



Global Environment Facility

GEF/C.25/Inf.4
April 29, 2005

GEF Council
June 3-8, 2005

SUMMARY OF THE CO-CHAIRS PLANNING MEETING FOR THE FOURTH REPLENISHMENT OF THE GEF TRUST FUND



Global Environment Facility

Revised
April 21, 2005

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PARIS, FRANCE, MARCH 3, 2005

1. At its meeting in November 2004, the Council requested the Trustee of the GEF Trust Fund, in cooperation with the Chief Executive Officer and Chairman of the Facility, to initiate discussions on the fourth replenishment of the GEF Trust Fund ("GEF-4") with the convening of a planning meeting in early March 2005.
2. The planning meeting was convened at the World Bank Conference Center in Paris on March 3, 2005. The meeting was co-chaired by Mr. Geoff Lamb, Vice President, Concessional Finance and Global Partnerships, World Bank, representing the Trustee, and Mr. Leonard Good, CEO and Chairman of the Facility.
3. At the meeting, representatives from 27 potential donor countries to the replenishment discussed the work plan for the GEF-4 replenishment as well as the meeting arrangements.
4. The following is a summary of the highlights of the meeting prepared by the Co-Chairs. It was not approved by the participants in the meeting.

STATUS OF THE GEF TRUST FUND

5. The Trustee provided a report on the status of the GEF Trust Fund and explained the reasons for initiating the replenishment process at this time. Taking into account Council-approved work programs and the projected pipeline, it is expected that by the end of the GEF-3 period, June 30, 2006, the Council will have allocated most, if not all, of the resources made available under the third replenishment.
6. The Trustee noted that the GEF-3 had benefited positively from the appreciation of some donor national currency contributions and expressed the hope that the GEF-4 would also be able to capture the positive impact of such currency appreciations. The Trustee agreed to prepare a technical note describing the movement of national currency exchange rates against the SDR since the time of the GEF-3 replenishment negotiations.
7. The Trustee also described the constraints to GEF resources caused by delays in donor payments. In response to the report of the Trustee, several donors provided information on the status of their contributions. It was noted that strong progress was being made in meeting GEF-3 financial commitments.

8. The meeting also noted that work was still on-going to address some of the policy recommendations endorsed by the Council as part of the replenishment agreement for the GEF-3, in particular the Council's work on establishing a resource allocation framework, and it was agreed that these issues needed to be resolved so that the replenishment negotiations can move forward.

9. The meeting expressed its hope that the base of support for the GEF-4 would be broadened through the participation of new donors, and current donors were called upon to provide collective peer support in encouraging new donors to participate in the replenishment.

10. It was agreed that the Trustee would provide a written report to the participants on the status of the GEF Trust Fund. This report is attached as Annex 1 to this summary.

ORGANIZATION OF REPLENISHMENT NEGOTIATIONS

11. The Trustee and the Secretariat will co-chair the replenishment process. Countries intending to contribute the equivalent of at least SDR 4 million to the GEF-4 will be invited to participate in the meetings. Other GEF participants and representatives of Implementing and Executing Agencies and the global environmental conventions for which the GEF serves as a financial mechanism are welcome to attend the meetings as observers.

12. In reviewing the proposed meeting schedule and work program, there was general support for the convening of four substantive meetings and the indicative work program proposed for each meeting. In reviewing the work program, the Trustee and Secretariat underlined their willingness to provide additional papers and information that may be required as the process of negotiations progresses.

13. A number of participants requested that at the first meeting participants be provided an opportunity to present their views on what issues should be addressed in the policy recommendations, a draft of which is to be considered at the second negotiating meeting. Some participants also underlined that the programming papers for the GEF-4 should reflect the guidance from the global environmental conventions. The indicative work plan for the GEF-4 replenishment negotiations is attached to this summary as Annex 2.

14. A number of participants proposed that the meetings be scheduled with a view to concluding the replenishment negotiations in 2005. This would ensure that agreement is reached in time to be factored into the budget cycles of a number of major donors, thereby helping to avoid a serious gap in GEF financing. Additionally, participants were generally in favor of scheduling two of the meetings in conjunction with the GEF Council meetings in June and November 2005. It was noted that aiming to conclude the replenishment in 2005 was an ambitious goal that would require all participants to show flexibility and open mindedness in the negotiations to the extent possible. Other participants noted that concluding the replenishment in 2005 might be problematic and could cause practical difficulties in convening four meetings in less than six months.

15. It was also noted that a six month negotiation schedule might not provide sufficient time to establish a six-month reference period for exchange rates for translating SDR pledges into national currencies prior to the conclusion of the replenishment negotiations. The Trustee agreed to give further thought to this issue and to propose a solution prior to the next meeting.

16. It was agreed that the schedule for the first replenishment negotiations and the next Council meeting would be as follows:

NGO Consultation	June 2, 2005
Council meeting	June 3–8, 2005
Replenishment meeting	June 9-10, 2005

17. The schedule for the negotiations thereafter will be reconsidered by the Secretariat and the Trustee. The Secretariat will continue its dialogue with the participants on an acceptable meeting schedule with a view to scheduling three additional meetings in 2005.

CLOSURE OF MEETING

18. The meeting was closed on March 3, 2005.

ANNEX 1. TRUSTEE REPORT ON THE STATUS OF THE GEF-3, AS OF MARCH 3, 2005

I. INTRODUCTION

1. At the March 3rd Planning Meeting in Paris, the Trustee presented a report on the status of the GEF Trust Fund. Donors requested the Trustee to circulate a written report to the participants after the meeting. Unless otherwise noted, all currency valuations are based on exchange rates as of January 31, 2005.

II. FUNDING SITUATION

2. Since inception of the GEF Trust Fund, cumulative resources made available for Council allocation amount to USD eq. 6.5 billion, of which USD eq. 5.9 billion (about 89%) has been allocated to GEF work programs, fees, and corporate budgets. The balance of USD eq. 622.4 million is currently available to Council for future allocations. Attachment 1 presents a summary of the funding situation of the GEF Trust Fund as of March 3, 2005.

III. STATUS OF COMMITMENTS AND INSTALLMENT PAYMENTS TO THE GEF-3

3. At the conclusion of the GEF-3 negotiations, 32 donors pledged contributions to the replenishment. As of today, the Trustee has received Instruments of Commitment formalizing pledges from all donors except Italy, whose pledge to the GEF-3 is SDR 82.99 million (about USD eq. 110 million).

4. The GEF-3 Resolution requires that 75% of committed contributions be paid by November 30, 2004. Out of the 31 donors who have deposited Instruments of Commitment, 22 have paid at least 75% of their GEF-3 contributions.

5. The GEF-3 Resolution allows donors, under paragraph 3 (a) (iii), to request an extension on each installment due date up to June 30th of the same fiscal year in which the payment is due. Donors who request extensions under this provision are not deemed to be in arrears. Four donors have availed themselves of the provision to delay payment of the third tranche until June 30, 2005: Canada, Greece, Mexico, and the U.K.

6. Upon receipt of the payments from these four donors detailed in Table 1 below, the GEF Council will have an additional USD eq. 90.5 million available for allocation. Assuming that these payments are made on time, the total amount estimated to be available for Council allocation for the June Council meeting is USD eq. 712.9 million.

Table 1: GEF-3 Third Tranche to be Paid by June 30, 2005

As of March 3, 2005

(in millions)

Outstanding Payments				
Donor	Currency	Amount	As a % of total contribution	USD eq.
Canada	CAD	39.74	25.0%	32.03
Greece	EUR	1.43	25.0%	1.87
Mexico	USD	1.11	25.0%	1.11
UK	GBP	29.46	25.0%	<u>55.48</u>
Total to be paid by June 30, 2005				90.49

IV. ARREARS TO THE GEF-3 AND CORRESPONDING DEFERRED CONTRIBUTIONS

7. Some donors have not utilized the provision under paragraph 3 (a) (iii) and have not yet paid at least 75% of their contributions. These donors are considered to be in arrears to the GEF-3. Based on this definition, total arrears amount to USD eq. 21.8 million, composed of payments from five donors as shown in Table 2 below:

Table 2: GEF-3 Arrears

As of March 3, 2005

(in millions)

Donor	Amount paid as a % of total contribution	Arrears			
		Currency	Amount	As a % of total contribution	USD eq.
Belgium	50.0%	EUR	10.50	25.0%	13.70
Finland	70.3%	EUR	1.42	4.7%	1.83
Nigeria	25.0%	SDR	2.00	50.0%	3.04
Spain	66.7%	EUR	1.81	8.3%	2.36
U.S.	74.8%	USD	0.86	0.2%	<u>0.86</u>
Total GEF-3 arrears					21.78

8. U.S. arrears of USD 860,000 represent 0.20% of its GEF-3 contribution (USD 430 million). Three donors have exercised the pro rata right under the Resolution and deferred commitment of their contributions in proportion to the U.S. shortfall: Austria, France, and Germany. The total amount deferred from the GEF-3 and not available for Council allocation is USD eq. 1.08 million as shown in Table 3 below.

Donor	Currency	Deferred Contributions		
		Amount	As a % of total contribution	USD eq.
Austria	EUR	0.05	2%	0.06
France	EUR	0.33	2%	0.43
Germany	USD	0.59	2%	<u>0.59</u>
Total GEF-3 deferred contributions				1.08

V. ARREARS FROM PREVIOUS REPLENISHMENTS AND CORRESPONDING DEFERRED CONTRIBUTIONS

9. Arrears from previous replenishments amount to USD eq. 147.1 million. Of this amount, arrears to the GEF-1 are USD eq. 4.9 million, and arrears to the GEF-2 are USD eq. 142.2 million, detailed in Table 4 below.

Donor	Repl.	Currency	Arrears		
			Amount	As a % of total contribution	USD eq.
Argentina	GEF-1	USD	2.50	50.0%	2.50
Egypt	GEF-1	SDR	1.60	39.9%	<u>2.42</u>
Sub total					4.92
Pakistan	GEF-2	SDR	1.00	25.0%	1.52
U.S.	GEF-2	USD	140.67	32.7%	<u>140.67</u>
Sub total					142.19
Total GEF-1 and GEF-2 arrears					147.11

10. As shown in Table 4 above, U.S. arrears to the GEF-2 represent 32.7% of its contribution (USD 430.0 million). Deferred contributions from three donors, Austria, France, and Japan, amount to USD eq. 166.5 million as shown in Table 5 below.

Deferred Contributions				
<u>Donor</u>	<u>Currency</u>	<u>Amount</u>	<u>As a % of total contribution</u>	<u>USD eq.</u>
Austria	EUR	4.20	25.0%	5.48
France	EUR	32.88	25.0%	42.91
Japan	JPY	12,188.58	25.0%	<u>118.08</u>
Total GEF-2 deferred contributions				166.47

SUMMARY OF RESOURCES NOT AVAILABLE

11. The total amount not available for Council allocation due to one outstanding Instrument of Commitment, outstanding installment payments, cumulative arrears, and deferred contributions is USD eq. 509.4 million as shown in Table 6 below.

<u>Description</u>	<u>USD eq.</u>
GEF-3 contribution (3 tranches) from delayed Instrument of Commitment	82.50
GEF-3 third tranche to be paid by June 30, 2005	90.50
GEF-3 Arrears	21.78
GEF-2 Arrears	142.19
GEF-1 Arrears	4.92
GEF-3 Deferred Contributions	1.08
GEF-2 Deferred Contributions	<u>166.47</u>
Total	509.44

12. If all donors were current on their GEF obligations, the resources available for Council allocation would be USD eq. 1.13 billion instead of USD eq. 622.4 million.

VII. PROJECTED PAYMENTS FOR FY06

13. 12. Total GEF-3 contributions projected to be paid in FY06, the final year of the GEF-3 commitment period are USD eq. 613.6 million. This does not include the USD 70 million conditional pledge to the GEF-3 by the U.S., which is no longer due as the condition was not met. Attachment 2 shows projected payments by donor.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

**Schedule of Projected Available Resources
Updated as of March 3, 2005**

Based on Cumulative GEF Council Approved Work Program and Corporate Budget
(Expressed in current US\$ millions) *a/*

	<u>USD eq</u>
1. Total GEF resources available for Council allocation	6,552.7 <i>b/</i>
2. Amount approved by the Council for the work program, fees and Corporate Budget of the GEF up to January 31, 2005	<u>5,930.3</u> <i>c/</i>
3. Net Funding Situation as at March 3, 2005 (1 -2)	622.4
4. GEF-3 third tranche payments expected to be paid by June 30, 2005	<u>90.5</u>
5. Projected available resources for Council allocation at June 30, 2005 (3 + 4)	712.9

a/ Valued on the basis of January 31, 2005 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 and deferred contributions.

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

Projected GEF-3 Payments for FY06 *a/*
(in millions)

<u>Projected Tranche Payments</u>			
<u>Donor</u>	<u>Currency</u>	<u>Amount</u>	<u>USDeq. <i>b/</i></u>
Australia	AUD	17.04	13.19
Austria	EUR	6.10	7.96
Belgium	EUR	10.50	13.70
Canada	CAD	39.74	32.03
China	USD	2.38	2.38
Cote d'Ivoire	SDR	1.00	1.52 <i>c/</i>
Czech Republic	SDR	1.00	1.52
Denmark	DKK	65.21	11.43
Finland	EUR	7.92	10.34
France	EUR	41.00	53.52
Germany	USD	73.42	73.42
Greece	EUR	1.43	1.87
India	INR	106.60	2.43
Ireland	EUR	1.43	1.87
Japan	JPY	12,188.58	118.08
Korea	USD	0.97	0.97
Luxembourg	EUR	1.43	1.87
Mexico	USD	1.11	1.11
Netherlands	SDR	15.60	23.73
New Zealand	NZD	3.03	2.17
Nigeria	SDR	2.00	3.04
Norway	NOK	57.08	9.34
Pakistan	SDR	1.00	1.52
Portugal	EUR	1.43	1.87
Slovenia	SDR	0.25	0.38
Spain	EUR	7.22	9.43
Sweden	SEK	191.17	27.49 <i>c/</i>
Switzerland	CHF	24.77	20.90
Turkey	SDR	1.00	1.52
United Kingdom	GBP	29.46	55.48
United States	USD	107.50	<u>107.50</u>
Total USDeq of projected tranche payments			613.58

a/ This table excludes Italy which has not submitted its Instrument of Commitment to the Trustee.

b/ Based on exchange rates as of January 31, 2005.

c/ This represents the release of GEF-3 fourth tranche payments already received but not yet available for allocation.

ANNEX 2. INDICATIVE WORK PLAN FOR THE GEF-4 REPLENISHMENT NEGOTIATIONS

MEETING 1

Key issues to be discussed: Financial status of GEF resources, exchange rates for use in the GEF-4, evaluation of the GEF-3, proposed programming of resources for the GEF-4 and issues to be addressed in policy recommendations.

1. At this meeting, donors will be invited to review up-dated information on the financial status of the GEF Trust Fund and to agree on the effective exchange rates for use in the GEF-4. The results and impacts achieved during the GEF-3 will be reviewed on the basis of the Third Overall Performance Study of the GEF (“OPS-3”) which is being prepared by an independent firm pursuant to the terms of reference approved by the GEF Council in May 2004. A first assessment of the proposed programming of resources in the GEF-4 will be discussed, and participants will be invited to present their views on issues to be addressed in the policy recommendations. Papers to be reviewed and discussed include:

Contributions, Funding Situation, and Financial Management of the GEF Trust Fund.

This paper will describe the current financial condition of the GEF showing the impact of exchange rate movements on the GEF-3 and the implications for risk management on the GEF Trust Fund. It will also inform donors of the net funding availability and proposed work program projections for the GEF Trust Fund through FY06. [Note: this paper will be updated for each of the replenishment meetings.]

Effective Exchange Rates for Use in the Fourth Replenishment. This note will describe the movement of national currency exchange rates against the SDR since the time of the GEF-3 replenishment negotiations and propose the reference period for exchange rates for translating SDR pledges into national currencies. It is expected that participants will agree on the reference period at the meeting.

GEF Programming of Resources during the Fourth Replenishment. This paper will present proposals for programming resources in the GEF-4 to cover GEF operations and activities for the four years of the replenishment. GEF-4 resource requirements and the potential operational implications of different scenarios of financing will be described. In preparing the programming paper, the guidance from the global environmental conventions for which the GEF serves as the financial mechanism will be taken fully into account. Participants will be invited to comment on and discuss the programming paper with a view to agreeing on a revised document at their second meeting.

Report of the Third Overall Performance Study of the GEF (“OPS-3”). In May 2004, the GEF Council approved the terms of reference and budget for the preparation of the third Overall Performance Study of the GEF. The Council agreed that the OPS-3 should be independent and external and that it should be completed in time

to inform negotiations of the GEF-4. The purpose of the OPS-3 is to assess the extent to which the GEF has achieved, or is on its way towards achieving, its main objectives as set out in the GEF Instrument and subsequent decisions by the GEF Council and the Assembly, including key documents such as the Operational Strategy and the Policy Recommendations agreed as part of the GEF-3.

Update on Resource Allocation Framework. This note will provide up-to-date information on the Council's deliberations and decisions regarding the approval of a Resource Allocation Framework.

Information documents: The meeting will have before it information from the global environmental conventions concerning resource needs emanating from the conventions.

MEETING 2

Key issues to be discussed: Programming of Resources, Draft Policy Recommendations

GEF Programming of Resources. On the basis of discussions at the first meeting, the GEF Secretariat will prepare a revised programming paper for review and agreement at the meeting.

Draft Policy Recommendations for the Fourth Replenishment. The Secretariat will prepare for discussion at the meeting proposed policy recommendations relating to strategic issues to be addressed by the Council during the GEF-4 period. The draft recommendations will be prepared taking into account views expressed by participants at the first meeting, discussions of OPS-3, Council decisions, reports and findings of the GEF Office of Monitoring and Evaluation, and other relevant information. The participants will be invited to comment on and discuss the policy recommendations with a view to reviewing a revised proposal at their third meeting.

Contributions and Funding Situation of the GEF Trust Fund. This paper will provide the latest update on donor contributions, payments, and arrears to the GEF-3, as well as the projected commitment authority of the GEF Trust Fund at the end of FY06.

MEETING 3

Key issues to be discussed: Draft Policy Recommendations, Burden Sharing, Financial Issues and Arrangements for the Fourth Replenishment, Draft GEF Trust Fund Replenishment document.

Draft Policy Recommendations for the Fourth Replenishment. On the basis of discussions at the previous meeting, the GEF Secretariat will present revised policy recommendations for review at the meeting. The participants will be invited to comment on and discuss the revised recommendations with a view towards reaching consensus on the text.

Contributions and Funding Situation of the GEF Trust Fund. This paper will present the latest update on donor contributions, payments, and arrears to the GEF-3, and as well as provide a projection of the commitment authority at the end of the GEF-3 period.

Burden Sharing for the Fourth Replenishment. This paper will review the burden-sharing frameworks of previous GEF replenishments and discuss options for burden-sharing in the GEF-4. Participants will be invited to consider the options for burden-sharing with a view to agreeing on the framework to be followed for the GEF-4.

Financial Arrangements for the Fourth Replenishment. This paper will present an indicative encashment schedule to be used for the GEF-4 and related payment options for receiving credits or discounts for cash or accelerated payments. The Trustee will also provide its analysis for projecting investment income to be earned on the GEF-4 between FY07 and FY10. The participants will be invited to provide their comments on the proposed encashment schedule and other matters raised in the technical note.

Draft GEF Trust Fund Replenishment Resolution. This paper will present a draft of the formal document to be used as the Fourth Replenishment Resolution to be approved by the World Bank's Executive Directors. The participants will be invited to review and comment on the proposed text with a view to reaching final agreement on a revised text at their fourth meeting.

Meeting 4

Key issues to be discussed: Pledges to the GEF-4, final policy recommendations, approval of trust fund agreement and final report.

Contributions and Funding Situation of the GEF Trust Fund. This paper will provide a final update on donor contributions, payments, arrears, and projected commitment authority of the GEF-3 at the end of FY06.

Draft Policy Recommendations. The Secretariat will present for approval the final policy recommendations for the GEF-4, to be agreed as part of the replenishment resolution.

GEF Trust Fund Agreement. The final Replenishment Agreement will include the Policy Recommendations, the draft Resolution, and the table reflecting pledged contributions to the GEF-4.

Draft Summary of Negotiations. The Secretariat will present for review and approval a draft summary of the negotiations.