

First Meeting for the Seventh Replenishment of the GEF Trust Fund  
March 28-30, 2017  
Paris, France

## **GEF TRUST FUND FINANCIAL REPORT**

*Summary of Financial Information  
As of February 28, 2017*

(Prepared by the Trustee)



# Global Environment Facility Trust Fund

## Financial Report

Prepared by the Trustee

*Summary of Financial Information*

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## Table of Contents

### Table of Contents

Introduction .....	3
GEF Trust Fund Financial Summary as of February 28, 2017.....	4
1. GEF Trust Fund Summary – Inception through February 28, 2017 .....	5
2. Cumulative Resources, Asset Mix 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-6 Specific Funding Decisions .....	15
5. Update on Financial Reserve and Foreign Exchange Risk .....	18



## Introduction

The information contained in this report is prepared based on financial information as of February 28, 2017.

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, and (v) chemicals and waste.

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 February 28, 2017, and some of the recent developments since the previous report; (ii) the details of financial activities of the GEF Trust Fund; (iii) the status of implementation of the GEF-6 Replenishment; and (iv) update on financial reserve and foreign exchange risk .



## GEF Trust Fund Financial Summary as of February 28, 2017

### ***Pledges and Contributions***

GEF Contributing Participants have pledged SDR 11,582 million (USDeq. 16,606 million)<sup>1</sup> to date, of which SDR 11,541 million (USDeq. 16,545 million) has been confirmed by Donors depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee. Of the total pledged amount, GEF-6 pledges total SDR 2,460 million (USDeq. 3,716 million)<sup>2</sup>, of which Donors have deposited SDR 2,440 million or 99% of the amount with the Trustee as IoCs or QIoCs.

### ***Investment Income***

As of February 28, 2017, cumulative investment income earned on the GEF Trust Fund balances amounts to USD 1,265 million. An investment income of USDeq. 134 million – is projected to be earned over the GEF-6 period. Thus far in GEF-6, USD 96 million has been earned and the balance of USD 38 million is projected to be earned over the rest of the GEF-6 period.

### ***Funding Approvals and Commitments***

As of February 28, 2017, cumulative funding decisions (approvals by the GEF Council/CEO) amount to USD 16,079 million net of USD 1,200 million in cancellations and reductions at endorsement, and USD 12 million pending decisions of intersessional and Council meetings. The GEF-6 funding decisions from October 1, 2016 to February 28, 2017 amount to USD 335 million.

Of the total funding decision amount of USD 16,079 million, cumulative commitments amount to USD 14,250 million.

### ***Cash Transfers***

Cash transfers were made on an as-needed basis to meet projected disbursement requirements. As of February 28, 2017, out of the cumulative commitment of USD 14,250 million (including administrative expenses and funding allocations to the GEF Secretariat), the Trustee has transferred USD 11,529 million. A balance of USD 2,717 million remains payable as of February 28, 2017.

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

**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. As of February 28, 2017, Funds Held in Trust including the reserve amount of USD 150 million, total USD 4,774 million, 28% of which represents unencashed promissory notes.

**Funding availability to support Council or CEO decision amounts to USD 60 million as of February 28, 2017.** This represents a net decrease of USD 26 million compared to September 30, 2016.

<sup>1</sup> Does not include co-financing under the GEF Pilot Program.

<sup>2</sup> Valued based on GEF-6 agreed exchange rates.



## 1. GEF Trust Fund Summary – Inception through February 28, 2017

<b><u>Donor Pledges and Contributions (in SDR millions)</u></b>	
Received IoCs	11,541.15
GEF-4 IoCs not yet deposited	4.00
GEF-5 IoCs not yet deposited	16.35
GEF-6 IoCs not yet deposited	20.45
<b>Total Donor Pledges and Contributions (in SDR millions)</b>	<b>11,581.95</b>

	<b>Total (in USD millions)</b>
<b><u>Cumulative Resources (in USD millions)</u></b>	
<u>Resources received</u>	
Cash Receipts	13,751.46
Unencashed promissory notes	1,330.90
Investment Income earned	1,264.95
<b>Total Resources Received</b>	<b>16,347.30</b>
<u>Resources not yet received</u>	
GEF-6 IoCs not yet deposited	30.89
GEF-5 IoCs not yet deposited	17.11
GEF-4 IoCs not yet deposited	5.42
Installments Receivable from GEF-6	1,055.87
Installment Receivables from previous replenishments	136.59
<b>Total resources not yet received</b>	<b>1,245.88</b>
<b>Total Cumulative Resources (A) (in USD millions)</b>	<b>17,593.18</b>

<b><u>Cumulative Funding Decisions (in USD millions)</u></b>	
Approvals by Council and CEO	17,267.05
Cancellations and reductions at endorsement	(1,200.38)
Pending Decisions of Intersessional and Council Meetings	12.19
<b>Total Funding Decisions Net of Cancellations (B) (in USD millions)</b>	<b>16,078.85</b>
<b>Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)</b>	<b>1,514.32</b>

<b><u>Funds Available (in USD millions)</u></b>	
Funds Held in Trust with no restrictions	4,624.00
Approved Amounts Pending Cash Transfers to Agencies	4,564.00
<b>Total Funds Available to Support Council or CEO Decisions (in USD millions)</b>	<b>60.00</b> <sup>a/</sup>

a/ Excludes the Fx reserve amount of USD 150 million.

Note: Totals may not add up accurately due to rounding



## 2. Cumulative Resources and Funding Decisions

In USD millions

	<u>February 28, 2017</u>	<u>September 30, 2016</u>
<b>1. Cumulative Resources</b>	<b>17,593</b>	<b>17,716</b>
<u>Resources not yet received</u>	<u>1,246</u>	<u>1,678</u>
GEF-6 IoCs not yet deposited with the Trustee	31	31
GEF-5 IoCs not yet deposited with the Trustee	17	18
GEF-4 IoCs not yet deposited with the Trustee	5	6
Installment Receivables from GEF-6	1,056	1,487 <i>a/</i>
Installment Receivables from previous replenishments	137	137
<u>Resources received</u>	<u>16,347</u>	<u>16,038</u>
Cash receipts from installments and encashments	13,751	13,503
Unencashed promissory notes	1,331	1,276
Investment Income earned on undisbursed balances of GEF Trust Fund	1,265	1,259
<b>2. Cumulative Funding Decisions</b>	<b>16,079</b>	<b>15,760</b>
Approvals by Council and CEO	17,267	16,932
Cancellations	(1,200)	(1,184)
Pending decisions of Intersessional and Council Meetings	12	12 <i>b/</i>
<b>3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)</b>	<b><u>1,514</u></b>	<b><u>1,956</u></b>

*a/ Excludes installments in promissory notes amounting to USD eq. 246 million received in October 2016.*

*b/ Excludes October 2016 Intersessional Work Program of \$302 million.*

*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. 17,593 million, USDeq. 1,246 million (7%) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee total USDeq. 53 million, GEF-6 installments receivables amount to USDeq. 1,056 million, and installment receivables from previous replenishments amount to USDeq. 137 million.
- Cumulative net funding decisions amounting to USDeq. 16,079 million represent about 91% of the total cumulative GEF resources.
- As of February 28, 2017, cumulative resources net of funding decisions amount to USDeq. 1,514 million.



## 2a. Cumulative Resources

Instruments of Commitment to be Deposited					
Status as of February 28, 2017					
(in USDeq. millions)					
Contributing Participant	Replenishment	Currency of Obligation	Amount in Currency of Obligation	USDeq.	Percentage
Nigeria	GEF-4	SDR	4.0	5.4	100.0%
<b>Total GEF-4 IoCs Not Yet Deposited</b>				<b>5.4</b>	<b>100.0%</b>
Greece	GEF-5	EUR	4.4	4.7	27.5%
Nigeria	GEF-5	NGN	921.9	2.9	17.1%
Pakistan	GEF-5	PKR	499.6	4.8	27.9%
Portugal	GEF-5	EUR	4.4	4.7	27.5%
<b>Total GEF-5 IoCs Not Yet Deposited</b>				<b>17.1</b>	<b>100.0%</b>
Brazil <sup>a/</sup>	GEF-6	USD	15.9	15.9	51.4%
Russian Federation	GEF-6	USD	15.0	15.0	48.6%
<b>Total GEF-6 IoCs Not Yet Deposited</b>				<b>30.9</b>	<b>100.0%</b>
<b>Total GEF-4, GEF-5 and GEF-6 IoCs Not Yet Deposited</b>				<b>53.4</b>	

*a/ An amount of USD 1.7 million has been received pending receipt of IoC.*

- As of February 28, 2017, IoCs to be deposited with the Trustee amount to USDeq. 53.4 million.
- Of this amount, USDeq. 30.9 million represents GEF-6 IoCs, USDeq. 17.1 million represents GEF-5 IoCs, and USDeq. 5.4 million represents GEF-4 IoCs.
- Austria has deposited its IoC for GEF-6 which is lower by EUR 248,000 compared to its GEF-6 pledge of EUR 50.53 million.

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

As of February 28, 2017, the following Contributing Participants have deposited QIoCs with the Trustee and are making payment arrangements in accordance with a payment schedule agreed with the Trustee.

Contributing Participant	USD Eq. (millions) <sup>a/</sup>
Canada	60.57
Finland	21.94
Netherlands	17.69
Norway	12.92
Spain	16.76
United States	318.41
<b>Total</b>	<b>448.29</b>

*a/ Based on exchange rates as of February 28, 2017.*





#### INSTALLMENT ARREARS BY REPLENISHMENT

As of February 28, 2017, installment arrears under IoCs and QIoCs deposited with the Trustee amounted to USDeq. 136.6 million, representing arrears under GEF-1, GEF-2 and GEF-3.

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
				<b>136.6</b>

#### 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 February 28, 2017, restricted resources amounted to USD 150 million for financial reserves. Approximately 70% of total GEF-6 resources i.e., installment receivables, unencashed notes balances and IOCs not yet deposited are in non-USD currencies. The significant strengthening of the US dollar against all major currencies over the past year would negatively impact the estimated value of cash available for making the payments against the approved funding decisions. The Trustee closely monitors the currency exchange rate movement and determines adequate reserve<sup>3</sup> levels. The Trustee is currently evaluating measures to address the financial risk to the GEF arising out of exchange rate movements.

<sup>3</sup> Please refer to section 5 for an update on the financial reserve and foreign exchange rate risk.



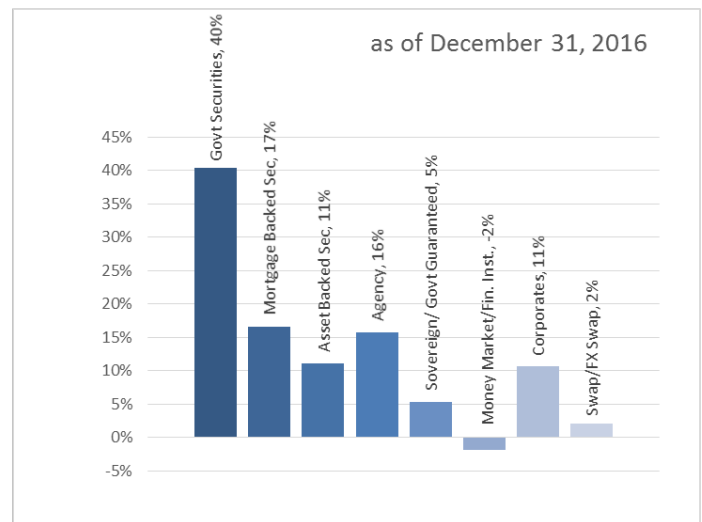
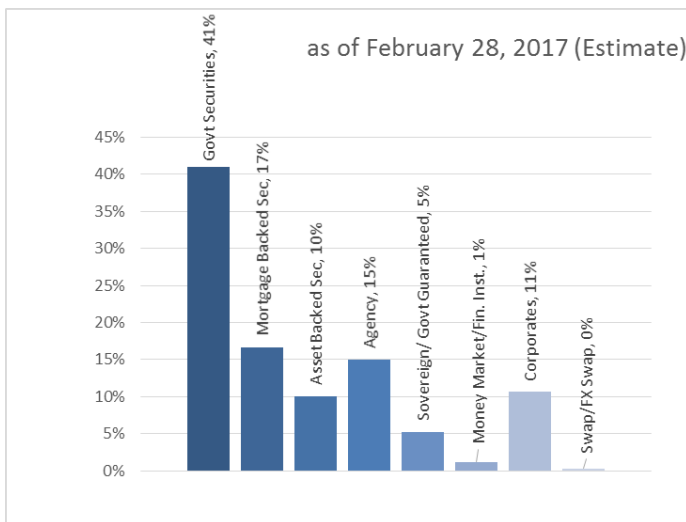
## 2b. Asset Mix and Investment Income

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 framework<sup>4</sup>. 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’<sup>5</sup> 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 class, the largest allocations are to government securities, mortgage backed securities, agency, and asset backed securities.



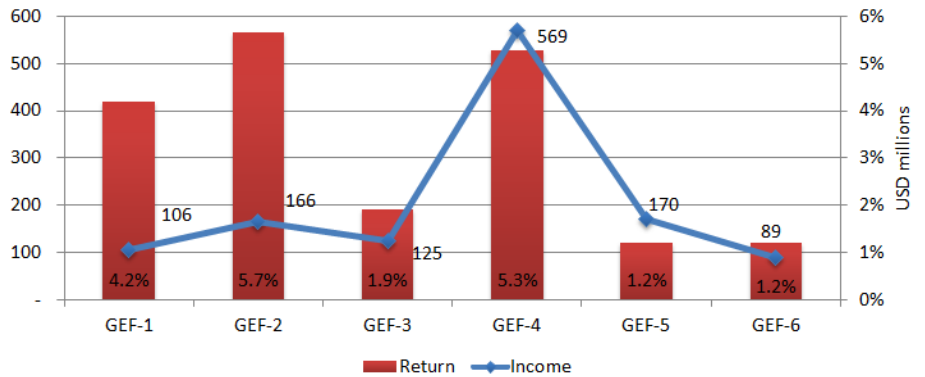
<sup>4</sup> Risk tolerance is defined as the expected maximum loss, as measured by the Conditional Value-at-Risk (CVaR), at the portfolio’s investment horizon, not to exceed 1% at portfolio’s investment horizon, with 99% confidence.

<sup>5</sup> Mark-to-market returns or losses represent unrealized returns or losses reported via accounting entries rather than the actual sale of a security.



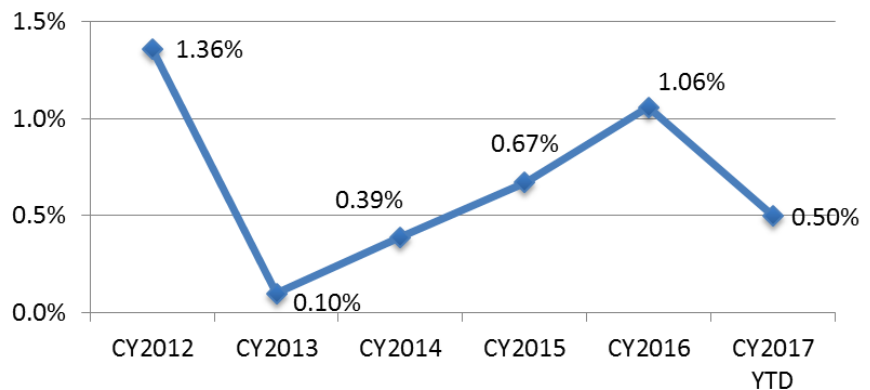
### INVESTMENT INCOME

Cumulative investment income earned since the beginning of GEF Pilot phase is USD 1,265 million. Since the beginning of the GEF-6 replenishment period (July 30, 2014 to February 28, 2017), USD 96 million has been earned.



### INVESTMENT RETURNS

GEF Trust Fund investment returns remained modest for calendar year 2016 with a cumulative return of 1.06%. In the first two months of 2017, investment return was 0.50%. The investment portfolio has maintained a defensive stance since early 2016, in terms of smaller risk positioning and shorter time horizons, in an environment of lingering volatility and reduced liquidity.



Returns are expected to be modest going forward as the risk of rising market yields remains elevated, with an adverse effect on total portfolio returns due to lower bond prices.

### DIVERSIFICATION OPPORTUNITIES

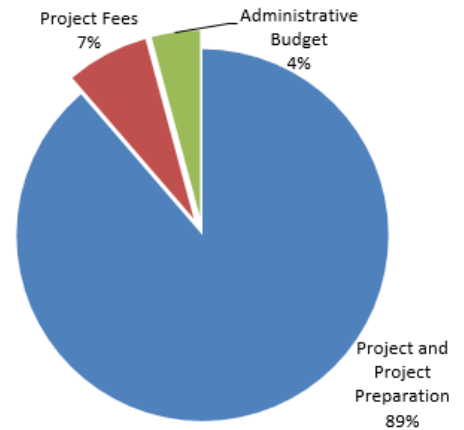
As a gradual move to higher interest rates in the coming years is expected, the outlook for fixed-income investments continues to be for modest returns, as further increases in market interest rates would result in further unrealized (i.e., mark-to-market) losses for fixed income returns in general. To provide more diversity of investment choices, a new model portfolio (model portfolio 4) is being offered by World Bank to eligible trust funds. Model portfolio 4 would feature a five-year investment horizon with a capital preservation constraint over the same horizon and include a limited allocation to equities. A review of the GEF's investment management strategy, including the impact of including an allocation to model portfolio 4, indicates that GEF would benefit from such diversification of investment. The Council reviewed the investment options presented at its 50<sup>th</sup> meeting and requested the Trustee to explore Environmental, Social and Corporate Governance (ESG) risks and opportunities for the GEF Trust Fund investment portfolio and revert with options to this effect at its 52<sup>nd</sup> meeting in May 2017.



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

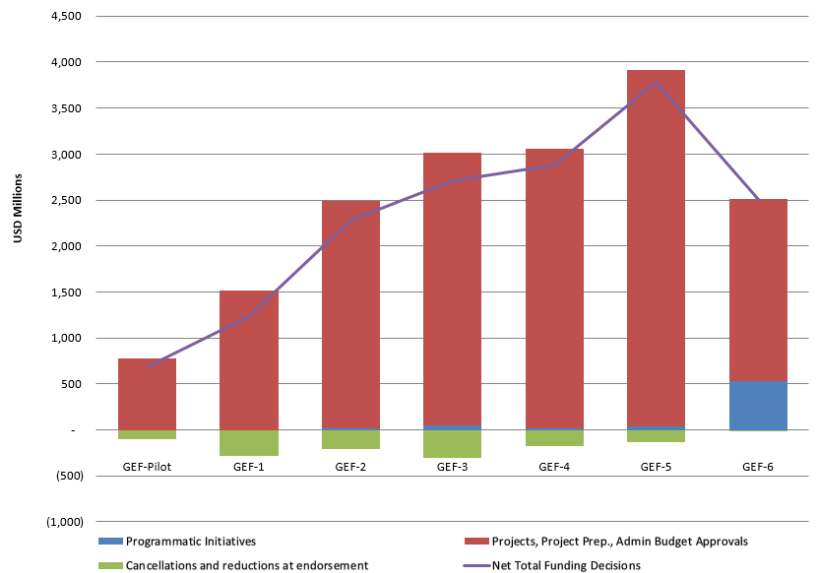
### CUMULATIVE FUNDING DECISIONS

Since inception to February 28, 2017 funding approvals made by the Council and CEO total USD 17,279 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets.



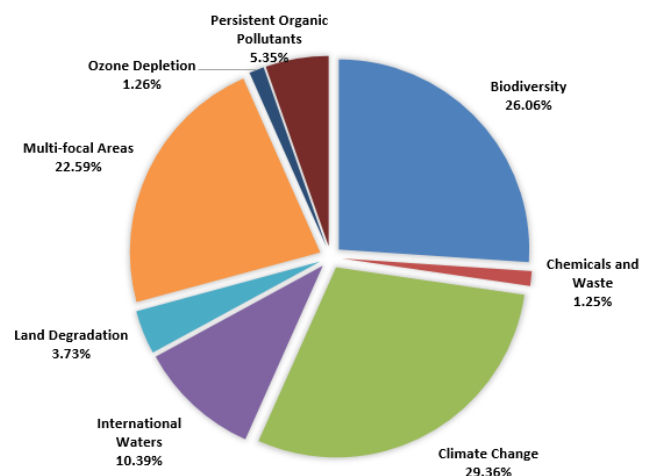
### FUNDING DECISIONS BY REPLENISHMENT

Funding decisions by replenishment show the cumulative Project/Program funding decisions of USD 16,079 million net of cancellations and reductions at endorsement, and excluding pending decisions on intersessional and Council meetings. Cumulative funding cancellations and reductions at endorsement totaled USD 1,200 million.



### FUNDING DECISIONS BY FOCAL AREA

Funding decisions by Focal Area show cumulative funding decisions for projects only, and exclude fees. Projects in the areas of biodiversity and climate change represent approximately 55% of the cumulative funding approved to date.



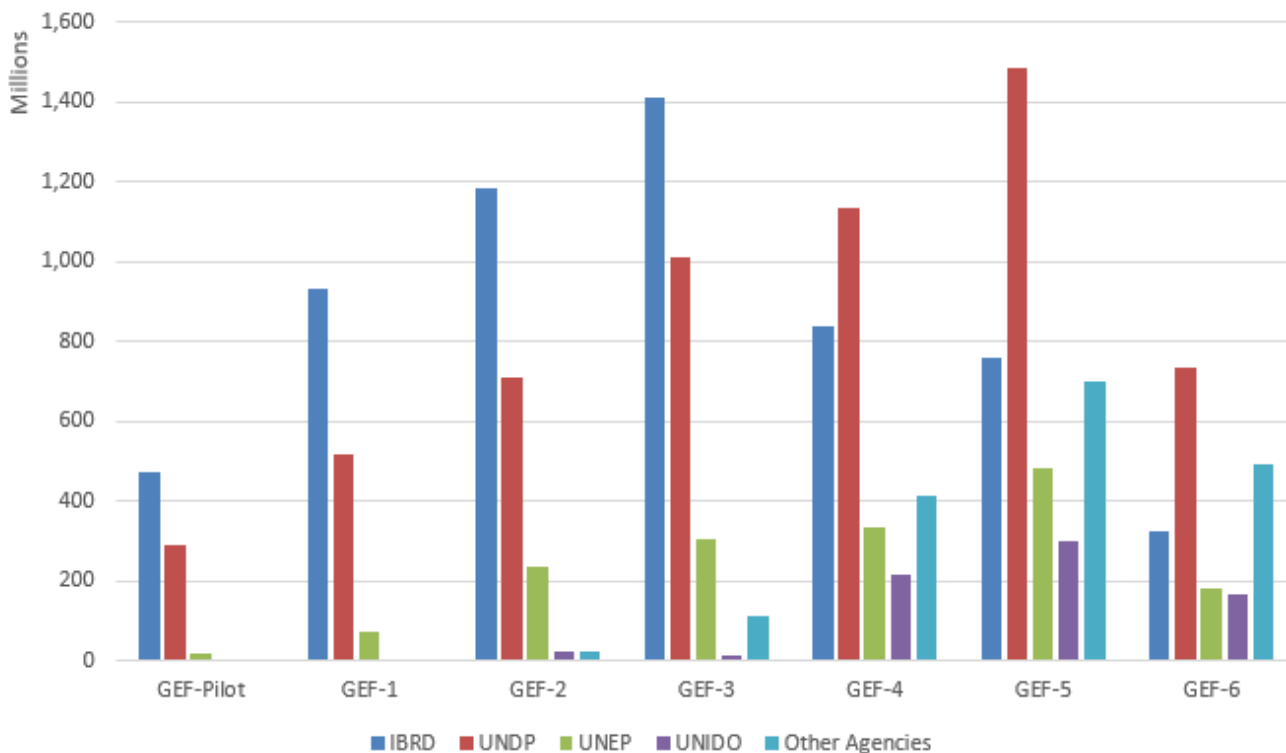
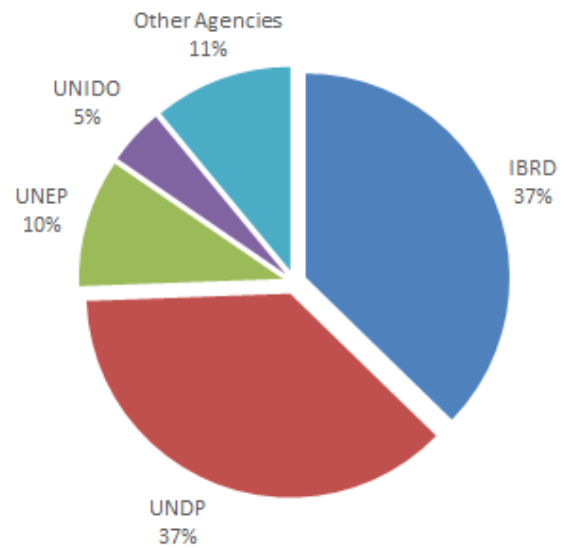


### FUNDING DECISIONS BY AGENCY

Since inception to February 28, 2017, the majority (74%) of all project approvals were for implementation by IBRD and UNDP. Implementation by UNEP and UNIDO stood at 10% and 5% of funding respectively, while the remaining Agencies implemented 11% of funding approvals.

From the GEF Pilot phase to GEF-5, the share of funding approvals by Agency has changed – for example, IBRD’s share fell from 61% to 20%, while UNDP’s share increased from 37% to 40%, and UNEP’s share increased from 2% to 13%. The share of other Agencies increased from 1% in GEF-2 to 19% in GEF-5. These changes over time are shown in the chart below.

Looking at GEF-6 in isolation, UNDP continues to be the implementing agency with the largest share (39%) of funding decisions as of February 28, 2017.

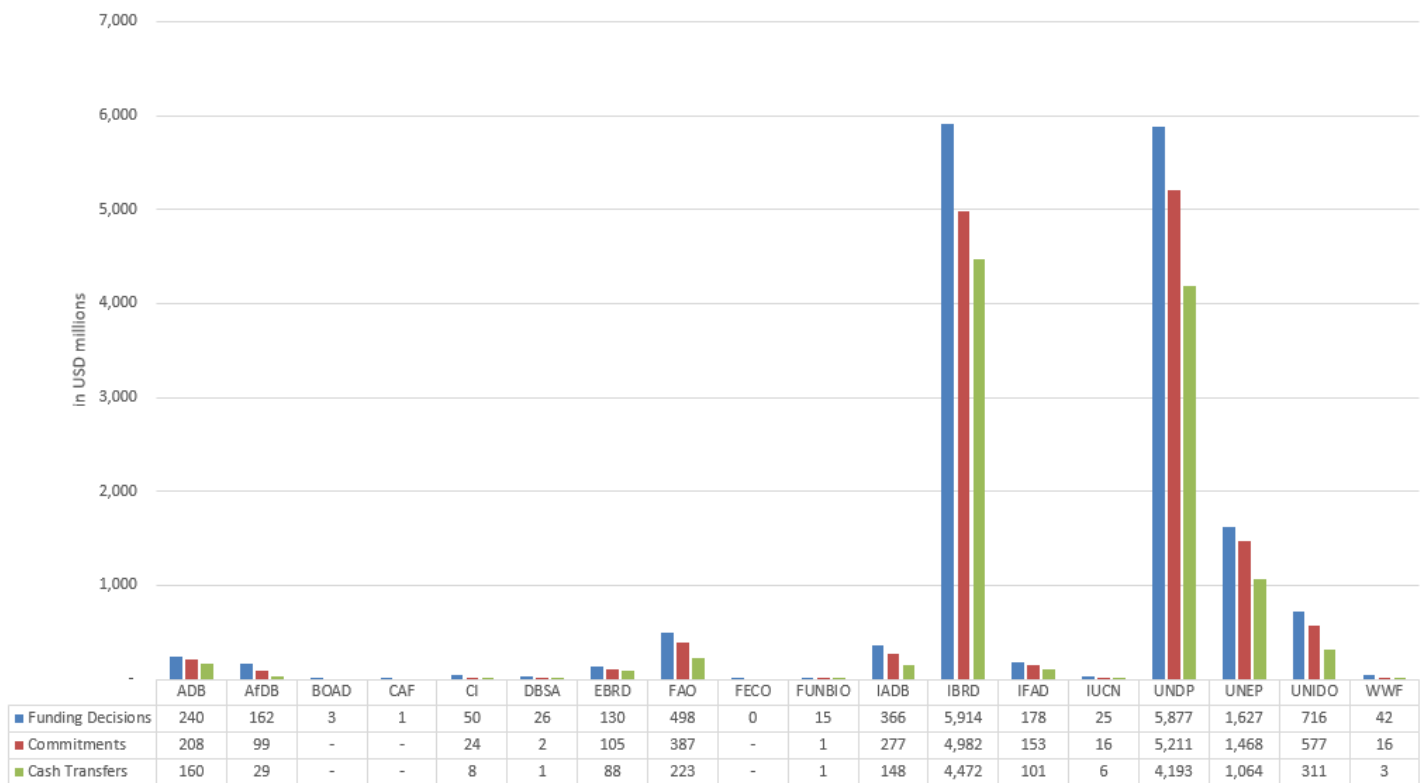




## FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

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

As of February 28, 2017, cumulative funding decisions (gross)<sup>6</sup> to Agencies comprising of Projects, Project Preparation Grants, and Agency Fees excluding administrative expenses and funding allocations to the GEF secretariat totaled USD 15,871<sup>7</sup> million. Of this amount, USD 13,526 million had been committed following the approval or endorsement by the GEF CEO. At the request of Agencies, a total amount of USD 10,809 million had been transferred.



<sup>6</sup> Reflects initial Council and CEO approvals including subsequent drops and cancellations.

<sup>7</sup> Excludes the program/umbrella balances.



### 3. Funding Availability

In USD millions

	As of Feb 28, 2017 (a)	As of Sep 30, 2016 (b)	Change (a) - (b)
<b>1. Funds Held In Trust</b>	<b>4,774</b>	<b>4,748</b>	<b>26</b>
a. Cash and investments	3,443	3,472	(29)
b. Unencashed promissory notes	1,331	1,276 a/	55
<b>2. Restricted Funds</b>	<b>150</b>	<b>150</b>	<b>-</b>
a. Deferred Contribution in respect to the pro rata right	-	-	-
b. Pre-paid Contributions	-	-	-
c. Reserve to cover foreign exchange rate fluctuations	150	150	-
<b>3. Funds Held in Trust with no Restrictions ( 3 = 1 - 2 )</b>	<b>4,624</b>	<b>4,598</b>	<b>26</b>
<b>4. Approved Amounts Pending Cash Transfers to Agencies</b>	<b>4,564</b>	<b>4,512</b>	<b>52</b>
a. Trustee committed	2,720	2,481	239
b. Approved by Council but not yet CEO Endorsed	1,831	2,019	(188)
c. Requested amounts for financing pending decision	12	12 b/	-
<b>5. Funds Available to Support Council or CEO Decisions ( 5 = 3 - 4 )</b>	<b>60</b>	<b>86</b>	<b>(26)</b>

a/ Excludes installments in promissory notes amounting to USD eq. 246 million received in October 2016.  
b/ Excludes October 2016 Work Program of \$302 million.

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

#### Highlights for the period October 1, 2016 through February 28, 2017:

- **Funds Available to support Council or CEO Decisions** decreased by USDeq. 26 million over the prior reporting period as a result of:
  - An increase in **Funds Held in Trust** by USD eq. 26 million resulting from:
    - Lower cash installment receipts compared to cash transfers to agencies,
    - Increase in the values of promissory note balances and deposits of new promissory notes.
  - Increase in **Approved Amounts Pending Cash Transfers to Agencies** by USD 52 million.



## 4. GEF-6 Specific Funding Decisions

In USD millions

<b>1. Target Replenishment Funding a/</b>			<b>4,433</b>
<b>2. Projected Available Resources during the GEF-6 Period</b>			<b>1,344</b>
Estimated Funds Available to Support Council or CEO Financing Decisions			60
	Potential Amount Available	of which Projected to be Available	
Receivables			1,192
Arrears b/	137	137	
Installments due in FY17 c/	386	386	
Installments due in FY18	665	665	
Installments due in FY19	5	5	
IoCs not yet Deposited with the Trustee			53
GEF-6 d/	31	31	
Previous Replenishments e/	23	23	
Projected Investment Income	38	38	38
<b>Total</b>	<b>1,283</b>	<b>1,283</b>	
<b>3. GEF-6 Specific Funding Decisions</b>			<b>2,405</b>
Approvals by Council			2,253
Projects and Fees		1,292	
Admin. Budget		61	
Special Initiatives		-	
Programmatic Initiatives		900	
Approvals by CEO			156
Projects and Fees (MSPs. EEAs)		116	
Project Preparation Activities and Fees		40	
Net Changes to Initial Approvals f/			(4)
Reductions (cancellations) on GEF-6		(4)	
Pending decisions on Intersessional and Council meetings			-
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives			-
<b>4. GEF-6 "Envelope" as of February 28, 2017 (4 = 2 + 3)</b>			<b>3,749</b>
<b>5. Excess or (Shortfall) as Measured Against the Target in Line 1</b>			<b>(684)</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/ 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, and Nigeria for GEF-3 in the amount of SDR 0.7 million.

c/ Trustee and Norway are negotiating the payment arrangements for Norway's 2nd and 3rd installments.

d/ Represents GEF-6 IoCs not received by the Trustee as of February 28, 2017.

e/ GEF-5 IOCs not received from Greece, Nigeria, Pakistan and Portugal and GEF-4 IoC not received from Nigeria.

f/ To fit the GEF Secretariat's STAR model, pre-GEF-6 project net changes were excluded from the calculation.

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





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**Highlights as of February 28, 2017:**

- **Projected Available Resources** through the end of the GEF-6 period amount to USD 3,749 million.
- The value of projected resources to be available is based on the following assumptions:
  - Arrears from previous replenishments are paid;
  - All GEF-6 IoCs are received and paid in full during the remaining GEF-6 period.
- **GEF-6 Funding Decisions** amounted to USD 2,405 million.
- The **Target Replenishment Funding** amount represents the targeted new resources as agreed by Contributing Participants during replenishment discussions; it includes the carryover of arrears, deferred contributions, and paid-in funds not yet set aside.
- **The estimated shortfall of the GEF-6 Envelope Value** as measured against the Target Replenishment totals USD 684 million due to the revaluation of contribution receivables, unencashed promissory notes and the IoCs yet to be deposited with the Trustee. The change is due to the significant strengthening of the US dollar against all major currencies between the time the GEF-6 reference FX rates were set, and the FX rates as of February 28, 2017. The magnitude of this estimated shortfall is continually shifting with changes in the value of the US dollar against all other major currencies. As of February 28, 2017 for instance, the shortfall stood at USD 684 million while it was USD 560 million as of September 30, 2016.
- In order to provide a sense of the impact that a change in the US dollar has on the Envelope Value of GEF-6, the following two scenarios<sup>8</sup> are included below: (i) Scenario A - a 5% *appreciation in the USD*, and (ii) Scenario B - a 5% *depreciation in the USD* versus all other currencies between February 28, 2017 and the end of the GEF-6 replenishment period. The analysis shows that if the USD appreciates by a further 5% from current levels, the shortfall at the end of GEF-6 will be approximately USD 775 million, and if the USD depreciates by 5% from current levels, the shortfall will be approximately USD 582 million. These scenarios are presented for information purposes only and do not in any manner reflect the Trustee's view of the foreign exchange rate movements going forward.

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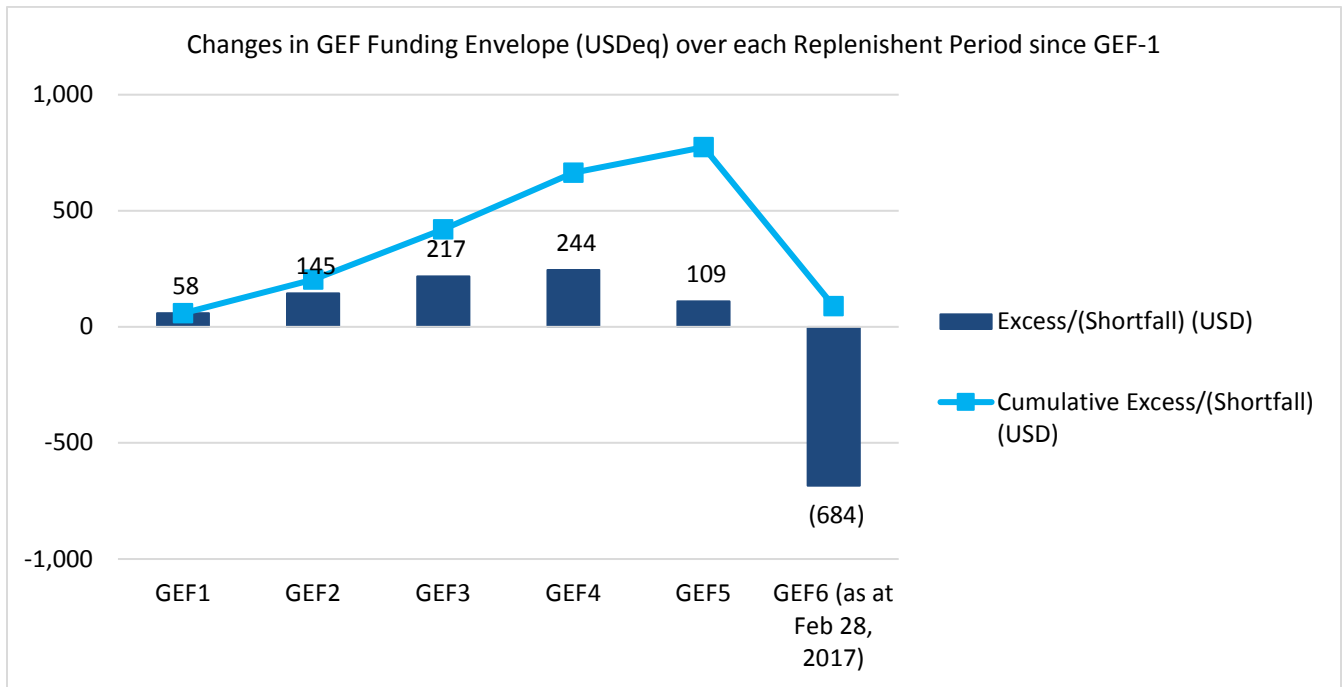
<sup>8</sup> Scenarios are presented for information purposes only and do not in any manner reflect the Trustee's view of FX movements going forward.



<b>Scenario Analysis of Estimated Shortfall of the GEF-6 Envelope due to Changes in Foreign Exchange Rates</b>					
Status as of February 28, 2017 (in US\$eq. millions)					
			<i>Scenario A: 5% USD appreciation from Feb 28, 2017</i>	<i>Scenario B: 5% USD depreciation from Feb 28, 2017</i>	
<b>1. Target Replenishment Funding</b>			<b>4,433</b>		<b>4,433</b>
<b>2. Projected Available Resources during the GEF-6 Period</b>			<b>1,253</b>		<b>1,445</b>
<u>Estimated Funds available to support Council or CEO Financing Decision</u>			-		<b>130</b>
	Potential Amount Available	of which Projected to be Available		Potential Amount Available	of which Projected to be Available
<u>Receivables</u>			<b>1,163</b>		<b>1,224</b>
- Arrears	137	137		135	135
- Installments due	1,026	1,026		1,089	1,089
<u>IoCs not yet Deposited with the Trustee</u>			<b>52</b>		<b>54</b>
GEF-6	31	31		31	31
Previous Replenishments	21	21		24	23
<u>Projected Investment Income</u>	38	38	<b>38</b>	38	38
<u>Total</u>	<b>1,253</b>	<b>1,253</b>		<b>1,316</b>	<b>1,315</b>
<b>3. GEF-6 Specific Funding Decisions</b>			<b>2,405</b>		<b>2,405</b>
<u>Approvals by Council</u>			<b>2,253</b>		<b>2,253</b>
- Projects + Fees		1,292		1,292	
- Admin. Budget		61		61	
- Special Initiatives		-		-	
- Programmatic Initiatives		900		900	
<u>Approvals by CEO</u>			<b>156</b>		<b>156</b>
- Projects + Fees (MSPs, EEAs)		116		116	
- Project Preparation Activities + Fees		40		40	
<u>Net Changes to Initial Approvals</u>			<b>(4)</b>		<b>(4)</b>
- Reductions (cancellations) on GEF-		(4)		(4)	
<b>4. GEF-6 "Envelope" as of February 28, 2017 ( 4 = 2 + 3 )</b>			<b>3,658</b>		<b>3,851</b>
<b>5. Excess or (Shortfall) as Measured Against the Target in Line 1 ( 5 = 4 - 1 )</b>			<b>(775)</b>		<b>(582)</b>



- Looking back over previous replenishments, the change in the GEF’s funding envelope in USD terms from the start to the end of a replenishment was positive in the first five replenishments as the GEF benefitted from a depreciating USD. Since the beginning of GEF-6, there has been a steep and prolonged appreciation of the USD against most other currencies. If this trend continues, the projected funding envelope in USD terms could be smaller than the target replenishment level for GEF-6. Since inception to February 28, 2017, the impact of FX movements on the GEF’s funding resources has been positive, resulting in a net gain of USD 90 million. The changes in funding envelope in USD terms from the start to the end of each replenishment since GEF-1 are shown in the chart below.



## 5. Update on Financial Reserve and Foreign Exchange Risk

The Trustee makes funding commitments to GEF Agencies in USD against GEF resources which include non-USD promissory notes (PNs) that are encashed over a longer period. Adverse movements in FX rates might impact the value of future encashments of those PNs, thereby affecting the Trustee’s ability to meet its legal obligations in making payments to the GEF Agencies against the funding commitments. In order to manage this risk and mitigate any negative impact of FX volatility on the level and predictability of funding available for GEF programming, the Trustee holds a defined level of financial reserve estimated at approximately 15% of unencashed promissory notes used for commitment purpose. The current financial reserve amount is USD 150 million and the Trustee closely monitors and adjusts this amount to insulate the GEF from adverse exchange rate fluctuations without unduly constraining the programming ability of the GEF.

As part of GEF-5 negotiations in May 2009, the Trustee presented a paper to the GEF-5 Replenishment Participants examining the costs, benefits and issues associated with hedging FX risk. It was concluded that there was limited scope for employing additional measures to manage FX risk in the GEF Trust Fund. In the current environment, some of the



challenges identified in the 2009 review have evolved, providing an option to access capital markets to facilitate hedging transactions. The Trustee is in the early stages of a comprehensive review of the possibility of setting up an FX Hedging program for the GEF Trust Fund within an overarching FX Exposure Management Framework. This program will aim to achieve a more comprehensive solution to manage FX risk. This review will consider associated costs, possible collateral requirement and its impact on the GEF's programming ability, and the legal implications of using the World Bank's trust fund pool to support any hedging activity. The Trustee is committed to identify the most appropriate and cost effective solution for the GEF and will report to the GEF-7 Replenishment Participants on progress throughout the GEF-7 replenishment process.