelope included USDeq 3,715.85 million from new pledges from donors, USDeq 583.29 million of resources carried over from previous replenishments, and USD 134 million of projected investment income.

The Executive Directors of the World Bank approved the GEF-6 replenishment Resolution on July 30, 2014, thereby authorizing the World Bank to act as Trustee in respect of the resources made available under GEF-6.

The Advance Contribution Scheme provision under the GEF-6 replenishment resolution allows the Council to begin programming a portion of the GEF-6 resources when donors deposit Instruments of Commitment (IoC) representing twenty percent of the total contributions to the GEF-6, pending the full effectiveness of GEF-6. In accordance with Paragraph 7(a) of the GEF-6 Replenishment Resolution, the Advance Contribution Scheme for the GEF-6 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate no less than SDR 492.1 million.

Since the approval of the GEF-6 Replenishment Resolution, nine Contributing Participants have deposited their IoCs in the form and substance as agreed under the GEF-6 Replenishment Resolution, representing 15.93% of the total pledges under GEF-6. Table 1 shows the details of the status of IoCs received by the Trustee as of October 15, 2014.



Table 1: GEF-6 Instruments of Commitment

Status report as of October 15, 2014

Contributing Participant	GEF-6 Pledges (in SDR millions)	GEF-6 Deposited Instruments of Commitment	
		SDR (millions)	USD Eq. (millions)
Australia	58.5	-	-
Austria	45.2	-	-
Bangladesh	0.1	-	-
Belgium	69.2	69.2	93.7
Brazil	10.5	-	-
Canada	149.5	-	-
China	13.2	-	-
Czech Republic	4.0	4.0	5.4
Denmark	54.4	54.4	73.6
Finland	60.4	-	-
France	198.6	198.6	300.0
Germany	304.8	-	-
India	8.0	-	-
Ireland	5.3	5.3	7.2
Italy	80.1	-	-
Japan	402.0	-	-
Korea, Republic of	5.3	-	-
Luxembourg	4.0	4.0	5.8
Mexico	13.0	-	-
Netherlands	72.2	-	-
New Zealand	4.0	-	-
Norway	48.4	48.4	67.0
Pakistan	4.0	4.0	6.0
Russian Federation	9.9	-	-
Slovenia	4.0	4.0	5.8
South Africa	4.4	-	-
Spain	26.8	-	-
Sweden	134.8	-	-
Switzerland	89.5	-	-
United Kingdom	214.6	-	-
United States	361.7	-	-
	2,460.4	391.9	564.6



1. GEF Trust Fund Summary – Inception through September 30, 2014

	Total (in SDR millions)
<u>Donor Pledges and Contributions (in SDR millions)</u>	
Received IoCs	9,493.20
GEF-4 IoCs not yet deposited	4.00
GEF-5 IoCs not yet deposited	16.35
GEF-6 IoCs not yet deposited	2,068.48
Total Donor Pledges and Contributions (in SDR millions)	11,582.03

	Total (in USD millions)
<u>Cumulative Resources (in USD millions)</u>	
<u>Resources received</u>	
Cash Receipts	11,944.36
Unencashed promissory notes	1,073.48
Investment Income earned	1,175.50
Total Resources Received	14,193.34
<u>Resources not yet received</u>	
GEF-6 IoCs not yet deposited	2,982.41
GEF-5 IoCs not yet deposited	21.68
GEF-4 IoCs not yet deposited	5.93
GEF-6 IoCs deposited	564.55
Installment Receivables from previous replenishments	276.25
Total resources not yet received	3,850.82
Total Cumulative Resources (A) (in USD millions)	18,044.16

<u>Cumulative Funding Decisions (in USD millions)</u>	
Approvals by Council and CEO	14,754.63
Cancellations	(968.04)
Pending Decisions of Intersessional and Council Meetings	202.92
Total Funding Decisions Net of Cancellations (B) (in USD millions)	13,989.52
Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)	4,054.64

<u>Funds Available (in USD millions)</u>	
Funds Held in Trust with no restrictions	4,537.53
Approved Amounts Pending Cash Transfers to Agencies	4,521.17
Total Funds Available to Support Council or CEO Decisions (in USD millions)	16.36



2. Cumulative Resources and Funding Decisions

In USD millions

	September 30, 2014	March 31, 2014
1. Cumulative Resources	18,044	14,559
<u>Resources not yet received</u>	<u>3,851</u>	<u>671</u>
GEF-6 IoCs not yet deposited with the Trustee	2,982	
GEF-5 IoCs not yet deposited with the Trustee	22	23
GEF-4 IoCs not yet deposited with the Trustee	6	6
GEF-6 IoCs deposited	565	
Installment Receivables from previous replenishments	276	642
<u>Resources received</u>	<u>14,193</u>	<u>13,888</u>
Cash receipts from installments and encashments	11,944	11,568
Unencashed promissory notes	1,073	1,167
Investment Income earned on undisbursed balances of GEF Trust Fund	1,175	1,153
2. Cumulative Funding Decisions	13,990	13,406
Approvals by Council and CEO	14,755	14,339
Cancellations	(968)	(933)
Pending decisions of Intersessional and Council Meetings	203	-
3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)	4,055	1,153

Snapshot of cumulative resources and funding decisions:

- The table above shows total cumulative resources of the GEF Trust Fund and the cumulative funding decisions made since inception of the GEF.
- Of the total cumulative resources of USDeq. 18,044 million, 21% (USDeq. 3,851 million) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee totaled USDeq. 3,007 million and installment receivables under IoCs and QIoCs already deposited with the Trustee amounted to USDeq. 276.2 million.
- Total cumulative net funding decisions amounting to USDeq. 13,990 million represent about 77.5% of the total cumulative GEF resources.
- As of September 30, 2014, cumulative resources net of funding decisions amounted to USDeq. 4,055 million.



2a. Cumulative Resources

In USD millions

INSTRUMENTS OF COMMITMENT (IoCs) TO BE DEPOSITED

<u>Contributing Participant</u>	<u>Replenishment</u>	<u>Currency of Obligation</u>	<u>Amount in Currency of Obligation</u>	<u>USDeq.</u>	<u>Percentage</u>
Nigeria	GEF-4	SDR	4.0	5.9	100.0%
Total GEF-4 IoCs Not Yet Deposited				5.9	100.0%
Greece	GEF-5	EUR	4.4	5.6	25.8%
Nigeria	GEF-5	NGN	921.9	5.6	26.0%
Pakistan	GEF-5	PKR	499.6	4.9	22.5%
Portugal	GEF-5	EUR	4.4	5.6	25.8%
Total GEF-5 IoCs Not Yet Deposited				21.7	100.0%
Australia	GEF-6	AUD	93.0	81.1	2.7%
Austria	GEF-6	EUR	50.5	63.6	2.1%
Bangladesh	GEF-6	USD	0.1	0.1	0.0%
Brazil	GEF-6	USD	15.9	15.9	0.5%
Canada	GEF-6	CAD	232.9	208.4	7.0%
China	GEF-6	USD	20.0	20.0	0.7%
Finland	GEF-6	EUR	65.0	81.9	2.7%
Germany	GEF-6	EUR	350.0	440.8	14.8%
India	GEF-6	USD	12.0	12.0	0.4%
Italy	GEF-6	EUR	92.0	115.9	3.9%
Japan	GEF-6	JPY	60,000.0	547.0	18.3%
Korea, Republic of	GEF-6	USD	7.5	7.5	0.3%
Mexico	GEF-6	MXN	248.6	18.4	0.6%
Netherlands	GEF-6	EUR	82.9	104.4	3.5%
New Zealand	GEF-6	NZD	7.5	5.8	0.2%
Russian Federation	GEF-6	USD	15.0	15.0	0.5%
South Africa	GEF-6	ZAR	64.0	5.7	0.2%
Spain	GEF-6	EUR	30.8	38.8	1.3%
Sweden	GEF-6	SEK	1,335.0	183.8	6.2%
Switzerland	GEF-6	CHF	124.9	130.4	4.4%
United Kingdom	GEF-6	GBP	210.0	339.8	11.4%
United States	GEF-6	USD	546.3	546.3	18.3%
Total GEF-6 IoCs Not Yet Deposited				2,982.4	100.0%
Total GEF-4, GEF-5 and GEF-6 IoCs Not Yet Deposited				3,010.0	



- The GEF-6 Replenishment was adopted on July 30, 2014 and IoCs amounting to USD 2,982.4 million is yet to be received.

INSTALLMENT RECEIVABLES BY REPLENISHMENT

As of September 30, 2014, installment receivables under IoCs and QIoCs deposited with the Trustee amounted to USDeq. 276.2 million. Of this amount, USDeq. 136.8 million represents arrears under GEF-1, GEF-2 and GEF-3. GEF-5 arrears totaled USDeq. 139.4 million.

Contributing Participant	Repl.	Currency	Installment Receivable Amount	USD eq.
Egypt	GEF-1	SDR	0.5	0.8
United States	GEF-2	USD	135.0	135.0
Nigeria	GEF-3	SDR	0.7	1.0
Spain	GEF-5	EUR	17.8	22.4
United States	GEF-5	USD	112.9	112.9
Brazil	GEF-5	USD	4.1	4.1
			276.2	

RESTRICTED RESOURCES

Restricted resources represent funds received from Contributing Participants but not available for funding decisions by the GEF Council and the GEF CEO.

As of September 30, 2014, restricted resources totaled USDeq. 147 million comprising of:

- a deferred contribution of USD 86.6 million from Japan (from GEF-5); and
- a financial reserve³ of USD 60 million.

	USDeq.	Percentage
Deferred Contributions	86.6	59%
Pre-paid Contributions	-	0%
Total Restricted Contributions	86.6	59%
Reserve to cover FX fluctuations	60.0	41%
Total Restricted Resources	146.6	100%

³ A financial reserve of USD 60 million provides a buffer in the event that the GEF Trust Fund may not have sufficient funds to disburse against commitments already made by the Trustee as a result of currency exchange rate movements.



2b. Asset Mix and Investment Income

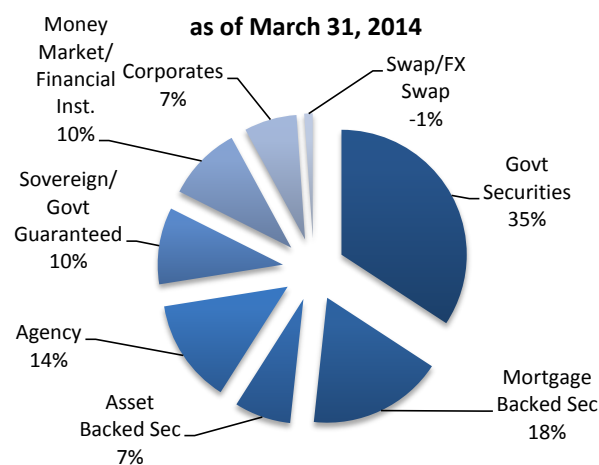
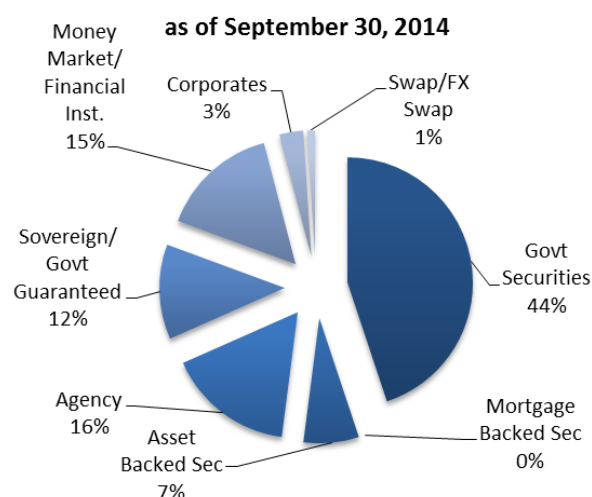
The undisbursed cash balance of the GEF Trust Fund is maintained in a commingled investment portfolio ("Pool") for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

ASSET MIX

GEF Trust Fund assets are invested across three of the World Bank Trust Fund's investment model portfolios, ("Tranche 0" for short term working capital needs, "Tranche 1" with an investment horizon of one year, and "Tranche 2" with an investment horizon of three years). The latter two tranches aim to optimize investment returns subject to capital preservation with a high degree of confidence (based on statistical models) over the respective investment horizon. Although actual future returns will depend on market conditions, the Trust Fund Investment Pool portfolio is actively monitored and adjusted to preserve donor funds over the investment horizons. Over shorter periods however, market volatility may result in negative actual or 'mark-to-market'⁴ returns.

Overall, the GEF Trust Fund cumulative returns have been driven by its investment in longer-term tranches, which may be exposed to higher volatility in returns over shorter periods, but are expected to have higher returns over longer periods.

By asset class, the largest allocations are to government securities, agency, money-market/financial institutions and sovereign/government guaranteed instruments. Allocations have been relatively stable over time.

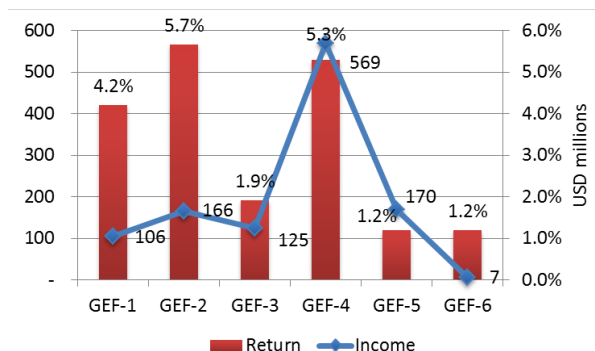


⁴ Mark-to-market returns or losses represent unrealized returns or losses reported via accounting entries rather than the actual sale of a security.



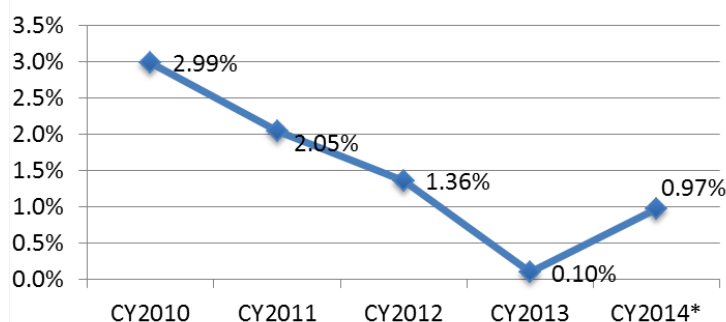
INVESTMENT INCOME

The total amount of investment income earned since the beginning of GEF Pilot phase is USD 1,175 million. In the GEF-5 replenishment period, USD 170 million has been earned in the GEF Trust Fund (representing 1.19% average return). In the GEF-6 replenishment period (July 30, 2014 to September 30, 2014), USD 7 million has been earned (representing 1.2% average return).



INVESTMENT RETURNS

GEF Trust Fund investment returns were modest for the first three quarters of the calendar year 2014 with a cumulative return of 0.97%. High grade bond investments delivered positive results as investors considered the improving economic growth in the US, geopolitical events (e.g., Ukraine/Russia, US/Islamic State), and weakening economic growth in Europe. Returns are expected to be modest going forward as the risk of rising market yields remains elevated, with an adverse effect on total portfolio returns due to lower bond prices.



*Non-annualized rate of return

ADJUSTMENTS FOR CHANGES IN MARKET CONDITIONS

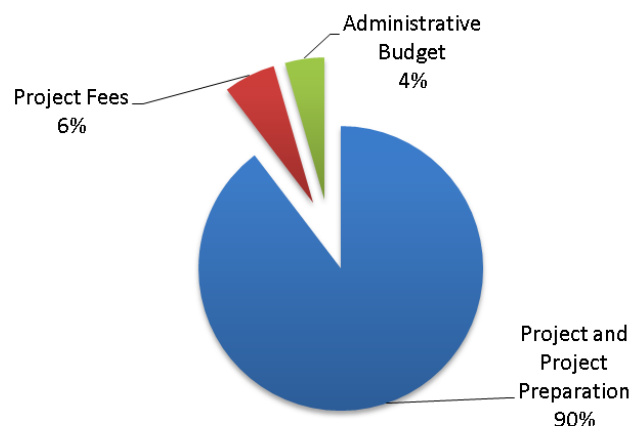
As a gradual move to higher rates in the coming years is expected, the outlook for fixed-income investments continues to be for modest returns, as further increases in market interest rates would result in further unrealized (i.e., mark-to-market) losses for fixed income returns in general. Given the challenging environment for fixed income investments, the World Bank Treasury has taken steps since 2011 to reduce the interest rate sensitivity of the Trust Fund Investment Pool portfolio to limit the impact of potential future interest rate increases (known as “duration”). These measures specifically included lowering the allocation to Mortgage Backed Securities in the longer horizon Trust Funds tranche. Additionally, efforts are underway by the Trustee to enable investments in a broader universe of assets in order to achieve greater diversification of portfolio risks and increase returns. Diversification opportunities include new emerging market sovereign debt, covered bonds, and commercial paper.



2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies

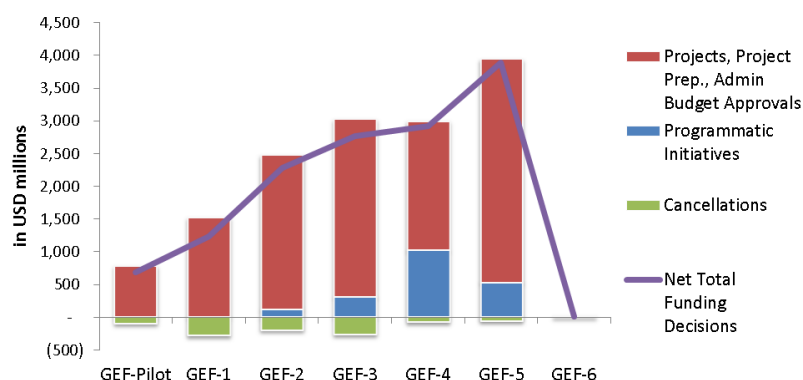
CUMULATIVE FUNDING DECISIONS

Since inception to September 30, 2014 funding approvals made by the Council and CEO totaled USD 14,755 million, net of pending decision on intersessional and Council meetings, of which 89.6% was approved for Projects and Project Preparation activities.



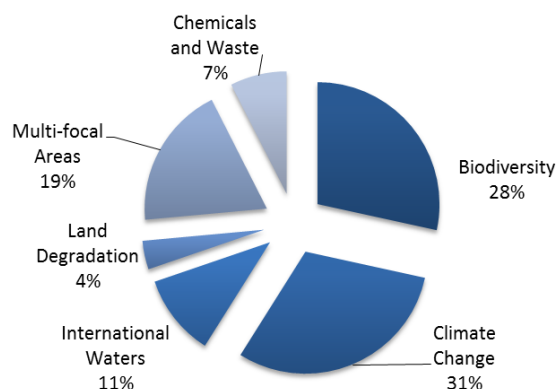
FUNDING DECISIONS BY REPLENISHMENT

Funding decisions by replenishment show the cumulative funding decisions of USD 13,990 million net of cancellations and pending decision on intersessional and Council meetings. Cumulative funding cancellations totaled USD 968 million.



FUNDING DECISIONS BY FOCAL AREA

Funding decisions by Focal Area show cumulative funding decisions for projects only, and exclude fees. Projects in the areas of biodiversity and climate change represent approximately 59% of the cumulative funding approved to date.

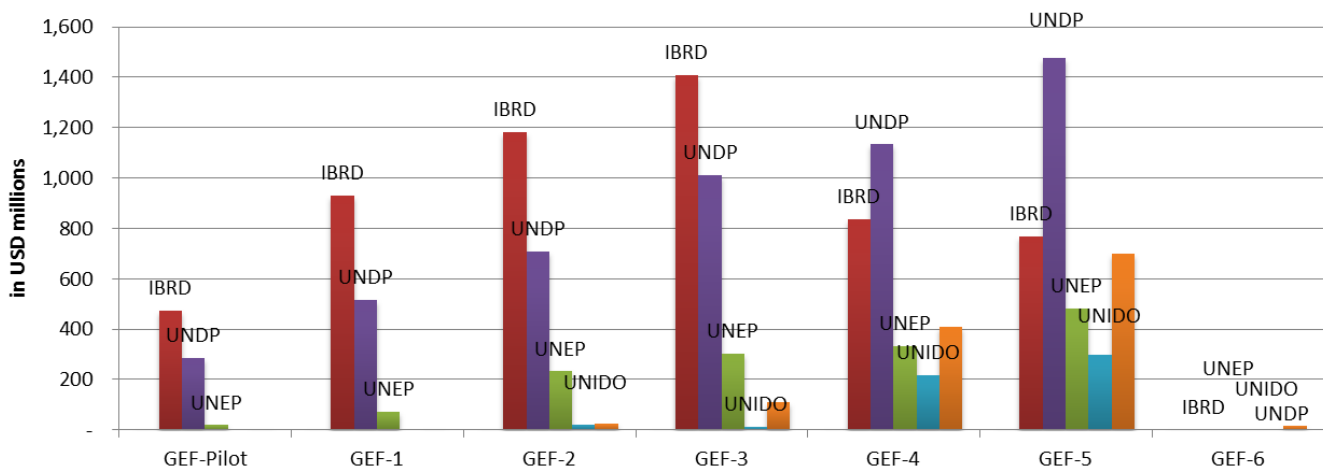
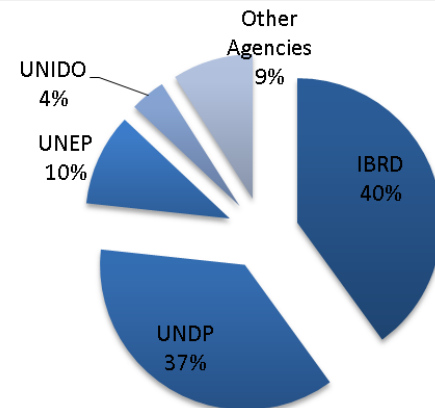




FUNDING DECISIONS BY AGENCY

77% of the cumulative approvals for projects (including related fees) were for implementation by IBRD and UNDP. UNEP's share of the total is 10% while the remaining Agencies implemented 13% of the funding.

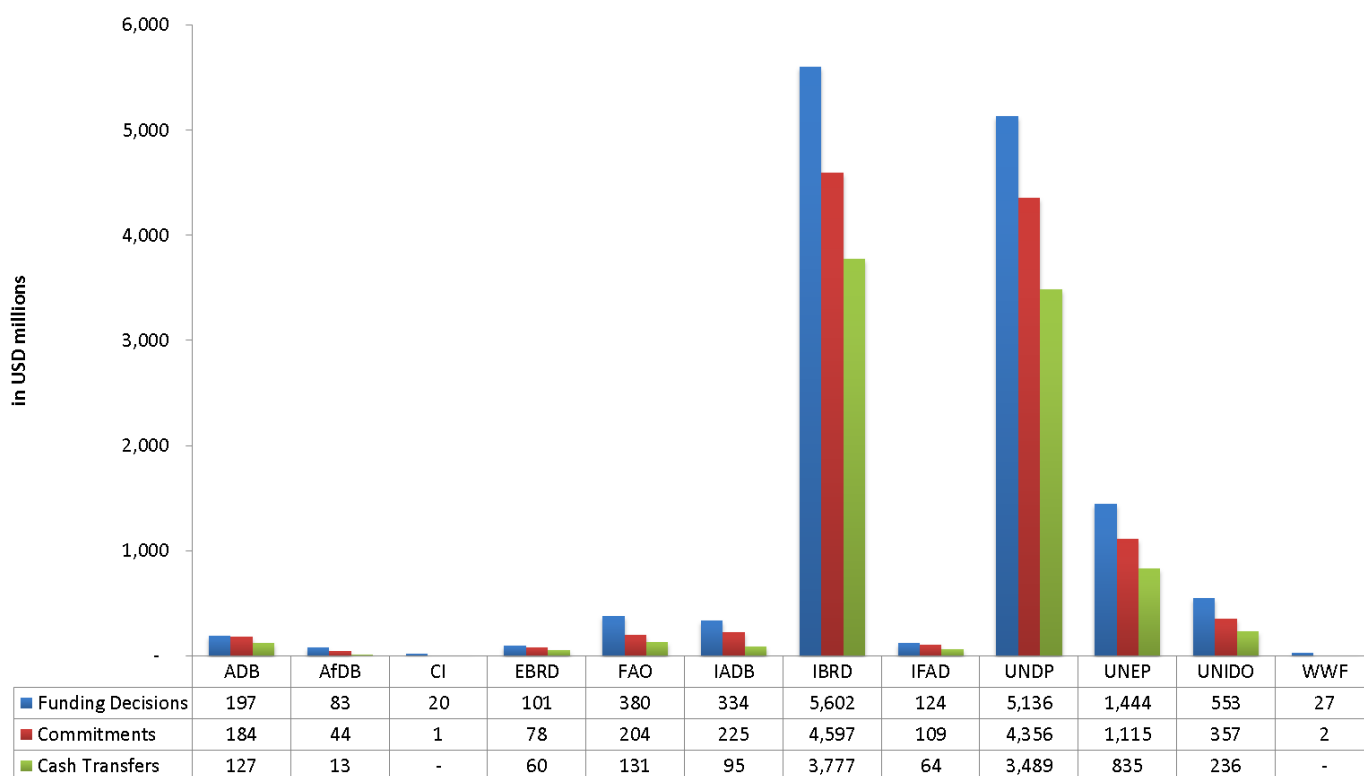
The Agencies' share of funding approvals changes over time. IBRD's share fell from 61% in the GEF Pilot to 20% in GEF-5. UNDP's share increased from 37% in the GEF Pilot to 39% in GEF-5. UNEP's share increased from 2% in the GEF Pilot to 13% in GEF-5. The combined share of other Agencies increased from 1% in GEF-2 to 19% in GEF-5.





FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

Funding Decisions by Trustee Commitments and Cash Transfers show the cumulative commitments and cash transfers to the GEF Agencies since inception.





3. Funding Availability

In USD millions

	As of Sep 30, 2014 (b)	As of Mar, 31, 2014 (a)	Change (a) - (b)
1. Funds Held In Trust	4,684	4,815	131
a. Cash and investments	3,611	3,648	38
b. Unencashed promissory notes	1,073	1,167	93
2. Restricted Funds	147	177	31
a. Deferred Contribution in respect to the pro rata right	87	117	31
b. Pre-paid Contributions		-	
c. Reserve to cover foreign exchange rate fluctuations	60	60	-
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	4,538	4,638	100
4. Approved Amounts Pending Cash Transfers to Agencies	4,521	4,396	(126)
a. Trustee committed	2,431	2,354	(76)
b. Approved by Council but not yet CEO Endorsed	1,888	2,041	153
c. Requested amounts for financing pending decision	203	-	(203)
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	16	242	226

Highlights for the period April 1, 2014 through September 30, 2014:

- **Funding Availability** decreased by USDeq. 226 million over the prior reporting period as a result of:
 - A decrease in **Funds Held in Trust** of USDeq. 131 million, resulting from:
 - Cash installment receipts,
 - Cash transfers for projects, project preparation grants, Agency fees and administrative budgets during the period, and
 - Encashment of promissory notes, changes in values of promissory note balances and deposits of new promissory notes.
 - A decrease in **Restricted Funds** of USDeq. 31 million resulting from the decision to defer USDeq. 87 million from commitment in respect to the pro-rata right.
 - Partially off-set by an increase in new funding decisions (including pending decisions) of USD 126 million made by the GEF Council and the CEO during the period.



4. GEF-6 Specific Funding Decisions

In USD millions

1. Target Replenishment Funding			4,433
2. Projected Available Resources during the GEF-6 Period			4,083
Estimated Funds Available to Support Council or CEO Financing Decisions			16
	Potential Amount Available	of which Projected to be Available	
Receivables			841
Arrears	276	276	
GEF 6 IoC's deposited	565	565	
Release of Restricted Contributions			87
Deferred Contributions	87	87	
Pre-paid Contributions	-	-	
IoCs not yet Deposited with the Trustee	3,010	3,010	3,010
Projected Investment Income	129	129	129
Total	4,067	4,067	
3. GEF-6 Specific Funding Decisions			212
Approvals by Council			1
Projects and Fees		1	
Admin. Budget			
Special Initiatives			
Programmatic Initiatives			
Approvals by CEO			8
Projects and Fees (MSPs. EEAs)		6	
Project Preparation Activities and Fees		2	
Net Changes to Initial Approvals			
Pending decisions on Intersessional and Council meetings			
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives			203
4. GEF-6 "Envelope" as of September 30, 2014 (4 = 2 + 3)			4,295
5. Excess or (Shortfall) as Measured Against the Target in Line 1			(138)



Highlights as of September 30, 2014:

- **Projected Available Resources** through the end of the GEF-6 period amounted to USD 4,083 million.
- The value of projected resources to be available is based on the following assumptions:
 - Arrears from previous replenishments remain unpaid;
 - All GEF-6 IoCs are received and paid in full during the remaining GEF-6 period.
- **GEF-6 Funding Decisions** amounted to USD 212 million.
- The **Target Replenishment Funding** amount represents the targeted new resources as agreed by Donors during replenishment discussions; it includes the carryover of arrears, deferred contributions, and paid-in funds not yet set aside.
- **The estimated shortfall of the GEF-6 Envelope Value** as measured against the Target Replenishment totals USD 138 million due to the revaluation of contribution receivables and the IoCs yet to be deposited with the Trustee.



5. Update on the Trustee Special Initiative: Information Technology Systems (FIF IT Platform)

In June 2012, the GEF Council authorized the Trustee to implement recommendations from the FY11 independent assessment of GEF systems and approved a budget of \$1 million towards a project to develop a technology platform for FIF secretariats located in the World Bank, including the GEF. The funds were to be leveraged with funds approved from other FIF governing bodies. The project is being executed by the Trustee in collaboration with the WBG Finance IT Group. As of September 30, 2014, the foundational work required to develop the necessary software had been completed. The software will be released in November 2014. The Trustee and the GEF Secretariat are discussing next steps. The Trustee is working with other FIF Secretariats housed in the World Bank on a rollout plan.