

51st GEF Council Meeting
October 25 – 27, 2016
Washington, D.C.

Agenda Item 06

UPDATE ON GEF-6 RESOURCE AVAILABILITY

Recommended Council Decision

The Council, having reviewed document GEF/C.51/04, *Update on GEF-6 Resource Availability*, agreed that, as a contingency measure to effectively manage the projected shortfall of the GEF-6 resource envelope, the Secretariat undertake programming aiming to maintain the balance among the original allocations in the GEF-6 replenishment decision, assisting Least Developed Countries (LDCs) and Small Island Developing States (SIDS) in accessing resources, and supporting core obligations to the conventions for which the GEF is a or the financial mechanism.

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INTRODUCTION

1. The paper responds to a request that the Council made at its 50th Meeting in June 2016, to “the Secretariat to prepare an update on GEF-6 resource availability, which also reflects any funding released from the GEF Cancellation Policy, and propose other potential measures to support effective resource use during GEF-6 for Council consideration”. This paper, therefore, provides an update of overall projected GEF-6 resource availability, reporting on the impact of two main factors affecting resource availability, namely exchange rate movements and project cancellations as a result of the one-time cancellation of overdue projects following the Council’s decision adopted at the 48th Council meeting. Projections point to a significant GEF-6 resource shortfall. Therefore, this paper makes recommendations on how the Secretariat will undertake programming in order to effectively manage the projected shortfall through the end of GEF-6.

AN UPDATE ON PROJECTED OVERALL GEF-6 RESOURCE AVAILABILITY

2. Since the time when the GEF-6 reference exchange rates were set, there has been a significant appreciation of the US dollar against major currencies. Due to exchange rate movements, as of August 31st, 2016 the Trustee projected a shortfall of \$616.5 million. At the same time, reflows of \$44.5 million due to the implementation of the one-time cancellation of nine overdue projects are anticipated.

3. Taking these two factors into consideration, the net GEF-6 shortfall is projected at \$572 million, equivalent to 13% of the original GEF-6 envelope of \$4,434 million. Consequently, the projected envelope of resources available for GEF-6 calculated on August 31st, 2016 amounts to \$3,862 million (Annex 1).

4. It should be noted that there is considerable uncertainty in the projections of overall resource availability. One source of uncertainty is future exchange rate movements as the magnitude of the estimated shortfall is shifting with changes in the value of the US dollar against other major currencies. By way of illustration, in the document GEF/C.50/Inf.10 - GEF Trust Fund Financial Report presented to Council in June 2016, the Trustee calculated that a 5% appreciation of the USD would increase the projected shortfall to \$775 million, while a 5% depreciation would reduce the projected shortfall to \$440 million. Additional uncertainty arises from the possibility of cancellation of projects that may not be submitted for CEO Endorsement/Approval in time.

RECOMMENDATION

5. Against the projected shortfall, going forward, a prudent approach to programming is proposed. Specifically, it is recommended that the Secretariat undertake programming aiming to maintain the balance among the original allocations in the GEF-6 replenishment decision, assisting Least Developed Countries (LDCs) and Small Island Developing States (SIDS) in accessing resources, and supporting core obligations to the conventions for which the GEF is a or the financial mechanism. This approach is in line with the decision adopted by Council in November 2012 when a similar shortfall scenario was anticipated for GEF-5.

6. Accordingly, programming will be kept within the revised projected envelope while aiming to ensure that:

- (a) country STAR allocations for SIDS and LDCs remain unchanged as at the beginning of GEF-6;
- (b) focal area set-asides remain unchanged as at the beginning of GEF-6 in order for the GEF to be able to provide necessary support for convention obligations;
- (c) focal areas be subject to the same proportional reduction to maintain the original GEF-6 balance;
- (d) country allocations other than those for SIDS and LDCs be subject to the same proportional reduction so as to ensure equitable impact of the reduced projected envelope.

7. The Secretariat will continue to: (i) work with the Trustee to understand shortfall projections on a regular basis; (ii) take stock of resource programming across the different focal areas/themes, including the use of STAR allocations; and (iii) work with the GEF Agencies and countries to ensure that resource programming is undertaken considering the resource envelope.

ANNEX 1. PROJECTED RESOURCE ENVELOPE AS OF AUGUST 31, 2016

Focal area/Theme	Original GEF-6 Targets (US\$ million)	Total Utilizations including Oct 2016 WP against Original Targets (US\$ million)	Utilization Percentage against Original Targets	Remaining against Original Targets (US\$ million)	Revised Targets, US\$3,862 million	Percentage Reduction of Targets	Absolute Reduction of Targets (US\$ million)
Biodiversity Country Allocation	1,051	506	48%	545	885	16%	166
Biodiversity Set-Aside	50	16	31%	34	50	0%	0
Climate Change Country Allocation	941	446	47%	495	793	16%	148
Climate Change Set-Aside	189	64	34%	125	189	0%	0
Land Degradation Country Allocation	346	166	48%	180	291	16%	55
Land Degradation Set-Aside	25	8	33%	17	25	0%	0
Chemicals and Waste	554	276	50%	278	467	16%	87
International Waters	456	166	36%	290	384	16%	72
Non Grant Pilot	110	98	89%	12	98	11%	12
Country Support Program (CSP)	23	12	52%	11	23	0%	0
Cross Cutting Capacity Development (CCCD)	34	17	50%	17	29	16%	5
Small Grant Program	140	140	100%	0	140	0%	0
SFM Program	230	204	89%	26	204	11%	26
IAP-Commodities	45	44	98%	1	45	0%	0
IAP-Cities	55	55	100%	0	55	0%	0
IAP-Food Security	60	60	100%	0	60	0%	0
Corporate Budget	125	61	49%	64	125	0%	0
TOTAL GEF-6 Trust Fund Replenishment	4,434	2,338	53%	2,096	3,862	13%	572