

GEF Council Meeting
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Washington, D.C.

Global Environment Facility Trust Fund Financial Report

(Prepared by the Trustee)



Global Environment Facility Trust Fund

Financial Report

Prepared by the Trustee

Summary of Financial Information

As of March 31, 2012



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Introduction

This is the first Financial Report prepared by the Trustee for the GEF Trust Fund in this new format. The information contained in this report is prepared based on financial information as of March 31, 2012.

The 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, (vi) ozone layer depletion, and (vii) persistent organic pollutants.

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 March 31, 2012 and some of the recent developments since October 1, 2011 to March 31, 2012; (ii) the status of implementation of the GEF-5 Replenishment, and (iii) the details of financial activities of the GEF Trust Fund.



GEF Trust Fund Summary as of March 31, 2012

GEF Trust Fund Financial Summary (Update for the period October 1, 2011 through March 31, 2012)

Pledges and Contributions:

GEF Contributing Participants have pledged SDR 9,126¹ million (USDeq. 12,897 million) to date, of which SDR 8,917² million (USDeq. 12,582 million) has been confirmed by depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

Since the adoption of the GEF-5 Replenishment Resolution No. 2010-0004 on July 19, 2010, GEF-5 Contributing Participants have pledged SDR 2,212 million (USDeq. 3,389 million), of which SDR 2,184³ million (USDeq. 3,346 million) has been confirmed by depositing IoCs or QIoCs with the Trustee.

As of March 31, 2012, GEF Contributing Participants paid USDeq. 1,657 million towards their GEF-5 contributions. USD 686 million was received by the Trustee between October 1, 2011 and March 31, 2012.

Investment Income:

As of March 31, 2012, cumulative investment income earned amounted to USD 1,102 million. The investment income earned over the GEF-5 period amounted to USD 104 million (2% investment return). The prevailing low interest rate environment and risk of upward moves in yields means returns on fixed income assets are likely to remain very low in the near term.

Funding Approvals and Commitments

Cumulative net funding decisions (approvals by the GEF Council/CEO) to date amounted to USD 11,195 million. GEF-5 funding decisions amounted to USD 1,198 million. New funding decisions between October 1 and March 31, 2012 amounted to USD 711 million. In accordance with the GEF-5 Replenishment Resolution, upon receipt of payment by the Trustee of unqualified contributions, such contributions become available for commitment by the Trustee for disbursements as needed to cover the GEF work program, administrative budget and any other expenses approved by the GEF Council. As of March 31, 2012 committed amounts pending transfers to Agencies totaled USD 2,424 million representing an increase of USD 41 million as compared to September 30, 2011.

Cash Transfers

Total cash transfers amounted to USD 357 million between October 1, 2011 and March 31, 2012. Of this amount, USD 321 million was transferred to Agencies for projects and project preparation grants.

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

² Includes partial payments by Belgium and Italy to the GEF-5.

³ Ibid.



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

Funds Held in Trust⁴ 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 March 31, 2012 amounted to USDeq. 4,777 million, of which 25% represented unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 838 million⁵ as of March 31, 2012. This represents a decrease of USD 61 million as compared to September 30, 2011. The receipt of new funds from donors between October 1, 2011 and March 31, 2012 was offset by an increase in funding decisions by the Council and CEO during the same period.

⁴ Funds Held in Trust represents balance of cash, investments and unencashed promissory notes as of the reporting date.

⁵ Funds available for Council decision would be adjusted accordingly to reflect new payments received from donors and by additional funding approvals between April 1, 2012 and the date of work program approval by the Council in June 2012.



Recent Developments

Deferred Contributions Update

Resolution No. 2010-0004 of the Executive Directors of the International Bank for Reconstruction and Development, entitled “Global Environment Facility Trust Fund: Fifth Replenishment of Resources” adopted on July 19, 2010 provides the following in paragraphs 8(a), (b), (c), and (d):

“Contributions shall become available for commitment by the Trustee, for disbursement or transfer as needed to cover the work program, the administrative budget of the GEF, and any other expenses approved by the Council under the Instrument, upon receipt of payment by the Trustee of the contributions set out in sub-paragraphs 1(a) and (b) except as provided in sub-paragraph 8(c) below.

The Trustee shall promptly inform all Contributing Participants if a Contributing Participant that has deposited a Qualified Instrument of Commitment and whose contribution represents more than 5 percent of the total amount of the resources to be contributed pursuant to the Fifth Replenishment has not unqualified at least 50 percent of the total amount of its contribution by November 30, 2011, or 30 days after the Effective Date, whichever is later, and at least 75 percent of the total amount of its contribution by November 30, 2012, or 30 days after the Effective Date, whichever is later, and the total amount thereof by November 30, 2013, or 30 days after the Effective Date, whichever is later.”

In view of the above provisions, the Trustee informed Contributing Participants that the following two Contributing Participants, each of whose contribution represents more than 5% of the total amount of the resources to be contributed, had not unqualified 50% of the total amount of their contribution by November 30, 2011.

- Canada had unqualified CAD 87.0 million, or 36.5% of its total GEF-5 contribution,
- The United States had unqualified USD 89.8 million, or 15.6% of its total GEF-5 contribution.

On March 15, 2012, the United States unqualified and paid additional USD 89.8 million. Therefore, the total unqualified amount now represents 31.2% of its total GEF-5 contribution.

On April 30, 2012, Canada unqualified and paid the balance of their second installment under the GEF-5.

Consequently, France (on April 30, 2012) and Germany (on April 27, 2012) chose to exercise their right to defer and have informed the Trustee of their decision to defer commitment of the second installment of their GEF-5 contribution while and to the extent that the contributions to GEF-5 from Canada and the United States remained qualified.

Accordingly, as calculated by the Trustee, the total amount to be deferred for commitments is USDeq. 139.4 million representing GEF-5 deferred contributions as of April 30, 2012:

- France: EUR 40.4 million (USDeq. 53.4 million)
- Germany: EUR 65.1 million (USDeq. 86.0 million)



1. GEF Trust Fund Summary – Inception through March 31, 2012

	Total (in SDR millions)
<u>Donor Pledges and Contributions</u>	
Received IoCs	8,916.6
GEF-4 IoCs not yet deposited	77.5
GEF-5 IoCs not yet deposited	131.6
Total Donor Pledges and Contributions (in SDR millions)	9,125.7
	Total (in USD millions)
<u>Cumulative Resources</u>	
<u>Resources received</u>	
Cash Receipts	10,036.7
Unencashed promissory notes	1,193.4
Investment Income earned	1,101.9
Total Resources Received	12,332.0
<u>Resources not yet received</u>	
GEF-5 IoCs not yet deposited	183.6
GEF-4 and pre-GEF-4 IoCs not yet deposited	123.4
Installment Receivables	1,940.3
Total resources not yet received	2,247.3
Total Cumulative Resources (A) (in USD millions)	14,579.3
<u>Cumulative Funding Decisions</u>	
Approvals by Council and CEO	12,019.3
Cancellations	(824.7)
Pending Decisions of Intercessional and Council Meetings	-
Total Funding Decisions Net of Cancellations (B) (in USD millions)	11,194.6
Cumulative Resources Net of Funding Decisions (A) - (B)	3,384.7
<u>Funds Available</u>	
Funds Held in Trust with no restrictions	4,481.3
Approved Amounts Pending Cash Transfers to Agencies	3,643.8
Total Funds Available to Support Council or CEO Decisions (in USD millions)	837.5



2. Funding Availability

In USD millions

	As of March 31, 2012 (a)	As of September 30, 2011 (b)	Change since last report (a) - (b)
1. Funds Held In Trust	4,777	4,414	363
a. Cash and investments	3,584	3,480	104
b. Unencashed promissory notes	1,193	934	259
2. Restricted Funds	296	375	(79)
a. Deferred Contribution in respect to the pro rata right	233	245	(12)
b. Pre-paid Contributions	3	70	(67)
c. Reserve to cover foreign exchange rate fluctuations	60	60	-
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	4,481	4,039	442
4. Approved Amounts Pending Cash Transfers to Agencies	3,644	3,140	503
a. Trustee committed	2,424	2,383	41
b. Approved by Council but not yet ECO Endorsed	1,219	757	462
c. Requested amounts for financing pending decision	-	-	-
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	838	899	(61)

Highlights for the period October 1, 2011 through March 31, 2012:

- **Funding Availability** decreased by USDeq. 61 million over the prior reporting period as a result of new funding decisions made by the GEF Council and the CEO during the period. This was offset by the receipt of GEF-5 second installment payments from Contributing Participants.
- **Funds Held in Trust** increased by USDeq. 363 million resulting from:
 - The deposit of installment payments to the GEF-5 amounting to USDeq. 686 million.
 - Investment Income earned during the past period of USDeq. 26 million.
 - Cash transfers to Agencies for projects, project preparation grants and fees during the period of USD 357 million.
- **New Funding decisions** arising from Council or CEO approvals amounted to USD 711 million. Trustee commitments during the period increased by USD 224 million.



3. GEF-5 Specific Funding Decisions

In USD millions

1. Target Replenishment Funding			4,340
2. Projected Available Resources during the GEF-5 Period			2,950
Estimated Funds Available to Support Council or CEO Financing Decisions			838
	Potential Amount Available	of which Projected to be Available	
Receivables			1,787
Arrears/Past-due	277	124	
Due in FY12	163	163	
Due in FY13	777	777	
Due in FY14	724	724	
Release of Restricted Contributions			3
Deferred Contributions	233	-	
Pre-paid Contributions	3	3	
IoCs not yet Deposited with the Trustee	307	184	184
Projected Investment Income	138	138	138
Total	2,621	2,112	
3. GEF-5 Specific Funding Decisions			1,198
Approvals by Council			1,175
Projects and Fees		793	
Admin. Budget		29	
Special Initiatives		0	
Programmatic Initiatives		353	
Approvals by CEO			25
Projects and Fees (MSPs, EEAs)		17	
Project Preparation Activities and Fees		8	
Net Changes to Initial Approvals			(2)
Pending decisions on Intersessional and Council meetings			
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives			-
4. GEF-5 "Envelope" as of March 31, 2012 (4 = 2 + 3)			4,147
5. Excess or (Shortfall) as Measured Against the Target in Line 1			(193)

Highlights for the period October 1, 2011 through March 31, 2012:

- **Projected Available Resources** through the end of the GEF-5 period amounted to USD 2,950 million (71% of the total GEF-5 envelope). The decrease of USD 793 million resulted from receipts from Contributing Participants under GEF-5 that were made available for funding decisions during the reporting period as well as revaluation of the installment receivables other than in USD.
- **GEF-5 Funding** Decisions amounted to USD 1,198 million (29% of the total GEF-5 envelope).
- **The shortfall of the GEF-5 Envelope Value** as measured against the Target Replenishment has increased by USD 83 million as compared to September 30, 2011 due to revaluation of the contribution receivables.



4. Cumulative Resources and Funding Decisions

In USD millions

	March 31, 2012	September 30, 2011
1. Target Programming Level	13,657	13,657
2. Cumulative Resources	14,579	14,564
<u>Resources not yet received</u>	<u>2,247</u>	<u>2,950</u>
GEF-5 IoCs not yet deposited with the Trustee	184	270
GEF-4 and pre-GEF 4 IoCs not yet deposited with the Trustee	123	125
Installment Receivables	1,940	2,555
<u>Resources received</u>	<u>12,332</u>	<u>11,613</u>
Cash receipts from installments and encashments	10,037	9,604
Unencashed promissory notes	1,193	934
Investment Income earned on undisbursed balances of GEF Fund	1,102	1,076
3. Cumulative Funding Decisions	11,195	10,513
Approvals by Council and CEO	12,019	11,296
Cancellations	(825)	(782)
Pending decisions on Intercessional and Council Meetings	-	-
4. Cumulative Resources Net of Funding Decisions (4 = 2 - 3)	3,385	4,051
5. Excess (shortfall) as Measured Against the Target in Line (5 = 2 - 1)	922	907

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.
- The Target Programming Level amount represents the targeted new resources as agreed by Donors during replenishment discussions; it excludes the agreed carryover of arrears, deferred contributions, and paid-in funds not yet set aside.
- The Cumulative Resources of USDeq. 14.6 billion include resources not yet received (which comprise IoCs not yet deposited with the Trustee) and Installment Receivables.
- Cumulative Resources exceed the Target Programming Level by USDeq. 922 million as of March 31, 2012.



4a. Cumulative Resources

INSTRUMENTS OF COMMITMENT TO BE DEPOSITED

Contributing Participant	Replenishment	Currency of Obligation	Amount	USDeq.	Percentage
Belgium a/	GEF-5	EUR	34.00	45	24.6%
Brazil	GEF-5	USD	12.26	12	6.7%
Greece	GEF-5	EUR	4.44	6	3.2%
Italy b/	GEF-5	EUR	73.08	97	53.0%
Nigeria	GEF-5	SDR	4	6	3.4%
Pakistan	GEF-5	PKR	499.64	6	3.0%
Portugal	GEF-5	EUR	4.44	6	3.2%
Turkey	GEF-5	TRY	9.57	5	2.9%
Total GEF-5 IoCs Not Yet Deposited				184	100.0%
Italy	GEF-4	EUR	87.91	117	95.0%
Nigeria	GEF-4	SDR	4.00	6	5.0%
Total GEF-4 IoCs Not Yet Deposited				123	100.0%

a/ Belgium has paid its first and second installment in full.

b/ Italy has paid 82% of the first installment under GEF-5.

Since the adoption of the GEF-5 Replenishment Resolution No. 2010-0004 on July 19, 2010, twenty-eight⁶ Contributing Participants have deposited their IoCs or QIoCs in the form and substance agreed under the GEF-5 Replenishment Resolution.

Eight Contributing Participants have not yet submitted their **GEF-5 IoCs** for a total amount of USDeq. 184 million. Until received in cash, these resources are subject to fluctuations in exchange rates. However, both Belgium and Italy have paid 56% and 21% respectively towards their GEF-5 pledges.

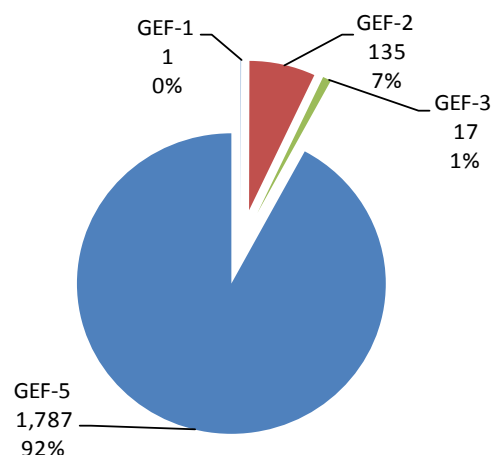
GEF-4 IoCs not yet deposited with the Trustee amount to USDeq. 123 million representing pledges from Italy (USDeq. 117 million) and Nigeria (USDeq. 6 million).

⁶ Includes Belgium and Italy who made partial payments to the GEF-5, but have not yet deposited their IoCs



INSTALLMENT RECEIVABLES BY REPLENISHMENT

Installment Receivables as of March 31, 2012 are estimated to be USDeq. 1,940 million. Of these, 92.1% represents GEF-5 installments, based on the IoCs and QIoCs received by the Trustee as of March 31, 2012. The majority of the remaining 7.9% of installment receivables represent the arrears of the United States under GEF-2 and GEF-3.



ARREARS

Arrears from previous replenishments amounted to USDeq. 153 million. Of this amount, USD 151 million represents the arrears of the United States. In addition, past due payments under GEF-5 amounted to USDeq. 124 million as of March 31, 2012.

Contributing Participant	Repl.	Currency	Arrears Amount	USD eq.
Egypt	GEF-1	SDR	0.53	0.82
United States	GEF-2	USD	134.97	134.97
Nigeria	GEF-3	SDR	0.67	1.03
United States	GEF-3	USD	16.15	16.15
Total				152.97

RESTRICTED RESOURCES

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

Restricted resources totaled USDeq. 296 million or 6.2% of Funds Held in Trust and comprise:

- (i) deferred contributions from France, Japan (from the GEF-2 and the GEF-3), and Germany (from the GEF-3) totaling USD 233 million;
- (ii) GEF-5 contributions pre-paid and not yet released (USD 3 million); and
- (iii) a foreign exchange reserve to cover exchange rate fluctuations⁷ (USD 60 million).

	USDeq.	Percentage
Deferred Contributions		
France	51	17%
Germany	11	4%
Japan	171	58%
Pre-paid Contributions	3	1%
Total Restricted Contributions	236	80%
Reserve to cover FX fluctuations	60	20%
Total Restricted Resources	296	100%

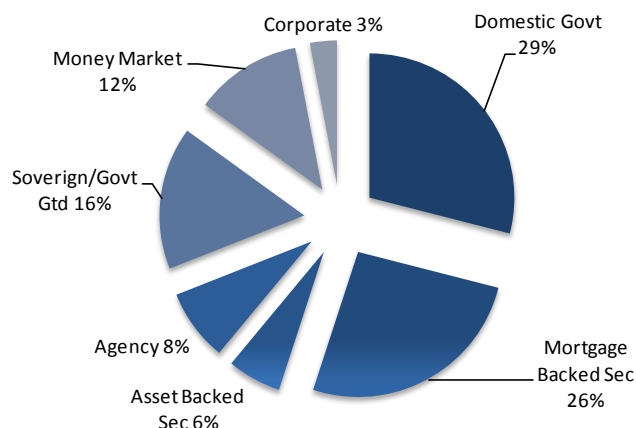
⁷ A foreign exchange reserve of USD 60 million provides a buffer in the event that the GEF Trust Fund may not have sufficient funds to disburse against commitments already made by the Trustee as a result of currency exchange rate movements.



4b. Asset Mix and Investment Income

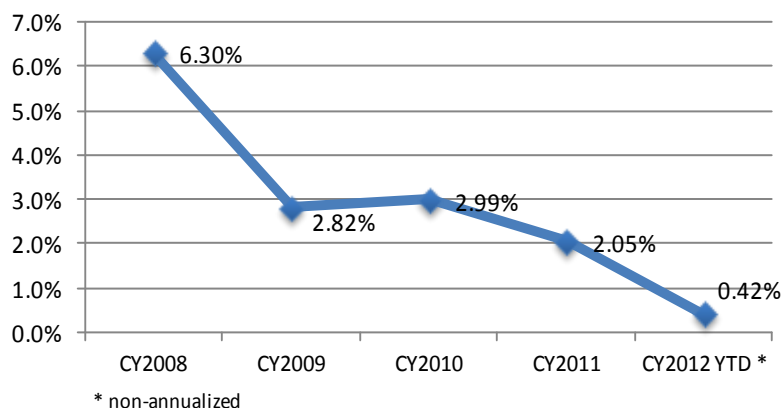
ASSET MIX

The undisbursed cash balance of the GEF Trust Fund is maintained in a commingled investment portfolio ("Pool") for all trust funds managed by IBRD and is allocated across six asset classes. The Pool is actively managed so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon.



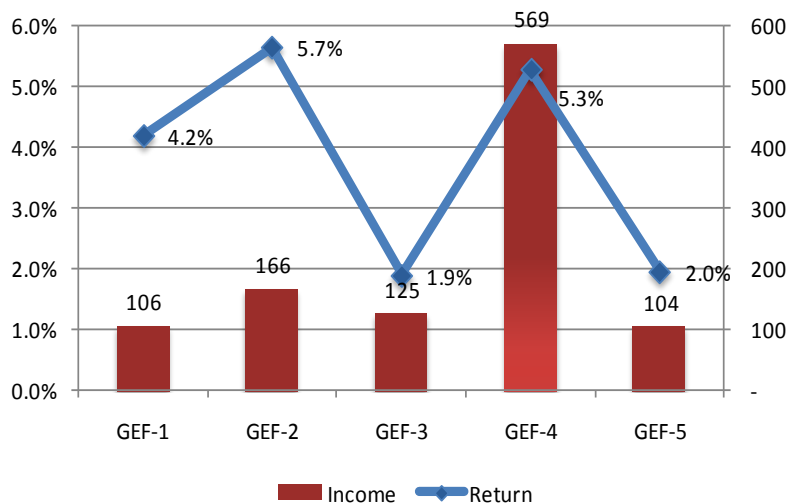
INVESTMENT RETURNS

2008 rates of returns were abnormally high due to capital appreciation in the low-risk assets in the portfolio that performed well during the financial crisis. Increases in investor risk in 2009 and 2010 resulted in lower returns for those assets. The prevailing low interest rate environment and risk of upward moves in yields means returns on fixed income assets are likely to remain very low in the near term.



INVESTMENT INCOME

The total amount of investment income earned since the beginning of GEF-1 is USD 1,102 million. Since the beginning of the GEF-5 replenishment period, USD 104 million has been earned in the GEF Trust Fund.

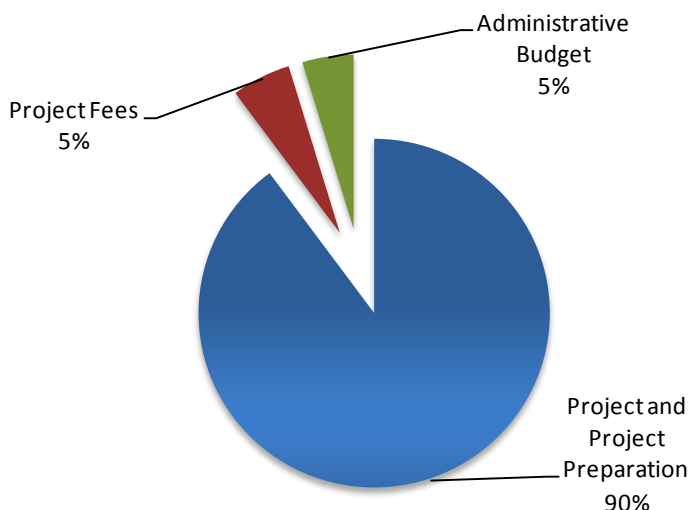




4c. Funding Decisions

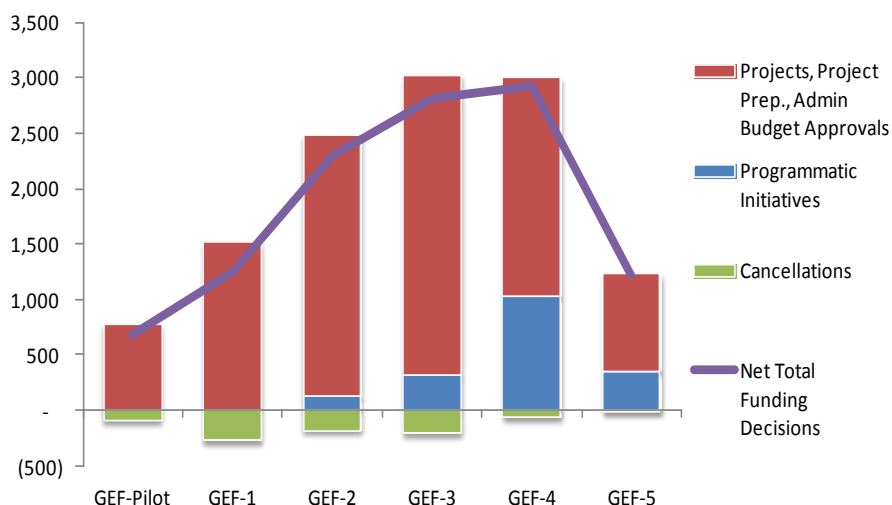
CUMULATIVE FUNDING DECISIONS

Since inception to March 31, 2012 funding approvals made by the Council and CEO totaled USD 12,019 million. Cumulative funding cancellations totaled USD 829 million. There are no pending amounts for decisions on Intercessional and Council meetings. Total funding decisions represent about 77% of the total cumulative GEF resources.



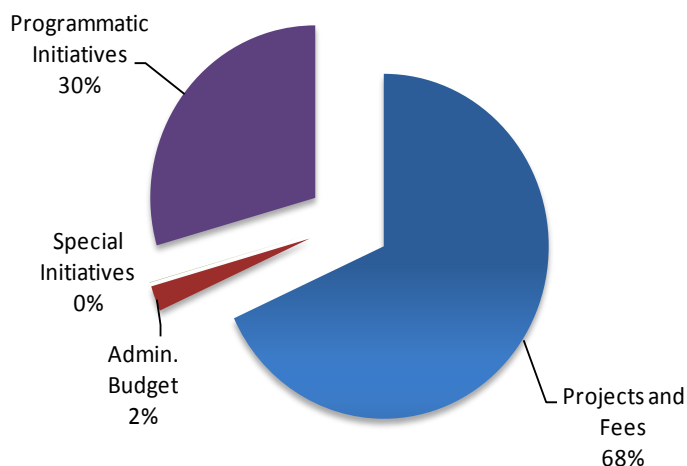
FUNDING DECISIONS BY REPLENISHMENT

Funding decisions by Replenishment show the cumulative funding decisions including cancellations. GEF-5 funding decisions amount to date to USD 1,198 million.



GEF-5 FUNDING DECISIONS

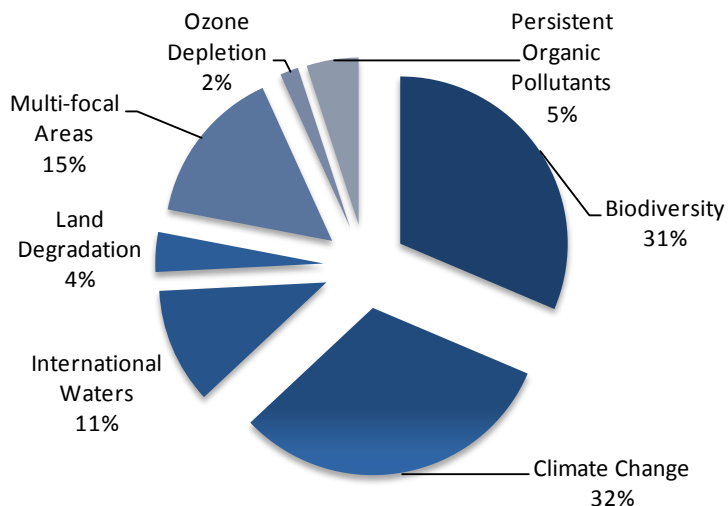
Of the total amount of USD 1,198 million approved to date by the GEF Council and GEF CEO, Projects and Fees comprise 68% of GEF-5 funding decisions, while Programmatic Initiatives comprise 30% of GEF-5 funding decisions.





FUNDING DECISIONS BY FOCAL AREA

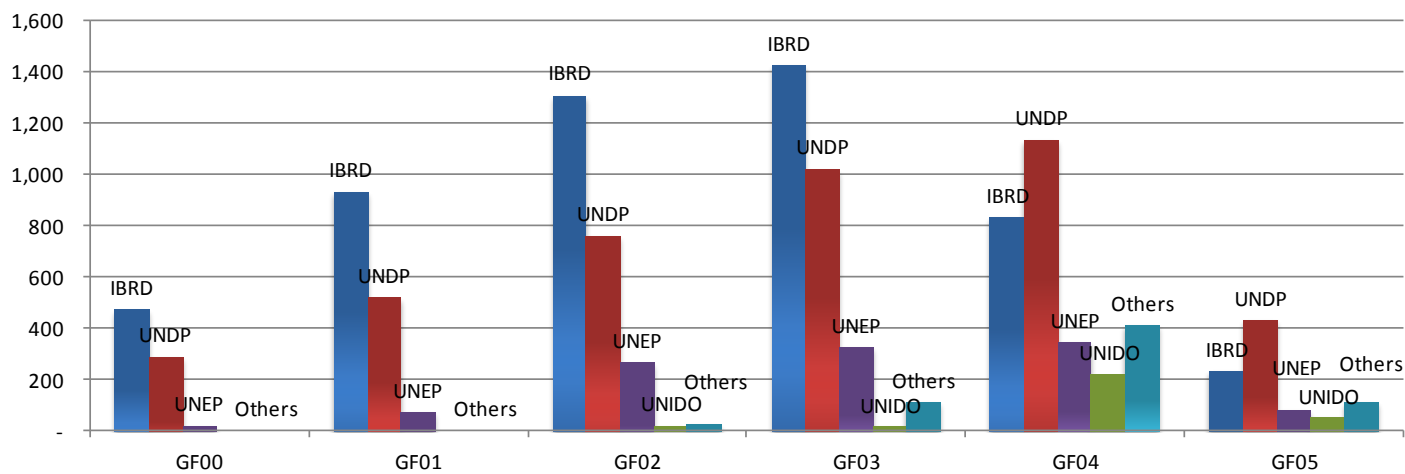
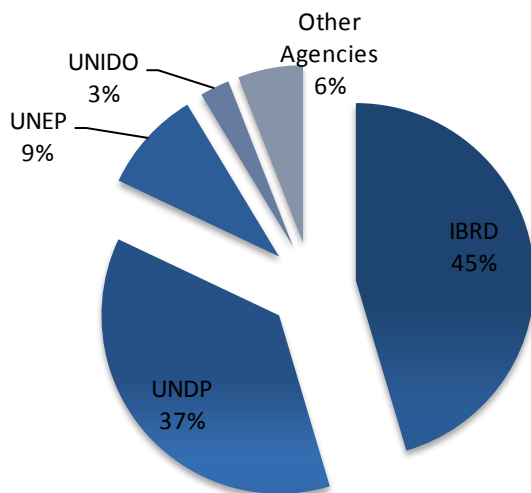
Funding Decisions by Focal Area show cumulative funding for projects only and excludes fees. Projects in the areas of biodiversity and climate change represent approximately 63% of the cumulative funding approved to date.



FUNDING DECISIONS BY AGENCY

Funding decisions by Agency show 82% of the cumulative approvals for projects and fees were for IBRD and UNDP. UNEP's share of the total is 9% while the seven other Agencies received 6% of the funding.

The shares of the Agencies change over the time. IBRD's share fell from 61% in the GEF Pilot to 26% in the GEF-5. UNDP share increased from 37% to 48% over the same period.





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.

