



GEF/C.41/Inf.13  
October 24, 2011

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GEF Council Meeting  
November 8-10, 2011  
Washington, D.C.

## **Trustee Report**

**(Prepared by the World Bank as Trustee)**

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## **Financial Status of the GEF Trust Fund as of September 30, 2011**

### **I. Introduction**

This report provides the latest available month-end financial information for the GEF Trust Fund (as of September 30, 2011).

### **II. Update to the GEF-5 Replenishment**

1. **Instruments of Commitment (IoCs):** Since the adoption of the GEF-5 Replenishment Resolution No. 2010-0004 on July 19, 2010, 26 Contributing Participants have deposited their IoCs in the form and substance agreed under the GEF-5 Replenishment Resolution. **Table 1** shows the details of the status of IoCs received by the Trustee as of September 30, 2011. GEF-5 IoCs not yet deposited with the Trustee account for USDeq. 188.3 million.

**Table 1: GEF-5 Instruments of Commitment**

Status as of September 30, 2011

(in SDR millions)

<u>Contributing Participant</u>	<u>GEF-5 Pledges</u>	<u>GEF-5 Deposited Instruments of Commitment</u>
Australia	52.9	52.9
Austria	40.2	40.2
Belgium	77.1	-
Brazil	8.0	-
Canada	135.2	135.2
China	9.8	9.8
Czech Republic	4.6	4.6
Denmark	52.7	52.7
Finland	56.2	56.2
France	194.2	194.2
Germany	312.6	312.6
Greece	4.4	-
India	6.4	6.4
Ireland	5.6	5.6
Italy	82.9	-
Japan	329.6	329.6
Korea	5.3	5.3
Luxembourg	4.0	4.0
Mexico	6.5	6.5
Netherlands	74.7	74.7
New Zealand	4.0	4.0
Nigeria	4.0	-
Norway	38.5	38.5
Pakistan	4.0	-
Portugal	4.0	-
Russian Federation	7.1	7.1
Slovenia	4.3	4.3
South Africa	4.4	4.4
Spain	27.8	27.8
Sweden	85.4	85.4
Switzerland	75.4	75.4
Turkey	4.0	-
United Kingdom	214.4	214.4
United States	375.2	375.2
<b>Totals</b>	<b>2,315.2</b>	<b>2,126.9</b>

### III. Schedule of Funds Available as of September 30, 2011 as Compared to March 31, 2011

2. **Funds available** to support Council or CEO funding decisions represent the amount of Funds held in Trust by the Trustee, including the restricted contributions from Contributing Participants after taking into account the amount of approved programs pending cash transfers to Agencies. As of September 30, 2011, USD 899 million was available to support Council or CEO funding decisions representing a net increase of USDeq. 567 million since March 31, 2011. **Table 2** shows the funding position as of September 30, 2011.

<b>Table 2: GEF Trust Fund – Schedule of Funds Available</b>			
Updated as of September 30, 2011 (in USD millions)			
	<u>As of September 30, 2011</u>	<u>As of March 31, 2011</u>	
	<u>USD eq. a/</u>	<u>USD eq. b/</u>	
<b><u>1. Funds held in Trust</u></b>	<b>4,414</b>		<b>4,200</b>
a. Cash and investments	3,480	3,128	
b. Unencashed Promissory notes	934	1,072	
<b><u>2. Restricted Funds</u></b>	<b>375</b>		<b>446</b>
a. Deferred contributions in respect to the pro rata right	245	264	
b. Pre-paid Contributions c/	70	136	
c. Reserve to cover foreign exchange rate fluctuations	60	45	
<b><u>3. Funds held in Trust with no restrictions ( 3 = 1 - 2 )</u></b>	<b>4,039</b>		<b>3,755</b>
<b><u>4. Approved amounts pending disbursement</u></b>	<b>3,140</b>		<b>3,423</b>
a. Trustee Committed	2,383	2,427	
b. Approved by Council but not yet CEO Endorsed	757	988	
c. Requested amounts for financing pending Council Decision d/	-	7	
<b><u>5. Funds available to support Council or CEO funding decisions ( 5 = 3 - 4 )</u></b>	<b>899</b>		<b>332</b>

a/ Valued on the basis of exchange rates of September 30, 2011  
 b/ Valued on the basis of exchange rates of March 31, 2011  
 c/ Includes GEF-5 contributions pre-paid and not yet released  
 d/ Represents either semiannual work program presented to Council or Intersessional work program.

3. **Funds Held in Trust.** Changes from month to month in 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, 2011 amounted to USDeq. 4.4 billion, of which 21 percent represented unencashed promissory notes. Compared with the balance on March 31, 2011, there was a net increase of USDeq. 214 million mainly due to the receipt of the first installment of GEF-5 donor contributions.

Highlights between March 31, 2011 and September 30, 2011:

- New donor payments: 11 Contributing Participants paid their first installment to the GEF-5. One donor<sup>1</sup> paid a portion towards its GEF-3 arrears, triggering release of corresponding deferred contributions.
  - Investment Income: Investment income earned over this period amounted to USD 49 million.
  - Cash Transfers: Total cash transfers amounted to USD 321 million between March 31, 2011 and September 30, 2011. Of this amount, USD 290 million was transferred to the Agencies for projects, project preparation grants, and fees.
4. **Table 2a** (Restricted Resources) presents restricted resources (i.e. funds that are not available for commitment by the Trustee towards GEF programming) representing 8 percent of Funds Held in Trust.
- Deferred contributions comprise contributions from France USDeq. 52 million, Germany USDeq. 11 million and Japan USDeq. 182 million.<sup>2</sup> **Annex I** provides additional information on the process related to the deferral of contributions.
  - The ‘Pre-paid Contributions’ category represents pre-paid GEF-5 contributions which have not yet been released by donors.
  - 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. The reserve has been revised from USD 45 million to USD 60 million (see **Annex II**). .

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<sup>1</sup> The United States has cleared a portion of their GEF-3 arrears in the amount of USD 11.9 million.

<sup>2</sup> The United States cleared a portion of its arrears to the GEF-3 in the amount of USD 11.9 million.

Consequently, a total amount of USD eq. 24.9 million of deferred contributions was released for commitment in October 2011.

	<u>USDeq.</u>	<u>Percentage</u>
Deferred Contributions		
France a/	52	13.7%
Germany b/	11	2.9%
Japan a/	182	48.7%
Pre-paid Contributions c/	<u>70</u>	<u>18.7%</u>
Total Restricted Contributions	315	84.0%
Reserve to cover FX fluctuations	<u>60</u>	<u>16.0%</u>
<b>Total Restricted Resources</b>	<b><u>375</u></b>	<b><u>100%</u></b>

a/ Represents deferred contributions from the GEF-2 and GEF-3.  
b/ Represents deferred contributions from the GEF-3.  
c/ Represents GEF-5 contributions pre-paid and not yet released

5. **Approved amounts pending Cash Transfers to Agencies.** There was a net decrease of USD 282 million from March 31, 2011 to September 30, 2011, reflecting the increase in amounts transferred by the Trustee to the Agencies between March 31, 2011 and September 30, 2011.

Highlights between March 31, 2011 and September 30, 2011:

- New Funding Decisions: GEF-5 Funding Decisions amounted to USDeq. 230 million. Amounts pending disbursement in committed status decreased during this period by USD 44 million.<sup>3</sup>

**IV. GEF-5 Envelope – Projected Value through the end of GEF-5 period**

6. **Table 3** depicts the GEF-5 Envelope projected value through the end of the GEF-5 Replenishment period, using September 30, 2011 exchange rates. It may be noted that the projected envelope amount for the full GEF-5 period is now valued at USDeq. 4,230 million. This amount is lower by USDeq. 110 million than the agreed Target Replenishment Funding of USDeq. 4,340 million due to exchange rate fluctuations, and the fact that some arrears and restricted contributions are not included in the amounts projected to become available. As of September 30, 2011, the total arrears, including arrears from previous replenishments, amounted to USDeq. 207 million. Of this, USD 54 million representing arrears under GEF-5 have been projected to become available. In addition, pre-paid GEF-5 contributions of USD 70 million are projected to be released by donors.

<sup>3</sup> The Trustee commits funds to Agencies upon CEO endorsement of full size projects or enabling activities, or in the case of medium size projects, expedited enabling activities, and for project preparation grants, CEO approval. In the case of administrative budget, the Trustee commits upon Council approval.

**Table 3: GEF-5 Specific Funding Decisions**

Status as of September 30, 2011

(in USDeq. millions)

<b>1. Target Replenishment Funding a/</b>			<b>4,340</b>
<b>2. Projected Available Resources during the GEF-5 Period</b>			<b>3,743</b>
<u>Estimated Funds available to support Council or CEO Financing Decisions</u>			<b>899</b>
	Potential Amount Available	of which Projected to be Available	
<u>Receivables</u>			<b>2,402</b>
- Arrears	207	54	
- Due in FY12 b/	820	820	
- Due in FY13 b/	781	781	
- Due in FY14 b/	747	747	
<u>Release of Restricted Contributions</u>			<b>70</b>
- Deferred Contributions	245	-	
- Pre-paid Contributions	70	70 c/	
<u>IoCs not yet Deposited with the Trustee d/</u>	395	270	<b>270</b>
<u>Projected Investment Income</u>	102	102	<b>102</b>
<u>Total</u>	<b>3,367</b>	<b>2,845</b>	
<b>3. GEF-5 Specific Funding Decisions</b>			<b>487</b>
<u>Approvals by Council</u>			<b>473</b>
- Projects + Fees		434	
- Admin. Budget		29	
- Special Initiatives		0	
- Programmatic Initiatives		10	
<u>Approvals by CEO</u>			<b>14</b>
- Projects + Fees (MSPs, EEAs)		11	
- Project Preparation Activities + Fees		3	
<u>Net Changes to Initial Approvals e/</u>			<b>0</b>
<b>Pending decisions on Intersessionals and Council meetings</b>			<b>-</b>
- Projects, Fees, Admin Budget, Spcl Initiatives, Programmatic Initiatives		-	
<b>4. GEF-5 "Envelope" as of September 30, 2011 ( 4 = 2 + 3 )</b>			<b>4,230</b>
<b>5. Excess or (Shortfall) as Measured Against the Target in Line 1 ( 5 = 4 - 1 )</b>			<b>(110)</b>
a/ Represents the target replenishment level as agreed, including new resources from Donors, projected investment income, and carryover of amounts from previous replenishments.			
b/ Represents a projected installment receivables amount for the GEF-5 based on Instruments of Commitment (IoCs) received up to September 30, 2011.			
c/ Represents GEF-5 contributions pre-paid and not yet released and projected deferred contributions from previous replenishments to be released.			
d/ Represents GEF-5 IoCs not received by the Trustee as of September 30,2011 and GEF-4 IoCs not received from Italy (EUR 88 million) and Nigeria (SDR 4 million).			
e/ To fit the GEF Secretariat's RAF model, pre-GEF-5 project net changes were excluded from the calculation.			

7. **Table 3a** shows the current projected USD value of the GEF-5 envelope based on the most recent information provided by Contributing Participants as “Scenario A”. It also shows the projected USD value of the GEF-5 envelope under a “Scenario B”. Both Scenario A and B are based on the following common assumptions:

- Investment income amounting to USD 102 million is estimated to be accrued between September 30, 2011 and the end of GEF-5 period.



- The foreign exchange reserve is set at USDeq. 60 million. When comparing the current value of the envelope with the Target Replenishment Funding, it is important to note that the current value of the envelope is reduced by the reserve for foreign exchange movements. The foreign exchange reserve was not taken into account in the Target Replenishment Funding.
8. As shown in Table 3a, the projected USD value of the GEF-5 envelope ranges between Scenario A - USDeq. 4,230 million and Scenario B - USDeq. 4,753 million based on underlying assumptions in estimating the amounts to become available related to arrears, deferred contributions and IoCs not yet deposited.
  9. Under Scenario A, the projected USD value of the GEF-5 envelope is USDeq. 4,230 million, based on the following assumptions:
    - All outstanding IoCs under GEF-4 are not received from donors (USDeq. 125 million; Table 5a shows a detailed breakdown of this amount);
    - Arrears from GEF-5 replenishment period are paid and arrears from previous replenishments remain unpaid during the GEF-5 period (total arrears amount to USDeq. 207 million; Table 3b shows a detailed breakdown);
    - All pre-paid GEF-5 contributions are made available for commitment; and
    - All GEF-5 pledges are formalized and paid in full during the GEF-5 period;
    - All GEF-5 Contributions not yet released for commitment are released.
  10. Based on these assumptions, the total projected envelope amount represents a shortfall of about USD 110 million when compared with the Target Replenishment Funding<sup>4</sup> *as agreed* value of the replenishment (USD 4,340 million).
  11. Scenario B shows that if all the potential resources were to become available during the GEF-5 period (i.e. arrears from GEF-1 to GEF-4 and deferred contributions from GEF-2 and GEF-3), the total projected envelope amount would be USDeq. 4,753 million, an excess of USD 413 million (or about 10 percent) over the Target Replenishment Level.
  12. Scenario B is based on the following assumptions with respect to the period between September 30, 2011 and the end of GEF-5 period:
    - All arrears are paid during the GEF-5 period (USDeq. 207 million); Table 3b shows a detailed breakdown;
    - All restricted contributions including deferred contributions and contributions not yet released for commitment are released (USDeq. 315 million); Table 2a shows a detailed breakdown; and
    - All outstanding IoCs under GEF-4 and GEF-5 are deposited with the Trustee and corresponding payments are received (USDeq. 395 million).

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<sup>4</sup> Represents the target replenishment level as agreed including new resources from Contributing Participants, projected investment income, and carryover of amounts from previous replenishments.

**Table 3a: GEF-5 Specific Funding Decisions (Scenario Analysis)**

Status as of September 30, 2011

(in US\$eq. millions)

	Scenario A			Scenario B		
<b>1. Target Replenishment Funding a/</b>			<b>4,340</b>			<b>4,340</b>
<b>2. Projected Available Resources during the GEF-5 Period</b>			<b>3,743</b>			<b>4,021</b>
<u>Estimated Funds available to support Council or CEO Financing Decisions</u>			<b>899</b>			<b>899</b>
	Potential Amount Available	of which Projected to be Available		Potential Amount Available	of which Projected to be Available	
<u>Receivables</u>			<b>2,402</b>			<b>2,555</b>
- Arrears	207	54		207	207	
- Due in FY12 b/	820	820		820	820	
- Due in FY13 b/	781	781		781	781	
- Due in FY14 b/	747	747		747	747	
<u>Release of Restricted Contributions</u>			<b>70</b>			<b>70</b>
- Deferred Contributions	245	-		245	-	
- Pre-paid Contributions	70	70 c/		70	70	
<u>IoCs not yet Deposited with the Trustee d/</u>	395	270	<b>270</b>	395	395	<b>395</b>
<u>Projected Investment Income</u>	102	102	<b>102</b>	102	102	<b>102</b>
<u>Total</u>	<b>3,367</b>	<b>2,845</b>		<b>3,367</b>	<b>3,122</b>	
<b>3. GEF-5 Specific Funding Decisions</b>			<b>487</b>			<b>487</b>
<u>Approvals by Council</u>			<b>473</b>			<b>473</b>
- Projects + Fees		434			434	
- Admin. Budget		29			29	
- Special Initiatives		0			0	
- Programmatic Initiatives		10			10	
<u>Approvals by CEO</u>			<b>14</b>			<b>14</b>
- Projects + Fees (MSPs, EEAs)		11			11	
- Project Preparation Activities + Fees		3			3	
<u>Net Changes to Initial Approvals e/</u>			<b>0</b>			<b>0</b>
<u>Pending decisions on Intersessionals and Council meetings</u>			<b>-</b>			<b>-</b>
- Projects, Fees, Admin Budget, Spcl Initiatives, Programmatic Initiatives		-			-	
<b>4. GEF-5 "Envelope" as of September 30, 2011 ( 4 = 2 + 3 )</b>			<b>4,230</b>			<b>4,508</b>
<b>5. Excess or (Shortfall) as Measured Against the Target in Line 1 ( 5 = 4 - 1 )</b>			<b>(110)</b>			<b>168</b>

a/ Represents the target replenishment level as agreed, including new resources from Donors, projected investment income, and carryover of amounts from previous replenishments.

b/ Represents a projected installment receivables amount for the GEF-5 based on Instruments of Commitment (IoCs) received up to September 30, 2011.

c/ Represents GEF-5 contributions pre-paid and not yet released and projected deferred contributions from previous replenishments to be released.

d/ Represents GEF-5 IoCs not received by the Trustee as of September 30, 2011 and GEF-4 IoCs not received from Italy (EUR 88 million) and Nigeria (SDR 4 million).

e/ To fit the GEF Secretariat's RAF model, pre-GEF-5 project net changes were excluded from the calculation.

**Table 3b** details the arrears to the GEF Trust Fund by Contributing Participant as of September 30, 2011.<sup>5</sup> In July 2011, the United States cleared a portion of its GEF-3 arrears in the amount of USD 11.9 million.

Contributing Participant	Amount Paid as a % of Total Contribution			Arrears Amount	Arrears as a % of Total Contribution	
	Repl.	Currency	USD eq. a/			
Egypt, Arab Republic of	86.7%	GF01	SDR	0.53	13.3%	0.83
Nigeria	83.3%	GF03	SDR	0.67	16.7%	1.04
United States	68.6%	GF02	USD	134.97	31.4%	134.97
United States	96.2%	GF03	USD	16.15	3.8%	16.15
United States	15.6%	GF05	USD	53.93	9.4%	53.93
<b>Total</b>						<b>206.9</b>

a/ Valued at September 30, 2011 exchange rates.

## V. Investment Portfolio and Income

13. Cash and Investments (assets) held in trust by the World Bank (as the Trustee), including the GEF Trust Fund, are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The Pool is actively managed so that the probability of incurring negative returns is no more than 1 percent over the applicable investment horizon. **Table 4** shows the GEF Trust Fund asset mix.

<sup>5</sup> According to Sub-paragraph 4(a) of the GEF-5 Replenishment Resolution, No. 2010-0182, the Trustee shall also remind the Contributing Participant of the obligation it will incur under the further requirements of this sub-paragraph if the delay persists. If payment has not been made 30 days before the date of the Council meeting following the date on which the delay was incurred, the responsible Minister of the Contributing Participant concerned shall provide the Chief Executive Officer/Chairperson of the Facility (the “CEO”) with a written communication stating the reasons for the delay and the measures being taken to address it. The CEO shall forward any such communication to the Council, with a copy to the Trustee. A similar provision is provided for in paragraph 4(a) in the GEF-4 Replenishment Resolution.

**Table 4: GEF Trust Fund Asset Mix**  
As of September 30, 2011 (in USD millions)

<u>Asset Class</u>	<u>Percentage</u>
Domestic Govt	28%
Mortgage Backed Sec	28%
Asset Backed Sec	5%
Agency	5%
Sovereign/Govt Gtd	13%
Money Market	15%
Corporate	4%
Swap/FX Swap	2%
	100%

14. **Table 4a** (Investment Returns on GEF Trust Fund) outlines the investment returns on GEF Trust Fund for the calendar year to date, the fiscal year to date, the previous calendar year, and the previous fiscal year. The rate of return for the first three months of 2012 fiscal year (FY12) was 0.7 percent.

Returns in FY12 remain modest due to the prevailing low level of government bonds yields as well as the prospect of rising yields, which is a negative development for bonds. There is more optimism about the recovery of the US economy, which is translating into increased risk appetite by investors.

**Table 4a: Investment Returns on GEF Trust Fund**

As of September 30, 2011 (in USD millions)

<u>Fund Balance</u>	<u>Sep-11</u>	<u>CY 2011 to date</u>	<u>FY12 to date</u>	<u>CY 2010</u>	<u>FY11</u>
3,480	0.05%	1.71%	0.70%	2.90%	1.74%

\* The figures presented above are based on accounting records available as of september 30, 2011.

As of September 30, 2011, the total amount of investment income earned on the GEF Trust Fund balance since the beginning of GEF-1 (July 1, 1994) is USD 1,045 million. Of this, USD 78 million has been accrued to the GEF Trust Fund since the beginning of the GEF-5 replenishment period.

## VI. Cumulative Resources of the GEF since Inception

15. **Table 5** (Cumulative Resources and Funding Decisions) shows the total Cumulative Resources of the GEF Trust Fund and the cumulative funding decisions made since inception of the GEF. 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. 907 million.

<b>Table 5: Cumulative Resources and Funding Decisions</b>		
Inception to September 30, 2011 (in USDeq. millions)		
<b>1. Target Programming Level a/</b>		<b>13,657</b>
<b>2. Cumulative Resources b/</b>		<b>14,564</b>
<u>Resources not yet received</u>		<u>2,950</u>
GEF-5 IoCs not yet Deposited with the Trustee	270	
GEF-4 and pre-GEF-4 IoCs not yet Deposited with the Trustee	125	
Installment Receivables c/	2,555	
<u>Resources received d/</u>		<u>11,613</u>
Cash receipts from Installments and Encashments	9,604	
Unenchashed Promissory Notes	934	
Investment Income Earned on Undisbursed Balances of GEF Funds e/	1,076	
<b>3. Cumulative Funding Decisions</b>		<b>10,513</b>
Approvals by Council and CEO	11,296	
Cancellations	(782)	
Pending decisions on Intersessionals and Council meetings	-	
<b>4. Cumulative Resources Net of Funding Decisions (4 = 2 - 3)</b>		<b>4,051</b>
<b>5. Excess (shortfall) as Measured Against the Target in Line 1 (5 = 2 - 1)</b>		<b>907</b>
<p>a/ This amount represents the <u>targeted new resources</u> as agreed by Donors during replenishment discussions; it excludes the agreed carryover of arrears, deferred contributions, and paid-in funds not yet set aside.</p> <p>b/ This amount represents the actual USD value of resources to the GEF Trust Fund since the Pilot Phase of the GEF.</p> <p>c/ Represents IoCs deposited with the Trustee but not yet converted into cash or notes.</p> <p>d/ Includes restricted contributions that are not yet available to support GEF operations.</p> <p>e/ Includes realized investment income from Pilot Phase to September 30, 2011.</p> <p>* The figures presented above are based on accounting records available as of September 30, 2011.</p>		

16. In **Table 5a**, GEF-4 IoCs not yet deposited with the Trustee are in respect of pledges from Italy (USDeq. 119 million) and Nigeria (USDeq. 6 million). Until received in cash, these resources are subject to fluctuations in exchange rates. GEF-5 IoCs not deposited with the Trustee are presented in Table 1.

**Table 5a: GEF-4 IoCs Not Yet Deposited with the Trustee a/**  
 Status as of September 30, 2011  
 (in USDeq. millions) b/

<u>Contributing Participant b/</u>	<u>Currency of Obligation</u>	<u>Amount</u>	<u>USDeq.</u>	<u>Percentage</u>
Italy	EUR	87.91	119	95.0%
Nigeria	SDR	4.00	<u>6</u>	5.0%
<b>Total GEF-4 IoCs Not Yet Deposited</b>			<b>125</b>	

a/ Represents pledges made during the GEF-4 discussions.

b/ Valued at September 30, 2011 exchange rates

\* The figures presented above are based on accounting records available as of September 30, 2011.

17. Installment Receivables as of September 30, 2011 is estimated to be USDeq. 2,555 million. Of these installment receivables, 94 percent represents GEF-5 installments, based on the IoCs received by the Trustee as of September 30, 2011. The majority of the remaining 6 percent of installment receivables represent the arrears of the United States.

**Table 5b: Installment Receivables**

Status as of September 30, 2011 (in USDeq. millions)

<u>Replenishment</u>	<u>USDeq.</u>	<u>Percentage</u>
GEF-1 a/	1	0.0%
GEF-2 b/	135	5.3%
GEF-3 c/	17	0.7%
GEF-5 d/	<u>2,402</u>	94.0%
<b>Total Installments</b>	<b>2,555</b>	

a/ Represents the arrears of Egypt.

b/ Represents the arrears of the United States.

c/ Represents the arrears of Nigeria and the United States.

d/ Represents projected installment receivables amounts for the GEF-5 based on Instruments of Commitment (IoCs) received up to September 30, 2011. This projection does not include Donors who did not deposit IoCs by September 30, 2011.

\* The figures presented above are based on accounting records available as of September 30, 2011.

## VII. Funding Decisions since Inception

18. **Table 6** shows funding decisions made by the Council and the CEO since inception. Total funding decisions represent about 77.7 percent of cumulative GEF resources.

- This amount has been offset by cumulative cancellations totaling USD 782 million, or about 5 percent of approvals.
- Total net cumulative funding decisions (including pending decisions) amount to USD 10.5 billion, about 72 percent of cumulative GEF resources.

	Funding Decisions	Percentage against Total Cumulative Resources
Project and Project Preparation a/	10,103	69.4%
Project Fees	623	4.3%
Administrative Budget	570	3.9%
<b>Total</b>	<b>11,296</b>	<b>77.6%</b>
Cumulative Cancellations	(782)	5.4%
Pending Funding Decisions	-	0.0%
<b>Net Total</b>	<b>10,513</b>	<b>72.2%</b>
<b>Total Cumulative Resources</b>	<b>14,564</b>	

a/ Includes Programmatic Initiatives.

\* The figures presented above are based on accounting records available as of September 30, 2011.

19. **Table 6a** (Funding Decisions by Agency – Projects and Fees – Inception to September 30, 2011) shows the total funding decisions by Implementing Agencies since inception of the GEF Trust Fund, including the Pilot Phase.

- 83.1 percent of the funding decisions for projects and fees were approved for IBRD and UNDP.
- The share approved for UNEP amounts to about 9.1 percent; the remaining 7.8 percent was approved funding to the other seven Agencies.

**Table 6a: Funding Decisions by Agency –  
Projects and Fees a/**  
Inception to September 30, 2011 (in USD millions)

	<u>Funding Decisions</u>	<u>Percentage of Total Funding Decisions</u>
ADB	158	1.5%
AfDB	16	0.1%
EBRD	52	0.5%
FAO	98	0.9%
IADB	136	1.3%
IBRD	5,032	47.0%
IFAD	112	1.1%
UNDP	3,859	36.1%
UNEP	973	9.1%
UNIDO	259	2.4%
<b>Total</b>	<b>10,695</b>	<b>100%</b>

a/ Includes stand alone projects, projects attached to Programmatic Initiatives, fees and project preparation activities.

\* The figures presented above are based on accounting records available as of September 30, 2011.

20. **Table 6b** (Project Funding Decisions by Focal Area) shows the breakdown of Council and CEO cumulative funding decisions by focal area, taking into account only the amounts approved for projects (i.e. excluding fees). Projects in the areas of biodiversity and climate change represent approximately 63.5 percent of the cumulative funding approved as of September 30, 2011.

**Table 6b: Project Funding Decisions by Focal Area**

Inception to September 30, 2011 (in USD millions)

<u>Focal Area</u>	<u>Funding Decisions a/</u>	<u>Percentage</u>
Biodiversity	3,126	31.3%
Climate Change	3,212	32.2%
International Waters	1,142	11.4%
Land Degradation	373	3.7%
Multi-focal Areas	1,487	14.9%
Ozone Depletion	183	1.8%
Persistent Organic Pollutants	451	4.5%
<b>Total</b>	<b>9,973</b>	

a/ Includes Funding Decisions for Projects attached to Programmatic Initiatives.

\* The figures presented above are based on accounting records available as of September 30, 2011.



21. **Table 6c** (Funding Decisions by Replenishment) shows the cumulative funding decisions by Replenishments including related cancellations.

	<u>GEF-Pilot</u>	<u>GEF-1</u>	<u>GEF-2</u>	<u>GEF-3</u>	<u>GEF-4</u>	<u>GEF-5</u>
Programmatic Initiatives Approved Projects, Project Preparation and Administrative Budget Approvals	-	-	119	312	1,028	10
	<u>782</u>	<u>1,520</u>	<u>2,357</u>	<u>2,707</u>	<u>1,966</u>	<u>496</u>
<b>Total Funding Decisions</b>	<b>782</b>	<b>1,520</b>	<b>2,476</b>	<b>3,018</b>	<b>2,993</b>	<b>506</b>
Minus Cancellations a/ b/	<u>(93)</u>	<u>(268)</u>	<u>(169)</u>	<u>(198)</u>	<u>(54)</u>	<u>-</u>
<b>Net Total Funding Decisions</b>	<b>689</b>	<b>1,252</b>	<b>2,307</b>	<b>2,821</b>	<b>2,939</b>	<b>506</b>

a/ Cancellations include unused amounts from closed projects, dropped projects, reductions from endorsements.  
b/ Cancellation amounts by replenishment relate to projects approved during the respective replenishment period.  
\* The figures presented above are based on accounting records available as of September 30, 2011.

22. **Table 6d** (Funding Decisions – Trustee Commitments and Cash Transfers to Agencies) shows the cumulative commitments and cash transfers to the GEF Agencies from inception to September 30, 2011.

	<u>Council/CEO</u>	<u>Trustee</u>	
	<u>Funding Decisions</u>	<u>Commitments b/</u>	<u>Cash Transfers</u>
ADB	158	136	58
AfDB	16	6	5
EBRD	52	39	34
FAO	98	82	37
IADB	136	111	44
IBRD	5,032	4,082	2,933
IFAD	112	90	54
UNDP	3,859	3,515	2,738
UNEP	973	896	629
UNIDO	<u>259</u>	<u>219</u>	<u>107</u>
<b>Total</b>	<b>10,695</b>	<b>9,177</b>	<b>6,638</b>

a/ Includes stand alone projects, projects attached to Programmatic Initiatives, fees and project preparation activities.  
b/ Reflects initial Trustee commitments less cancellations and unused amounts from financially closed projects.  
\* The figures presented above are based on accounting records available as of September 30, 2011.

### **Procedure for Deferring Commitment of GEF Resources**

1. Normally, upon receipt of unqualified contributions by the Trustee, contributions become available for commitment by the Trustee for disbursements as needed to cover GEF work program and any other expenses approved by the Council. The deferral provision gives the right to Contributing Participants that have not provided Qualified Instruments of Commitment to defer commitment by the Trustee of GEF resources to the extent of their share of contribution. GEF Funding Availability is accordingly reduced by the amount of restricted (deferred) contributions as the Trustee cannot make any commitments in respect of the restricted (deferred) resources. The deferral provision does not defer payment by Contributing Participants of their contributions to the GEF. All Contributing Participants that have not provided Qualified Instruments of Commitment are expected to make their contributions in accordance with the installment schedule in paragraph 3(a) of the GEF-5 Replenishment Resolution, with cash payments being made and promissory notes being encashed in accordance with paragraph 3(c) of the GEF-5 Replenishment Resolution.

### **General Provisions for Submission of Qualified IoCs**

2. The GEF-5 Replenishment Resolution provides that contributions to the GEF-5 are to be confirmed by a Contributing Participant by depositing an Instrument of Commitment (IoC).<sup>6</sup> When a Contributing Participant agrees to pay a part of its contribution without qualifications and the remainder is subject to enactment by its legislature of the necessary appropriation legislation, it shall deposit a Qualified Instrument of Commitment. Such Contributing Participant undertakes to exercise its best efforts to obtain legislative approval and unqualify its contribution to GEF-5 under the following schedule:

- at least 50 percent of its contribution to GEF-5 by November 30, 2011;
- and at least 75 percent of its contribution by November 30, 2012; and
- the total amount (100%) of its contribution by November 30, 2013.

### **Right to Defer Commitment of Contribution**

3. Contributing Participants that have not provided a Qualified Instrument of Commitment are required to pay their contributions to the GEF in four equal installments on or before November 30th of 2010, 2011, 2012 and 2013 respectively<sup>7</sup>. The deferral right is triggered when a Contributing Participant that has deposited a Qualified Instrument of Commitment and whose contribution represents more than 5 percent of the total contributions under the GEF-5 Replenishment has not unqualified at least 50 percent

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<sup>6</sup> Resolution No. 2010-0004, Global Environment Facility Trust Fund Fifth Replenishment of Resources, para 2(a)

<sup>7</sup> Resolution No. 2010-0004, Global Environment Facility Trust Fund Fifth Replenishment of Resources, para 2(a)

of its contribution to GEF-5 by November 30, 2011, at least 75 percent of the total amount of its contribution by November 30, 2012, and the total amount thereof by November 30, 2013. Each Contributing Participant who has paid installments<sup>8</sup> in accordance with the above payment dates have the right to defer commitment by the Trustee of the second, third or fourth installment, whichever is applicable, of its contribution, while and to the extent that the contribution of the Contributing Participant that has provide such a Qualified Instrument of Commitment remains qualified. The Trustee is required to notify Contributing Participants when their deferral right has been triggered.<sup>9</sup>

### **Amount of deferral**

4. The Trustee calculates the maximum amount of commitment that each contributing participant is allowed to defer out of its share of GEF-5 contribution. The amount of the second, third or fourth installment, whichever is applicable, of such Contributing Participant's contribution to GEF-5 may be deferred in proportion to the contribution that remains qualified.

### **Timing for Possible Decisions**

5. Within forty five (45) days of notice by the Trustee, each Contributing Participant receiving such notice may notify the Trustee in writing to defer the commitment by the Trustee of the amount of its contribution that is subject to deferral. Alternatively, each Contributing Participant may request to extend the decision period of the right to defer commitment of its contribution from 45 days to 120 days. The Trustee shall make no commitments to the extent of the resources to which the notice pertains unless the right of the Contributing Participant is waived.<sup>10</sup>

6. The right of a Contributing Participant to defer commitment of its contribution may be waived at the request of the Contributing Participant in writing. The right to defer shall be deemed waived if the Trustee does not receive, within the periods specified above, a written notice informing the Trustee that the Contributing Participant has decided to defer commitment of a portion of its contribution.<sup>11</sup>

### **Implications for GEF-5 Programming through the end of FY12**

7. If one of the Contributing Participants 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 to the GEF-5 does not unqualify at least 50% of its contribution by November 30, 2011 as provided by the GEF-5 Replenishment

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<sup>8</sup> Deferral of commitments to the extent of 1<sup>st</sup> installment of GEF-5 is not allowed.

<sup>9</sup> Resolution No. 2010-0004, Global Environment Facility Trust Fund Fifth Replenishment of Resources, para 8(b)

<sup>10</sup> Resolution No. 2010-0004, Global Environment Facility Trust Fund Fifth Replenishment of Resources, para 8(c)

<sup>11</sup> Resolution No. 2010-0004, Global Environment Facility Trust Fund Fifth Replenishment of Resources, para 8(d)

Resolution, then based on the experience in prior replenishments, the Trustee estimates that approximately USD 350 million of GEF-5 second installment would be deferred and not available for GEF programming through the end of June 2012. The actual deferral amount will be based on donors' decision.

### GEF FX Reserve

1. As noted in the document GEF/R.5/Inf.17 “Financial Reserve during the GEF-5 Period” and in the GEF/C.40/Inf.17 “Trustee Report as of March 31, 2011”, the Trustee has conducted an analysis of the need to expand the current foreign exchange reserve of the GEF Trust Fund in order to provide the Trust Fund resources with additional protection against any fluctuations in donor cash flows resulting from foreign exchange volatility.
2. The analysis conducted by the Trustee included changes in market conditions, GEF-5 programming level requirements, and the currency composition and amounts of the final donor pledges given that the majority of the donors have now submitted their GEF-5 IoCs and confirmed payments/encashment schedules with the Trustee.
3. As noted in the document GEF/R.5/Inf.17 “Financial Reserve during the GEF-5 Period”, in selecting the optimal level of a reserve for the GEF-5 period, the goal is to maximize the protection against adverse exchange rate movements and downward shifts in investment income without constraining the GEF-5 programming levels. In order to find the right balance in meeting the objective, the Trustee will implement the expanded reserve in a gradual manner, based on annual reviews.
4. At the outset of the replenishment period, the expanded reserve was expected to be set to cover the first two years, rather than the four, of the replenishment period. The proposed approach of implementing the expanded reserve in a gradual manner, as opposed to full up-front implementation at the maximum reserve level, allows for more flexibility in the early years of the replenishment period. This approach, in contrast to a full-up front implementation, means that there remains a risk that programming levels in years 2-4 of the replenishment may have to be lowered, should the reserve level be raised following annual reviews. The Trustee believes that the benefits of a gradual approach outweigh the risks.
5. As noted above, during the course of the GEF-5 period, the expanded reserve level will be reviewed by the Trustee and adjusted, as needed, on an annual basis. Factors in this review will include (i) changes in projected foreign exchange and interest rates; (ii) the track record of donor payments received and actual investment income earned; and (iii) project cancellations. If necessary, the reserve level could be increased or decreased from the initial level, depending on changes in the key parameters and the impact on the amounts needed to protect the GEF Trust Fund from an over-commitment of resources. It is expected that, over time, as donor receivables are received and encashed, the reserve would be released and become available for programming. By the end of the GEF-5 replenishment period, the reserve may be reduced to the level required to ensure that the GEF Trust Fund has sufficient resources to disburse against commitments in US dollars already made by the Trustee (currently estimated at USD 60 million).