

GEF/C.56/Inf.07
May 24, 2019

GEF Council Meeting
June 11 – 13, 2019
Washington DC

GEF TRUST FUND FINANCIAL REPORT

*Summary of Financial Information
As of March 31, 2019*

(Prepared by the Trustee)



Global Environment Facility Trust Fund

Financial Report

Prepared by the Trustee

Summary of Financial Information

As of March 31, 2019



Table of Contents

Table of Contents

Introduction	1
GEF Trust Fund Financial Summary as of March 31, 2019.....	2
1. GEF Trust Fund Summary – Inception through March 31, 2019	5
2. Cumulative Resources and Funding Decisions	6
2a. Cumulative Resources	7
2b. Asset Mix and Investment Income.....	9
2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies	11
3. Funding Availability	14
4. GEF-7 Specific Funding Decisions as of March 31, 2019	15



Introduction

The information contained in this report is prepared based on financial information as of March 31, 2019, except where indicated otherwise.

The Global Environment Facility (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 183 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, (v) ozone layer depletion, and (vi) 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, 2019, and recent developments since April 1, 2019; (ii) the details of financial activities of the GEF Trust Fund; (iii) Update on GEF-7 replenishment status.



GEF Trust Fund Financial Summary as of March 31, 2019

Pledges and Contributions

GEF Contributing Participants have pledged SDR 13,932 million (USDeq. 19,958 million)¹ to date, of which SDR 13,573 million (USDeq. 18,788 million) has been confirmed by Donors depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

GEF-7 pledges totaled SDR 2,350 million (USDeq. 3,346 million), of which Contributing Partners have deposited 86% of the amount with the trustee as IoCs or QIoCs.

Investment Income

As of March 31, 2019, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,440 million.

The investment income earned in GEF-7 period until March 31, 2019 amounted to USD 85 million.

Funding Approvals and Commitments

As of March 31, 2019, cumulative funding decisions (approvals by the GEF Council/CEO) amount to USD 17,217 million net of USD 1,391 million in cancellations and reductions at endorsement, and inclusive of USD 12 million pending decisions of intersessional and Council meetings.

Of the total funding decision amount of USD 17,217 million, cumulative commitments amount to USD 16,051 million.

Cash Transfers

Cash transfers were made to GEF Agencies on an as-needed basis to meet their projected disbursement requirements. As of March 31, 2019, out of the cumulative commitment of USD 16,051 million (including administrative expenses and funding allocations to the GEF Secretariat), the Trustee has transferred USD 13,136 million. A balance of USD 2,914 million remains payable as of March 31, 2019.

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

Funds Held in Trust reflect financial activities related to new contribution payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revalued balance of promissory notes at month-end. Noting that Contributing Participants are in the process of formalizing their GEF-7 pledges by depositing their first installment payments, Funds Held in Trust, including the reserve amount of USD 240 million, total USD 5,165 million as of March 31, 2019, 31% of which represents unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 850 million as of March 31, 2019. This represents an increase of USD 561 million compared to September 30, 2018.

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



UPDATE TO THE GEF-7 REPLENISHMENT AS OF MAY 24, 2019

The Seventh Replenishment of the GEF (GEF-7) became effective on February 5, 2019, in accordance with Paragraph 7(a) of the GEF-7 Replenishment Resolution, which states that effectiveness is triggered on the date that the Trustee has received Instruments of Commitment (IoCs) or Qualified Instruments of Commitment from Contributing Participants whose combined contributions aggregate to not less than 60%, or SDR 1,409 million, of the total contributions to GEF-7. Full effectiveness was triggered on February 5, 2019 by the submission of IoCs from 24 Contributing Participants whose contributions represent SDR 1,452 million.

Instruments of Commitment (IoCs). Since the adoption of the GEF-7 Replenishment Resolution to May 24, 2019, 29 Contributing Participants have deposited their IoCs in the form and substance as agreed under the GEF-7 Replenishment Resolution, representing 99.23% of the total GEF-7 pledges. Table 1 shows the details of the status of IoCs received by the Trustee as of May 24, 2019.



Table 1: GEF-7 Instruments of Commitment

Status report as of May 24, 2019

Contributing Participant	GEF-7 Pledges (in SDR millions)	Instruments of Commitment deposited with the Trustee	
		SDR (millions)	USD Eq. (millions) a/
Australia	42.05	42.05	59.87
Austria	42.44	42.44	60.41
Belgium	52.88	52.88	75.29
Brazil	4.21	4.21	6.00
Canada	127.92	127.92	182.12
China	15.45	15.45	22.00
Cote d'Ivoire	4.00	4.00	5.69
Czech Republic	4.00	4.00	5.69
Denmark	53.43	53.43	76.07
Finland	27.19	27.19	38.72
France	210.72	210.72	300.00
Germany	352.93	352.93	502.46
India	10.54	10.54	15.00
Ireland	5.05	5.05	7.19
Italy	77.31	77.31	110.06
Japan	447.82	447.82	637.55
Korea, Republic of	5.53	5.16	7.34
Luxembourg	4.00	4.00	5.69
Mexico	14.05	14.05	20.00
Netherlands	70.25	70.25	100.01
New Zealand	6.00	6.00	8.54
Norway	45.59	45.59	64.91
Slovenia	4.00	4.00	5.69
South Africa	5.07	5.07	7.22
Spain	8.40 b/	8.40	11.96
Sweden	177.40	177.40	252.56
Switzerland	85.70	85.70	122.00
United Kingdom	236.67	236.67	336.94
United States	191.90	191.90	273.20
Expected Pledge	17.49 c/	-	-
	2,349.98	2,332.12	3,320.20

a/ Based on exchange rates agreed under GEF-7.

b/ Spain's GEF-7 pledge received on November 26, 2018, after the replenishment meetings.

c/ The GEF-7 expected pledge amount currently totals SDR 17.49 million, after adjusting confirmed pledges as of March 24, 2019.



1. GEF Trust Fund Summary – Inception through March 31, 2019

	Total (in SDR millions)
<u>Donor Pledges and Contributions (in SDR millions)</u>	
Received IoCs	13,572.9
GEF-4 IoCs not yet deposited	4.00
GEF-5 IoCs not yet deposited	12.35
GEF-6 IoCs not yet deposited	20.45
GEF-7 IoCs not yet deposited	322.28
Total Donor Pledges and Contributions (in SDR millions)	13,931.93

	Total (in USD millions)
<u>Cumulative Resources (in USD millions)</u>	
<u>Resources received</u>	
Cash Receipts	15,194.95
Unencashed promissory notes	1,617.30
Investment Income earned	1,440.15
Total Resources Received	18,252.40
<u>Resources not yet received</u>	
GEF-7 IoCs not yet deposited	451.69
GEF-6 IoCs not yet deposited	30.89
GEF-5 IoCs not yet deposited	12.52
GEF-4 IoCs not yet deposited	5.55
Installments Receivable from GEF-7	2,084.96
Installment Receivables from previous replenishments	145.24
Total resources not yet received	2,730.85
Total Cumulative Resources (A) (in USD millions)	20,983.25

<u>Cumulative Funding Decisions (in USD millions)</u>	
Approvals by Council and CEO	18,595.42
Cancellations and reductions at endorsement	(1,390.88)
Pending Decisions of Intersessional and Council Meetings	12.19
Total Funding Decisions Net of Cancellations (B) (in USD millions)	17,216.72
Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)	3,766.53

<u>Funds Available (in USD millions)</u>	
Funds Held in Trust with no restrictions	4,925.47
Approved Amounts Pending Cash Transfers to Agencies	4,075.59
Total Funds Available to Support Council or CEO Decisions (in USD million)	849.88^{a/}

a/ Excludes the FX reserve amount of USD 240 million.

Note: Totals may not add up accurately due to rounding



2. Cumulative Resources and Funding Decisions

In USD millions

		<u>March 31, 2019</u>	<u>September 30, 2018</u>
1. Cumulative Resources		20,983	21,094
<u>Resources not yet received</u>		<u>2,731</u>	<u>3,445</u>
GEF-7 IoCs not yet deposited with the Trustee	452	2,848	
GEF-6 IoCs not yet deposited with the Trustee	31	31	
GEF-5 IoCs not yet deposited with the Trustee	13	13	
GEF-4 IoCs not yet deposited with the Trustee	6	6	
Installment Receivables from GEF-7	2,085	399	
Installment Receivables from previous replenishments	145	148	
<u>Resources received</u>		<u>18,252</u>	<u>17,649</u>
Cash receipts from installments and encashments	15,195	15,014	
Unencashed promissory notes	1,617	1,271	
Investment Income earned on undisbursed balances of GEF Trust Fund	1,440	1,364	
2. Cumulative Funding Decisions		17,217	17,140
Approvals by Council and CEO	18,595	18,454	
Cancellations	(1,391)	(1,326)	
Pending decisions of Intersessional and Council Meetings	12	12	
3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)		<u>3,767</u>	<u>3,954</u>

Note: Totals may not add up accurately due to rounding.

Snapshot of cumulative resources and funding decisions:

- The table above shows cumulative resources and cumulative funding decisions of the GEF Trust Fund since inception.
- Of the cumulative resources of USDeq. 20,983 million, USDeq. 2,731 million (13%) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee total USDeq. 501 million, GEF-7 installments receivables amount to USDeq. 2,085 million, and installment receivables from previous replenishments amount to USDeq. 145 million.
- Cumulative net funding decisions amounting to USDeq. 17,217 million representing about 82% of the total cumulative GEF resources.
- As of March 31, 2019, cumulative resources net of funding decisions amount to USDeq. 3,767 million.



2a. Cumulative Resources

In USD millions

Instruments of Commitment to be Deposited					
Status as of March 31, 2019 (in USDeq. millions)					
Contributing Participant	Replenishment	Currency of Obligation	Amount in Currency of Obligation	USDeq. a/	Percentage
Nigeria	GEF-4	SDR	4.0	5.6	100.0%
Total GEF-4 IoCs Not Yet Deposited				5.6	100.0%
Greece	GEF-5	EUR	4.4	5.0	39.8%
Nigeria	GEF-5	NGN	921.9	2.6	20.4%
Portugal	GEF-5	EUR	4.4	5.0	39.8%
Total GEF-5 IoCs Not Yet Deposited				12.5	100.0%
Brazil b/	GEF-6	USD	15.9	15.9	51.4%
Russian Federation	GEF-6	USD	15.0	15.0	48.6%
Total GEF-6 IoCs Not Yet Deposited				30.9	100.0%
Finland	c/ GEF-7	EUR	31.0	34.8	8.1%
Switzerland	c/ GEF-7	CHF	118.3	118.8	27.8%
United States	c/ GEF-7	USD	273.2	273.2	64.0%
Total GEF-7 IoCs Not Yet Deposited				426.8 d/	100.0%
Total GEF-4, GEF-5, GEF-6 and GEF-7 IoCs Not Yet Deposited				475.8 d/	

a/ Based on exchange rates as of March 31, 2019.

b/ An amount of USD 3.34 million has been received and payment arrangements are being finalized with Brazil.

c/ IOCs deposited in May 2019.

d/ Excludes the GEF-7 expected pledge amount of SDR 17.5 million (USDeq. 24.9 million).

Note: Totals may not add up accurately due to rounding.

STATUS OF QUALIFIED INSTRUMENTS OF COMMITMENT (QIOC) UNDER GEF-6 AND GEF-7

As of March 31, 2019, Brazil, Canada and Norway are the Contributing Participants that have deposited a QIoC under GEF-7.

Contributing Participant	Replenishment	USD Eq. (millions) a/
Spain b/	GEF-6	5.05
Brazil	GEF-7	4.50
Canada	GEF-7	148.25
Norway	GEF-7	45.18
Total		202.98

a/ Based on exchange rates as of March 31, 2019.

b/ Payment received in May 2019.



INSTALLMENT ARREARS BY REPLENISHMENT

As of March 31, 2019, cumulative arrears amounted to USDeq. 140.4 million. Of this amount, USDeq. 136.6 million represents arrears under GEF-1, GEF-2 and GEF-3. The GEF-5 and GEF-6 arrears totaled USDeq. 3.7 million.

Contributing Participant	Repl.	Currency	Installment Receivable Amount	USD eq. (millions)
Egypt	GEF-1	SDR	0.5	0.7
United States	GEF-2	USD	135.0	135.0
Nigeria	GEF-3	SDR	0.7	0.9
Pakistan	GEF-5	PKR	499.6	3.5
Pakistan a/	GEF-6	USD	0.2	0.2
				140.4

a/ Installment receivable balance under negotiation.

Note: Totals may not add up accurately due to rounding.

RESTRICTED RESOURCES

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

As of March 31, 2019, restricted resources amounted to USD 240 million representing financial reserves. Approximately 80% of total GEF-6 and GEF-7 resources, i.e., installment receivables, unencashed promissory notes, and IOCs not yet deposited, are in non-USD currencies, while the funding decisions are made in US dollars.

An adverse movement in exchange rates such as strengthening of the US dollar against major contribution currencies could adversely affect the resources available for payments against approved funding decisions. To absorb the negative impact of exchange rate movements, the Trustee maintains a foreign exchange reserve. The appropriate level of reserve is determined by the Trustee for every replenishment and is continuously monitored after taking into account projected contribution payments and estimated disbursements. Following the full effectiveness of GEF-7, the Trustee is in the process of determining an adequate level of FX reserve under GEF-7.



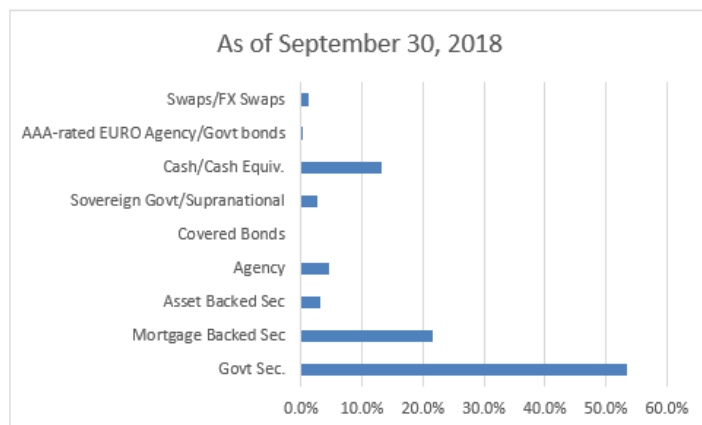
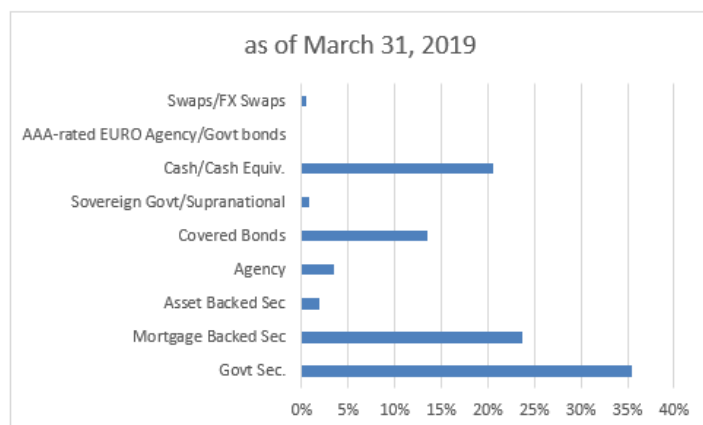
2b. Asset Mix and Investment Income

The undisbursed cash balance of the GEF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

ASSET MIX

GEF Trust Fund assets are invested across three of the World Bank Trust Fund’s investment model portfolios, (“Model Portfolio 0” for short term working capital needs, “Model Portfolio 1” with an investment horizon of one year, and “Model Portfolio 2” with a broader investment universe and an investment horizon of three years). The investment objectives for the GEF Trust Fund are to optimize investment returns subject to preserving capital and maintaining adequate liquidity to meet foreseeable cash flow needs, within a conservative risk management framework². While future returns will depend on market conditions, the Trust Fund Investment Pool is actively monitored and adjusted to preserve donor funds over the investment horizons. Over shorter periods, however, market volatility may result in negative actual or ‘mark-to-market’³ returns. Overall, the GEF Trust Fund cumulative returns have been driven by its investment in longer-term model portfolios, which may be exposed to higher volatility in returns over shorter periods, but are expected to have higher returns over longer periods.

By asset class⁴, the largest allocations are to government securities, mortgage backed securities and cash and cash equivalents.



² Risk tolerance is defined as the expected maximum loss, as measured by the Conditional Value-at-Risk (CVaR), at the portfolio’s investment horizon, not to exceed 1% at portfolio’s investment horizon, with 99% confidence.

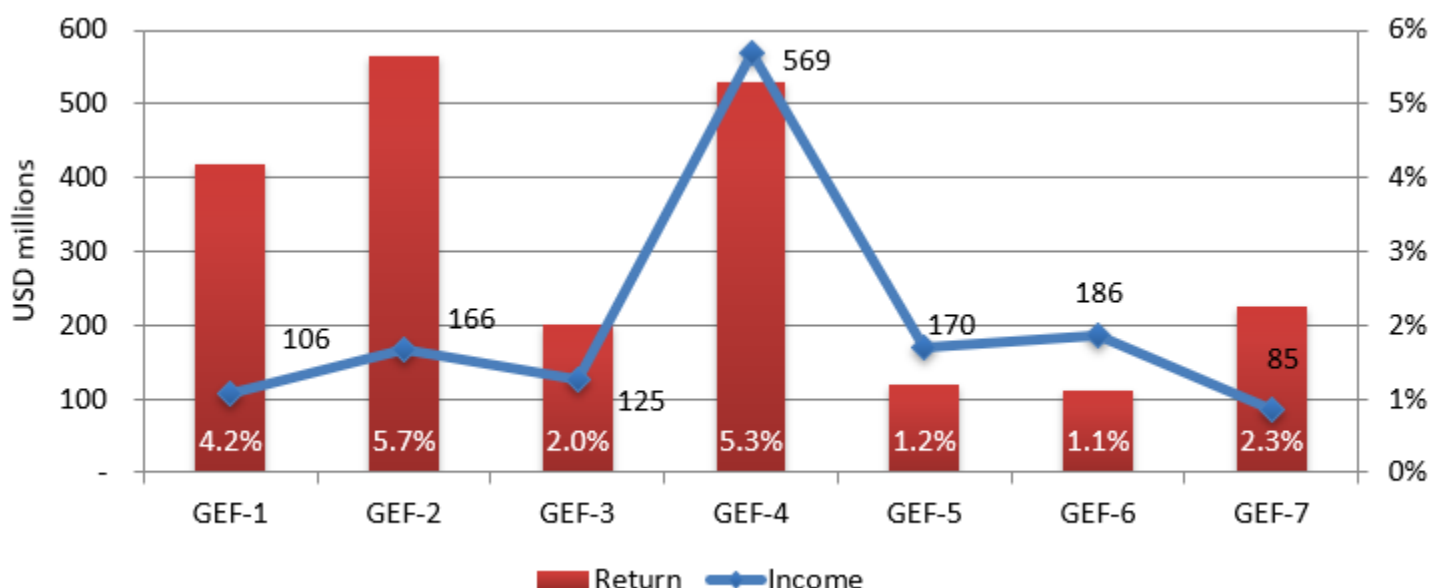
³ Mark-to-market gains or losses represent unrealized gains or losses resulting from changes in the value of securities in the portfolio which have not yet been sold.

⁴ Covered Bonds are securities issued by banks and mortgage institutions which provide additional protective layer to the investors wherein the investor has recourse to the issuer and collateral. In September 2018 report, covered bonds were clubbed under Govt securities.



INVESTMENT INCOME

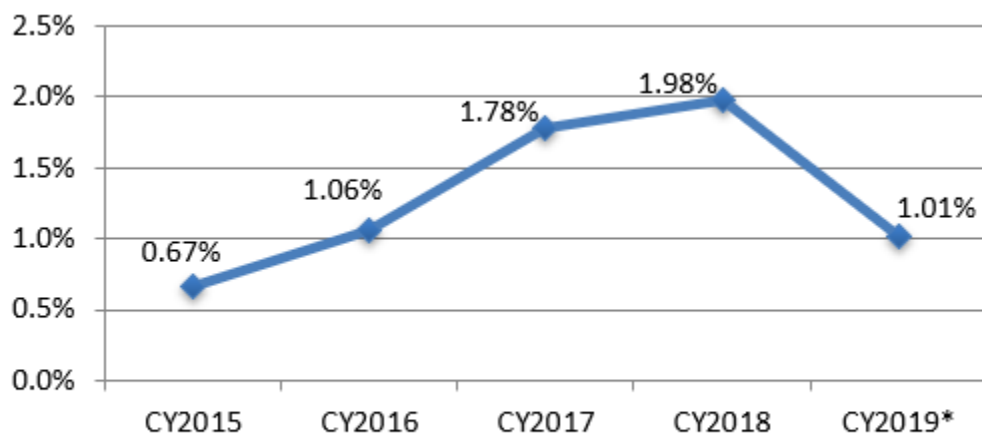
Cumulative investment income earned since the beginning of GEF Pilot phase through March 31, 2019 is USD 1,440 million. In the GEF-7 period the investment income received is USD 85 million, representing a 2.3% average return.



INVESTMENT RETURNS

GEF Trust Fund investment returns for calendar year 2018 were 1.98%, an increase compared to year 2017.

Returns for the first three months of 2019 were 1.01%, buoyed by lower yields and rising Libor rates. The investment portfolio has maintained a defensive stance since early 2016, with duration generally remaining low for time horizon across all model portfolios.



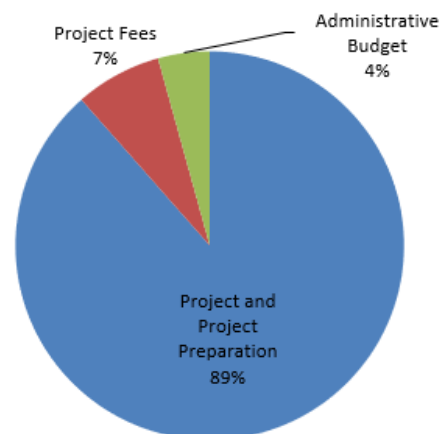
*non-annualized investment returns as of March 31, 2019



2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies

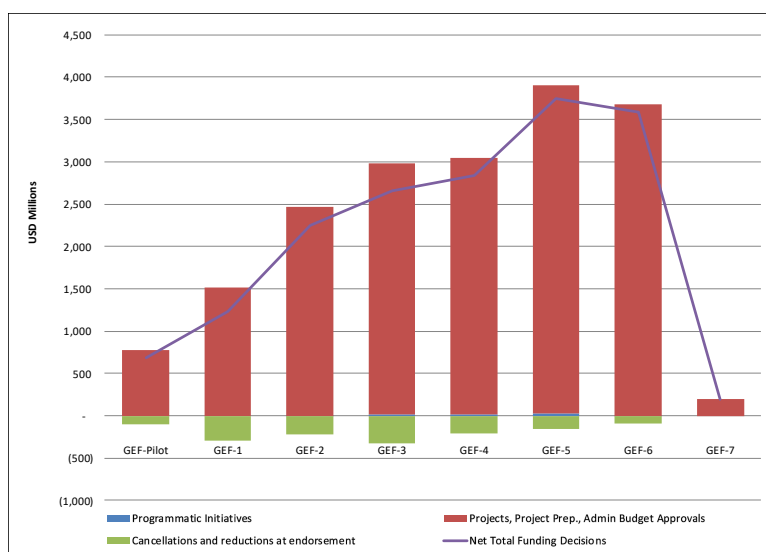
CUMULATIVE FUNDING DECISIONS

Since inception to March 31, 2019 funding approvals made by the Council and CEO total USD 18,595 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets.



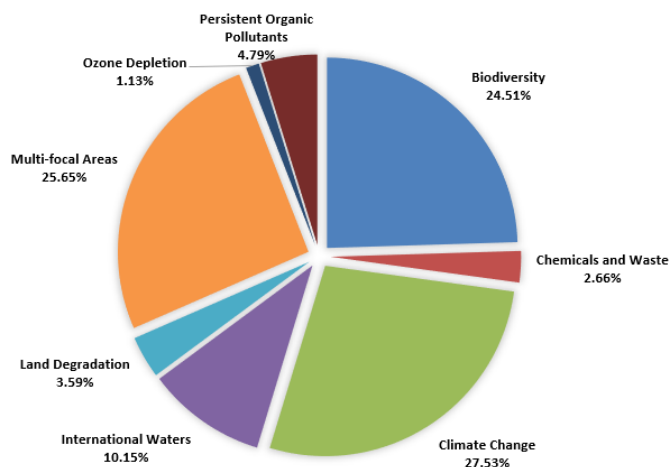
FUNDING DECISIONS BY REPLENISHMENT

Funding decisions by replenishment show the cumulative Project/Program funding decisions of USD 17,217 million net of cancellations and reductions at endorsement of USD 1,391 million, and including pending decisions on intersessional and Council meetings of USD 12 million.



FUNDING DECISIONS BY FOCAL AREA

Funding Decisions by Focal Area show cumulative funding for projects only, and exclude fees. Projects in the areas of climate change, multi-focal areas, and biodiversity represent approximately 78% of the cumulative funding approved to date.

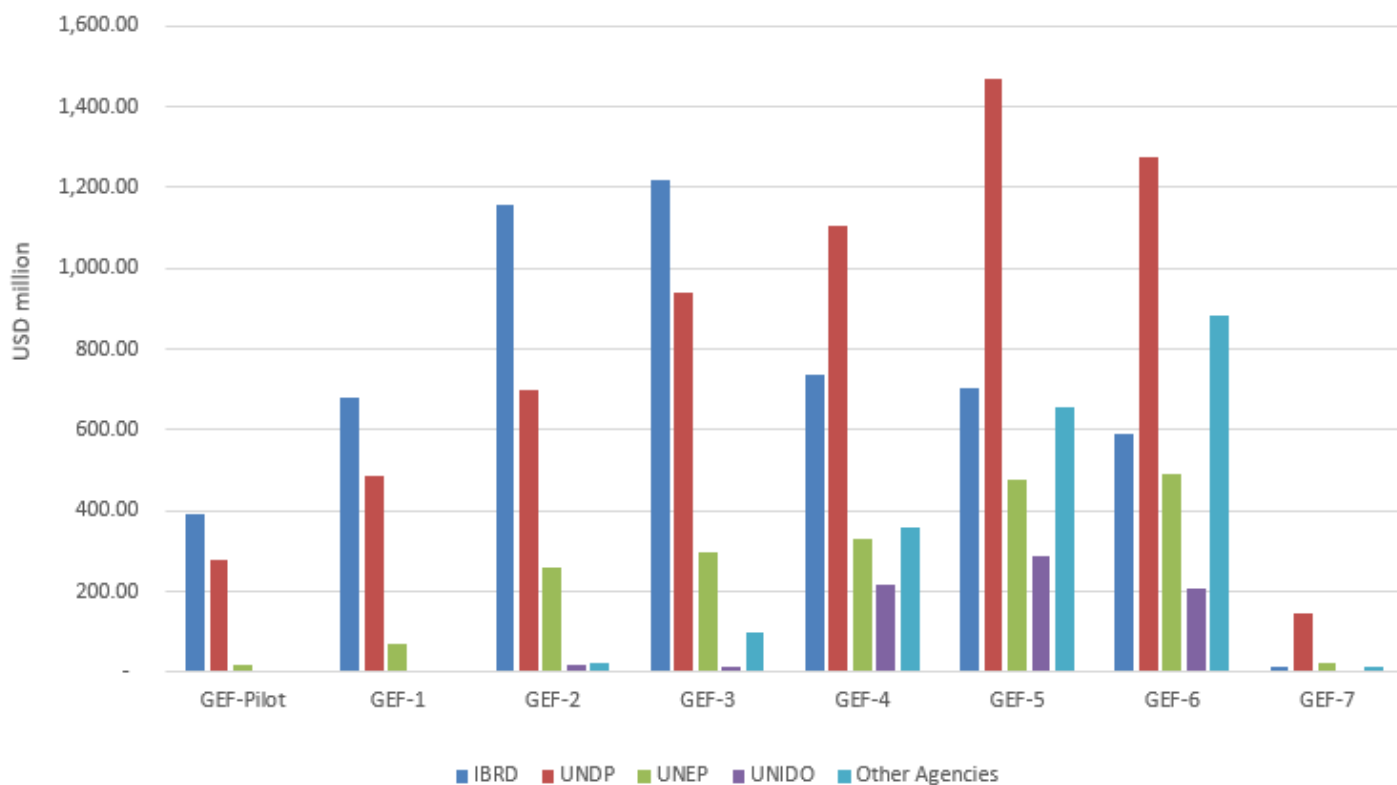
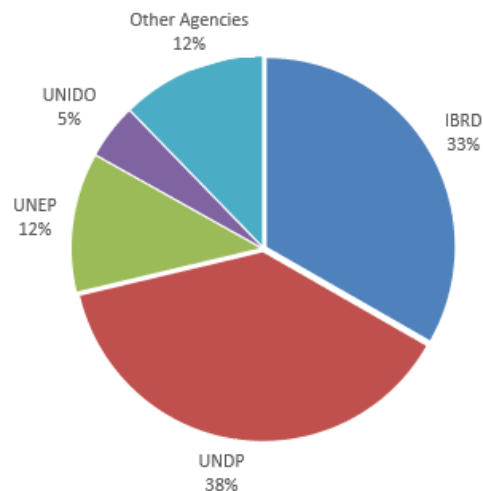




FUNDING DECISIONS BY AGENCY

71% of the cumulative approvals for projects (including related fees) were for implementation by IBRD and UNDP. UNEP's share of the total is 12% while the remaining Agencies implemented 17% of the funding.

The Agencies' share of funding approvals changes over time. IBRD's share fell from 57% in the GEF Pilot to 17% in GEF-6. UNDP's share decreased from 40% in the GEF Pilot to 37% in GEF-6. UNEP's share increased from 3% in the GEF Pilot to 14% in GEF-6. The combined share of other Agencies increased from 1% in GEF-2 to 25% in GEF-6.

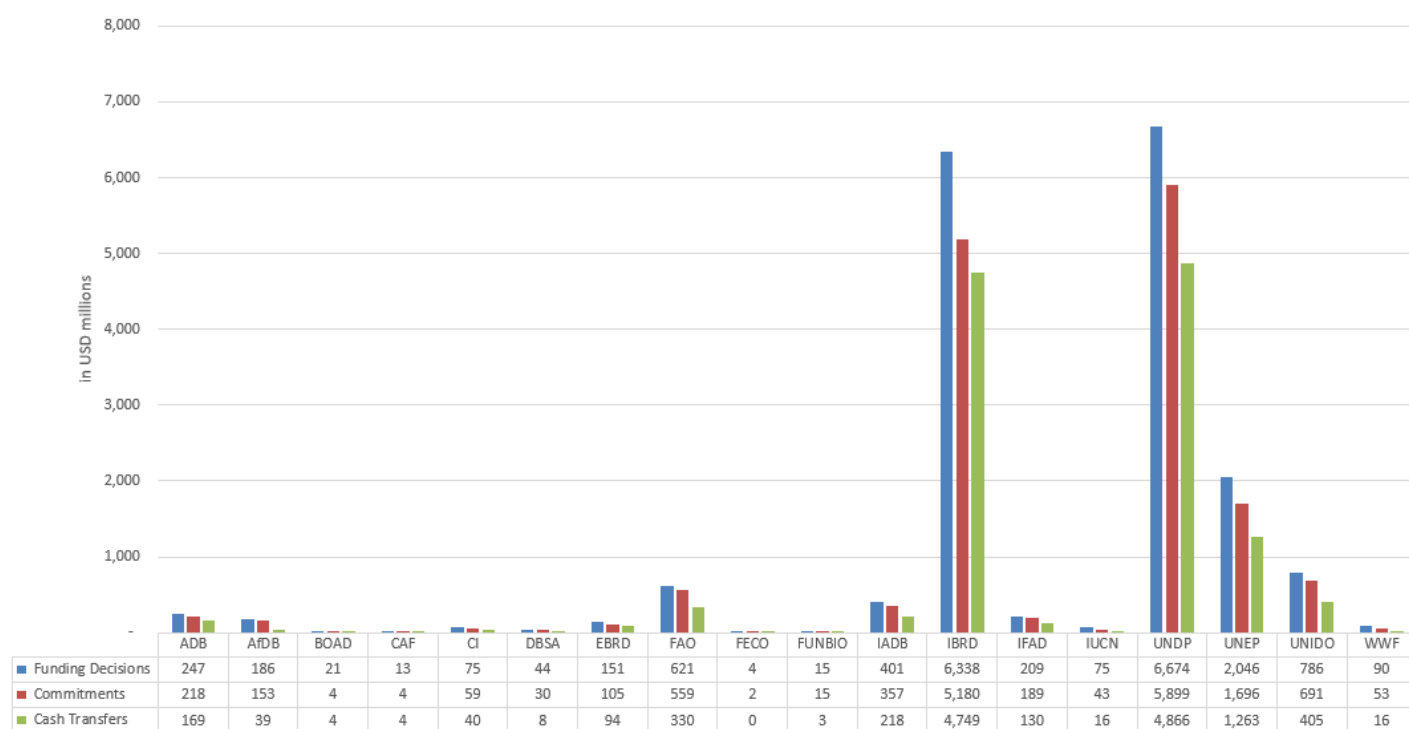




FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

Funding Decisions, Trustee Commitments and Cash Transfers show the cumulative funding decision (by Council and CEO), commitments, and cash transfers to the GEF Agencies since inception.

As of March 31, 2019, cumulative funding decisions (gross)⁵ to Agencies comprising of Projects, Project Preparation Grants, and Agency Fees excluding administrative expenses and funding allocations to the GEF secretariat totaled USD ⁶17,994 million. Of this amount, USD 15,259 million had been committed following the approval or endorsement by the GEF CEO. At the request of Agencies, a total amount of USD 12,355 million had been transferred.



⁵ Reflects initial Council and CEO approvals prior to drops and subsequent cancellations.

⁶ Excludes the program/umbrella balances.



3. Funding Availability

In USD millions

	As of Mar 31, 2019 (a)	As of Sep 30, 2018 (b)	Change (a) - (b)
1. Funds Held In Trust	5,165	4,792	374
a. Cash and investments	3,548	3,520	28
b. Unencashed promissory notes	1,617	1,271	346
2. Restricted Funds	240	125	115
a. Deferred Contribution in respect to the pro rata right	-	-	-
b. Reserve to cover foreign exchange rate fluctuations	240	125	115
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	4,925	4,666	259
4. Approved Amounts Pending Cash Transfers to Agencies	4,076	4,378	(302)
a. Trustee committed	2,914	3,129	(214)
b. Approved by Council but not yet CEO Endorsed	1,149	1,237	(88)
c. Requested amounts for financing pending decision	12	12	-
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	850	289	561

Note: Totals may not add up accurately due to rounding.

Highlights for the period October 1, 2018 through March 31, 2019:

- **Funding Availability** increased by USDeq. 561 million over the prior reporting period as a result of:
 - A net increase in **Funds Held in Trust** by USD eq. 374 million driven by contributions receipts and cash transfers offset by the increase in **Restricted Funds** of USD 115 million due to adjustments to the reserve amount to cover foreign exchange rate fluctuations; and
 - A net decrease in **Approved Amounts Pending Cash Transfers to Agencies** by USD 302 million reflecting transfer to Agencies and the funding cancellations during this period;



4. GEF-7 Specific Funding Decisions as of March 31, 2019

In USD millions

1. Target Replenishment Funding a/			4,068
2. Projected Available Resources during the GEF-7 Period			3,670
Estimated Funds Available to Support Council or CEO Financing Decisions			850
	Potential Amount Available	of which Projected to be Available	
Receivables			2,230
Arrears b/	140	140	
GEF-6 Installments due in FY19 c/	5	5	
GEF-7 Installments			
- due in FY19	412	412	
- due in FY20	420	420	
- due in FY21	633	633	
- due in FY22	620	620	
IoCs not yet Deposited with the Trustee			501
GEF-7 d/	452	452	
Previous Replenishments e/	49	49	
Projected Investment Income	64	64	64
Others f/	25	25	25
Total	2,820	2,820	
3. GEF-7 Specific Funding Decisions			179
Approvals by Council			176
Projects and Fees		176	
Admin. Budget		-	
Special Initiatives		-	
Programmatic Initiatives		-	
Approvals by CEO			3
Projects and Fees (MSPs. EEAs)		-	
Project Preparation Activities and Fees		3	
Net Changes to Initial Approvals g/			-
Reductions (cancellations) on GEF-7		-	
Pending decisions on Intersessional and Council meetings			-
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives		-	
4. GEF-7 "Envelope" as of March 31, 2019 (4 = 2 + 3)			3,849
5. Changes in funding envelope (USDeq.) in GEF-7 period (5 = 4 - 1)			(219)

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

b/ Includes arrears from the US for GEF-2 in the amount of USD 135 million, Egypt for GEF-1 in the amount of SDR 0.5 million, Nigeria for GEF-3 in the amount of SDR 0.7 million and Pakistan for GEF-5 in the amount of SDR 4 million.

c/ Includes amounts past due from Korea and installment amount expected to be received from Spain in FY19.

d/ Represents GEF-7 IoCs to be received by the Trustee as of March 31, 2019.

e/ GEF-6 IoCs not received from Brazil and Russia, GEF-5 IOCs not received from Greece, Nigeria, and Portugal and GEF-4 IoC not received from Nigeria.

f/ Project cancellations from previous replenishments that were expected during GEF-7 period was \$60 million. The Trustee, in collaboration with the GEF Secretariat and the Agencies was able to clawback \$66 million of project cancellations.

g/ To fit the GEF Secretariat's STAR model, net changes to pre-GEF-7 projects were excluded from the calculation.

Note: Totals may not add up accurately due to rounding.