



Global Environment Facility

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TRUSTEE REPORT ON THE FINANCIAL STATUS AND MANAGEMENT OF THE GEF TRUST FUND

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INTRODUCTION

1. This report provides an update to the GEF Council on the financial status of the GEF Trust Fund (“the Trust Fund”) as of October 27, 2003.
2. This report is divided into four sections. The first three sections addresses the status of contributions of GEF-3, GEF-2, and GEF-1. Section IV covers Projected Available Resources of the GEF Trust. Section V provides an update on financial and risk management issues.

I. Status of Contributions to GEF-3

3. Thirty-two (32) donors pledged a total of SDR 1,797.5 million (USDeq 2,280 million ^{1/}) for the third replenishment of the GEF Trust Fund (GEF-3).
4. A total of twenty-seven (27) donors have submitted Instruments of Commitment or qualified Instruments of Commitment (together “IOCs”) to the Trustee totaling SDR 1,629 million (USD 2,066 million). IOCs totaling SDR 168.5 million (USDeq 214 million) from Italy, Luxembourg, Netherlands, Pakistan and Spain have yet to be submitted to the Trustee. Attachment 1 presents the status of IOCs received and those still due to be received for GEF-3.
5. All donors who have submitted IOCs to the Trustee have paid the first installment of their contributions to GEF-3 in accordance with the GEF-3 Resolution, with the exception of Nigeria. Pursuant to Sub-paragraph 4(a) of the GEF-3 Resolution, the Trustee sent a letter of notification to Nigeria reminding them of their obligations to pay their first installment (SDR 1 million) under GEF-3, which became due on April 23, 2003.
6. The second installment payments by donors, in the amount of USDeq 312.64 million are expected, under the GEF-3 Resolution, to be received by the Trust Fund by November 30, 2003. However, pursuant to Sub-paragraph 3(a)(iii) of the GEF-3 Resolution, the Trustee has agreed with certain donors that they may postpone the payment of the second installment of their contributions to no later than June 30, 2004.

^{1/} Calculated by using the average daily rate over the period from May 15, 2001 to November 15, 2001 as agreed by the donors at the May 7, 2001 GEF-3 replenishment meeting.

7. Table A below shows the expected payment dates for the second installment of GEF-3 contributions. It excludes donors who had not submitted their IOCs as of October 27, 2003, the date of this report.

TABLE A Payment Schedule for 2nd Installment of GEF-3 for fiscal year 2004 <i>(in millions)</i>				
<u>Country Name</u>	<u>Expected Payment Date</u>	<u>Curr</u>	<u>Installment Amt Due</u>	<u>USD Eq. a/</u>
Australia	Nov-03	AUD	17.04	11.52
Austria	Nov-03	EUR	6.10	6.99
Belgium	Nov-03	EUR	10.50	12.04
China	Nov-03	SDR	1.91	2.70
Czech Republic	Nov-03	SDR	1.00	1.42
Denmark	Nov-03	DKK	65.21	10.07
France	Nov-03	EUR	41.00	47.04
Germany	Nov-03	USD	73.42	73.42
Greece	Nov-03	EUR	1.43	1.64
India	Nov-03	INR	106.60	2.32
Ireland	Nov-03	EUR	1.40	1.60
Japan	Nov-03	JPY	12,188.58	108.72
New Zealand	Nov-03	NZD	3.03	1.80
Nigeria	Nov-03	SDR	1.00	1.42
Norway	Nov-03	NOK	57.08	8.11
Portugal	Nov-03	EUR	1.43	1.64
Slovenia	Nov-03	SDR	0.25	0.35
Switzerland	Nov-03	CHF	24.77	18.42
Turkey	Nov-03	SDR	1.00	1.42
EXPECTED PAYMENTS BY NOVEMBER 2003				312.64
Mexico	Mar-04	USD	1.11	1.11
Canada	Mar-04	CAD	39.74	29.15
EXPECTED PAYMENTS BY MARCH 2004				30.26
United Kingdom	Apr-04	GBP	29.46	48.91
United States	Apr-04	USD	107.50	107.50 b/
EXPECTED PAYMENTS BY APRIL 2004				156.41
TOTAL PAYMENTS DUE IN FISCAL YEAR 2004				499.32
a/ Based on exchange rate as of September 30th, 2003.				
b/ Based on past payment history, the Trustee anticipates that it will receive the second letter of Credit from the United States by the end of April 2004.				

II. Status of Contributions to GEF-2

8. At the beginning of FY 2003, Italy, Pakistan and the United States had not completed payments of their contributions to the second replenishment of the GEF Trust Fund (GEF-2) (see Table B). During fiscal year 2003, however, Italy and the United States paid some of their GEF-2 contributions in the amount of EUR 12.4 million and USD 39.4 million, respectively. At the end of fiscal year 2003, an outstanding amount of USDeq. 201.4 million had not been received by the Trust Fund in payment of the GEF-2 contributions. Status of such outstanding amounts are as follows:

- (a) Italy has agreed with the Trustee on a schedule to complete the payments of its GEF-2 contributions by January 2005.
- (b) The United States Administration has requested Congress for an appropriation of USD 77.5 million in its fiscal year 2004 budget to partially pay the United States GEF-2 outstanding contribution.
- (c) The Trustee is continuing to work with Pakistan towards full payment of its GEF-2 contribution.

Table B: GEF-2 Contributions not paid Activities during FY03 (in millions)							
Country	Currency	Beginning Unpaid Balance July 1, 2002	As % of GEF-2 Contributions Committed	Payments	Closing Unpaid Balance June 30, 2003	USDeq	As % of GEF-2 Contributions Committed
Italy	EUR	37.2	50 %	12.4	24.8	28.5	34 %
Pakistan	SDR	1.0	25 %	-	1.0	1.4	25 %
U.S.	USD	210.9	49 %	39.4	171.5	171.5	40 %
Based on exchange rate as of Sept 30, 2003					Total	201.4	

9. For the period, July 1, 2003 to October 27, 2003 the amounts in currency for GEF-2 contributions outstanding for each country in Table B above remains unchanged.

10. Since the United States has currently paid only 60% of its GEF-2 contribution, Austria, France and Japan have exercised their right to defer commitment (pro rata right) with respect to the fourth installment of their GEF-2 contributions in the amount of USDeq 151.2 million (see Table C). This amount, although paid to the Trust Fund, is neither available for Council allocation nor for commitment by the Trustee and has therefore been excluded from the calculation of projected resources available for Council Allocation (discussed in Section IV).

Table C: GEF-2 Deferred Contributions As of October 27, 2003			
Country	Currency	Deferred Contr. Amt. (millions)	USDeq (millions)
Austria	EUR	4.2	4.8
France	EUR	32.9	37.7
Japan	JPY	12,189	108.7
Based on exchange rate as of Sept 30, 2003		Total	151.2

III. Status of Contributions to GEF-1

11. Except for Argentina and Egypt, all donors have completed payments of their contributions to the first replenishment of the GEF Trust Fund (GEF-1). During FY03, Egypt and Argentina did not pay their outstanding contributions in the amount of SDR 2.13 million and USD 2.5 million respectively (see Table D). However, Egypt has agreed with the Trustee on a schedule to complete payment of its contribution by November 2006. The Trustee is in correspondence with Argentina regarding payment of Argentina's contribution.

Table D: GEF-1 Contributions not paid Activities during FY03 (in millions)							
Country	Currency	Beginning Unpaid Balance July 1, 2002	As % of GEF-1 Contributions Committed	Payments	Closing Unpaid Balance June 30, 2003	USDeq	As % of GEF-1 Contributions Committed
Egypt	SDR	2.1	53 %	-	2.1	3.0	53 %
Argentina	USD	2.5	50 %	-	2.5	2.5	50 %
Based on exchange rate as of Sept 30, 2003					Total	5.5	

12. For the period, July 1, 2003 to October 27, 2003 the amounts in currency for GEF-1 contributions outstanding for each country in Table D above remains unchanged.

IV. Projected Available Resources of the GEF Trust Fund

13. The total amount of contributions which have not been paid to GEF-1 and GEF-2 to date is USDeq. 206.9 million. Attachment 2 shows the Status of Payments on Commitments as of October 27, 2003 for GEF-1, GEF-2 and GEF-3. To date, the contributions that are not available for Council Allocation and consequently commitment by the Trustee due to either delays in payments or exercise of pro rata rights total USDeq. 358.1 million.

14. Attachment 3 shows that as of October 27, 2003, the net resources of the Trust Fund available for allocation by the Council amount to USDeq 265.7 million. If the estimated USDeq 246.0 is approved by the Council at its November 2003 meeting for work programs and fees, the projected net resources available for Council Allocation after the November 2003 Council meeting will be USDeq 19.7 million. However the Trustee expects that USDeq 312.6 million will be received from the donors for the second tranche of GEF-3 contributions by November 30, 2003 (see also Table A).

V. Financial and Risk Management

15. On a regular basis, the Trustee undertakes an assessment of the financial risks and controls associated with the resource management of the Trust Fund. Through this process, the Trustee seeks to reduce unnecessary business and financial risks, improve the integrity of the data, enhance the Trustee's ability to project commitment authority and liquidity needs, and strengthen business processes.

16. In the May 2003 Trustee Report, it was reported that the Trustee, IAs, EAs and the GEF Secretariat conducted a joint effort to reconcile and validate common data elements of the GEF Trust Fund, such as Council Allocations, Trustee Commitments and commitments by IAs. The data has been reconciled and the validation is expected to be completed by the end of FY04.

17. To further deepen the collaborative partnership amongst the Trustee, IAs, EAs and GEF Secretariat, an annual financial consultation meeting will be convened with the parties. The first Financial Consultation Meeting will be held in Paris from October 30-31, 2003. The purpose of the meeting is to discuss proposed new business procedures, data sharing, reporting requirements and policy guidelines and opportunities for the Trust Fund to be more efficiently and effectively managed from a financial management and reporting point of view. The consultation meeting will also seek to clarify and discuss the proposed audit policies and guidelines for GEF financed activities. Issues to be discussed include audit scope, terms of reference, periodicity, reporting and audit cost recovery. It is expected that the discussions will lead to a clearer understanding between the Trustee, IAs, EAs and GEF Secretariat as to the requirements in these areas for the GEF Trust Fund.

18. The Trustee is continuing to work with the World Bank's Treasury Department to finalize a liquid asset investment strategy for the World Bank's Trust Fund Portfolio. The purpose of this review is to further enhance the investment performance of the World Bank's trust fund portfolio by taking into account appropriate investment parameters.

ATTACHMENT 1

Global Environment Facility Trust Fund Status of GEF-3 Instruments of Commitment and Qualified Instruments of Commitment as of October 27, 2003 <i>(Expressed in SDR millions)</i>	
I. Instruments of Commitment Received:	
Country	Pledge as Agreed
Australia	27.60
Austria	17.70
Belgium	32.97
Canada	80.91 <i>a/</i>
China	8.44
Cote d'Ivoire	4.00
Czech Republic	4.50
Denmark	27.95
Finland	20.94
France	128.84
Germany	231.62
Greece	4.50
India	7.99
Ireland	4.50
Japan	333.41
Korea	4.35
Mexico	4.00
New Zealand	4.00
Nigeria	4.50
Norway	19.96
Portugal	4.00
Slovenia	1.13
Sweden	56.98
Switzerland	45.94
Turkey	4.00
United Kingdom	149.91
United States	<u>394.36</u> <i>b/</i>
Total Commitments Received:	1,629.00
II. Instruments of Commitment Not Yet Received:	
Country	Pledge as Agreed
Italy	82.99
Luxembourg	4.00
Netherlands	62.39
Pakistan	4.00
Spain	<u>15.12</u>
Total Commitments Not Yet Received:	168.50
<i>a/ Canada deposited a Qualified IOC in the amount of CAD 158.94 million., of which CAD 39.74 million is unqualified.</i>	
<i>b/ The United States deposited a Qualified IOC in the amount of USD 500 million, of which USD 107.5 million is unqualified.</i>	

ATTACHMENT 2

Global Environment Facility Trust Fund												
Status of Payments on Commitments												
as of October 27, 2003												
(Expressed in millions)												
Contributing Participants	GEF-1				GEF-2				GEF-3			
	Currency	Commitment	Contributions Paid	% Paid	Currency	Commitment	Contributions Paid	% Paid	Currency	Commitment	Contributions paid	% Paid
Argentina	USD	5.00	2.50	50% a/	*	*	*	*	*	*	*	*
Australia	AUD	42.76	42.76	100%	AUD	43.27	43.27	100%	AUD	68.16	17.04	25%
Austria	EUR	16.82	16.82	100%	EUR	16.80	16.80	100%	EUR	24.38	6.10	25%
Bangladesh	SDR	2.00	2.00	100%	*	*	*	*	*	*	*	*
Belgium	EUR	27.27	27.27	100%	EUR	30.94	30.94	100%	EUR	41.98	10.50	25%
Brazil	SDR	4.00	4.00	100%	*	*	*	*	*	*	*	*
Canada	CAD	111.11	111.11	100%	CAD	141.66	141.66	100%	CAD	158.94	39.74	25%
China	SDR	4.00	4.00	100%	SDR	6.00	6.00	100%	SDR	7.50	1.85	25%
Cote d'Ivoire	SDR	4.00	4.00	100%	SDR	4.00	4.00	100%	SDR	4.00	4.00	100%
Czech Republic	SDR	4.00	4.00	100%	SDR	4.00	4.00	100%	SDR	4.00	1.00	25%
Denmark	SDR	25.08	25.08	100%	DKK	193.16	193.16	100%	DKK	298.18	74.55	25%
Egypt	SDR	4.00	1.87	47% c/	*	*	*	*	*	*	*	*
Finland	EUR	20.86	20.86	100%	EUR	14.89	14.89	100%	EUR	30.00	12.08	40%
France	EUR	122.98	122.98	100%	EUR	131.50	131.50	100%	EUR	164.00	41.00	25%
Germany	SDR	171.30	171.30	100%	EUR	198.99	198.99	100%	USD	293.67	73.42	25%
Greece	USD	5.00	5.00	100%	EUR	4.50	4.50	100%	EUR	5.73	1.43	25%
India	SDR	6.00	6.00	100%	INR	323.83	323.83	100%	INR	426.39	106.60	25%
Ireland	EUR	2.08	2.08	100%	EUR	4.69	4.69	100%	EUR	5.73	1.47	26%
Italy	EUR	82.53	82.53	100%	EUR	73.85	49.06	66% d/	b/	-	-	-
Japan	JPY	45,698.09	45,698.09	100%	JPY	48,754.33	48,754.33	100%	JPY	48,754.33	12,188.58	25%
Korea	SDR	4.00	4.00	100%	KRW	4,933.67	4,933.67	100%	USD	5.51	2.76	50%
Luxembourg	SDR	4.00	4.00	100%	EUR	4.97	4.97	100%	b/	-	-	-
Mexico	SDR	4.00	4.00	100%	SDR	4.00	4.00	100%	USD	5.07	1.27	25%
Netherlands	SDR	50.97	50.97	100%	SDR	53.05	53.05	100%	b/	-	-	-
New Zealand	NZD	10.35	10.35	100%	NZD	8.31	8.31	100%	NZD	12.14	3.03	25%
Nigeria	*	*	*	*	SDR	4.00	4.00	100%	SDR	4.00	0	0%
Norway	NOK	220.00	220.00	100%	NOK	228.32	228.32	100%	NOK	228.32	57.08	25%
Pakistan	SDR	4.00	4.00	100%	SDR	4.00	3.00	75% e/	b/	-	-	-
Portugal	EUR	4.45	4.45	100%	EUR	4.90	4.90	100%	EUR	5.73	1.43	25%
Slovak Republic	SDR	4.00	4.00	100%	*	*	*	*	*	*	*	*
Slovenia	*	*	*	*	SDR	1.00	1.00	100%	SDR	1.00	0.25	25%
Spain	EUR	13.10	13.10	100%	EUR	14.81	14.81	100%	b/	-	-	-
Sweden	SEK	450.04	450.04	100%	SEK	448.07	448.07	100%	SEK	764.67	764.67	100%
Switzerland	SDR	31.97	31.97	100%	CHF	64.38	64.38	100%	CHF	99.07	24.77	25%
Turkey	SDR	4.00	4.00	100%	SDR	4.00	4.00	100%	SDR	4.00	1.00	25%
United Kingdom	GBP	89.55	89.55	100%	GBP	85.25	85.25	100%	GBP	117.83	29.46	25%
United States	USD	430.00	430.00	100%	USD	430.00	258.41	60% f/	USD	500.00 g/	107.50	22%
<p>* Designates a country which is not contributing to the replenishment.</p> <p>a/ Argentina and the Trustee have agreed on a schedule to clear its arrears to the GEF-1.</p> <p>b/ Countries which have not yet submitted IOCs for GEF-3.</p> <p>c/ Egypt and the Trustee have agreed on a schedule to clear Egypt's arrears to the GEF-1.</p> <p>d/ While Italy has approved payment of the full amount of its contribution, the third and fourth installments will be paid-in over the fiscal years FY03-FY05.</p> <p>e/ The Trustee is working with Pakistan for payment of its 4th tranche of GEF-2.</p> <p>f/ The U.S. Administration's FY04 budget request to the Congress included US\$ 77.5 million to partially pay its GEF-2 arrears.</p> <p>g/ In addition to the four annual installments of USD107.5 million, the United States will provide USD 70 million in the final year of the replenishment upon achievement of certain performance measures outlined in Schedule 1 to Attachment 1 of GEF-3 Resolution. The amount of USD70 million is included in the USD 500million. The United States have paid up to 25% of their commitment amount of USD 430 million.</p>												

ATTACHMENT 3

Global Environment Facility Trust Fund

Schedule of Projected Available Resources

as of October 27, 2003

Based on Cumulative GEF Council Approved Work Program and Corporate Budget
(Expressed in millions) a/

	<u>USD</u>
1. Cumulative resources made available to the GEF since inception	5,214.8 b/
2. Cumulative resources approved by the Council and IA's for the work programs, fees and Corporate Budget of the GEF since inception	<u>(4,949.1) c/</u>
3. Net Resources of GEF Trust Fund available for allocation by the Council as of October 27, 2003 (1 - 2)	265.7
4. Expected submissions for approval of work programs and fees at November 2003 Council Meeting	<u>(246.0)</u>
5. Projected Net Resources of GEF Trust Fund available for allocation by the Council after November 2003 Council Meeting	19.7
6. Estimated additional resources projected to be paid to GEF Trust Fund by November 30, 2003	312.6 d/
7. Projected Net Resources of GEF Trust Fund available for allocation by the Council by November 30, 2003 (5 + 6)	<u><u>332.3</u></u> e/

a/ Valued on the basis of September 30, 2003 exchange rates.

b/ Includes promissory notes, cash, note encashments, investment income and exchange rate losses from the Pilot Phase, GEF-1, GEF-2, and GEF-3, but does not include arrears or deferred contributions.

c/ Includes cumulative project allocations, cancellations, corporate budget allocations, Implementing Agency fees, and a one-time Implementing Agency fee provision.

d/ Expected payments to be made by November 2003 for the second tranche of GEF-3 contribution. Refer to Table A.

e/ Based on the assumption that no donor will exercise pro-rata right with respect to the second tranche of GEF-3 contribution.