



GEF/A.6/06
May 31, 2018

Sixth GEF Assembly
June 27 - 28, 2018
Da Nang, Viet Nam

GEF-6 FUNDING RETROSPECTIVE (PREPARED BY THE TRUSTEE)

I. GEF-6 REPLENISHMENT SUMMARY

1. Contributing Participants completed the negotiations under the Sixth Replenishment of the GEF Trust Fund ("GEF-6") in April 2014. Contributing Participants to the GEF-6 agreed to provide resources to the GEF Trust Fund for grant and other financing to GEF recipient countries for the period between July 1, 2014 and June 30, 2018. The agreed total envelope for the GEF-6 period was SDR 2.94 billion (USDeq. 4.43 billion). This funding envelope included USDeq 3,716 million from new pledges from donors, USDeq 583 million of resources carried over from previous replenishments, and USD 134 million of projected investment income.
2. On May 28, 2014, the Council endorsed the replenishment document and requested the CEO/Chairman of the Facility to transmit the document to the World Bank with a request that the Executive Directors of the World Bank be invited to authorize the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-6. The World Bank Executive Directors adopted the GEF-6 resolution on July 30, 2014.
3. The GEF Council commenced funding of GEF activities under GEF-6 upon adoption of the GEF-6 Replenishment Resolution by the World Bank Executive Directors, i.e. on July 30, 2014, with the amount paid-in but unallocated under GEF-5 (USD 187 million) and carried over to GEF-6.
4. The Advance Contribution Scheme provision under the GEF-6 replenishment resolution allows the Council to begin programming a portion of the GEF-6 resources when donors deposit Instruments of Commitment (IoC) representing twenty percent of the total contributions to the GEF-6, pending the full effectiveness of GEF-6. The Advance Contribution Scheme became effective on October 31, 2014 when fifteen Contributing Participants, whose contributions represent SDR 560.38 million representing 22.8% of the total contributions to the GEF-6, deposited their IoCs with the Trustee.
5. The Sixth Replenishment became effective on November 20, 2014 when 20 Contributing Participants, whose contributions aggregated more than sixty percent of the total contributions of all Contributing Participants under GEF-6, had deposited with the Trustee their IoCs or Qualified Instruments of Commitment (QIoCs) totaling SDR 1.67 billion.
6. As of March 31, 2018, 29 out of 31 Contributing Participants had fully authorized their commitments to the GEF-6 replenishment and deposited Instruments of Commitment. Of these commitments, approximately 88.3% has been paid in cash or promissory notes. The remaining amount, representing 11.7% of the total authorized commitments, is projected to be paid before the end of the GEF-6 replenishment period.

II. GEF-6 RESOURCE ENVELOPE

7. The original expected resources to be available to the GEF Trust Fund during the GEF-6 period totaled SDR 2.94 billion (USDeq. 4.43 billion) comprising (i) new pledges from Contributing Participants totaling SDR 2.46 billion (USDeq. 3.72 billion); (ii) a carryover from the GEF-5 replenishment totaling SDR 386 million (USDeq. 583 million); and (iii) projected investment income of SDR 88.7 million (USDeq. 134 million). Resources were to become available on an annual basis throughout the four-year replenishment period.
8. Of the total GEF-6 pledges, SDR 2.46 billion (USDeq. 3.72 billion) have been confirmed by Contributing Participants depositing Instruments of Commitments or Qualified Instruments of Commitment with the Trustee. As of March 31, 2018, the Contributing Participants have paid USDeq. 3.26 billion towards their GEF-6 contributions.
9. It is projected that USD 125 million will become available in the GEF Trust Fund between April 1, 2018 through the end of the GEF-6 period for the Council or CEO decision. This amount includes receipt of anticipated installment payments from Contributing Participants under GEF-6. IoCs and Arrears from the GEF-6 replenishment and from previous replenishments are excluded from the above-mentioned projected resource availability.
10. Since the beginning of the GEF-6 replenishment period (July 31, 2014) to March 31, 2018, USD 160 million of investment income has been earned in the GEF Trust Fund (representing 1.2% average return). Although the average rate of return was modest, the investment returns have exceeded the income originally projected (USD 134 million) for the GEF-6 replenishment period. This is primarily because of higher levels of cash balances in the GEF trust fund than originally estimated, as a number of donors decided to pay in cash over four years instead of paying by promissory note and encashing over a longer period of time.
11. Over the period July 31, 2014 to March 31, 2018, an amount of USD 3.37 billion was approved by the GEF Council and GEF CEO under the GEF-6. Allocations for Programmatic Initiatives amounted USD 959 million or 28% of GEF-6 funding decisions, while Projects not attached to Programmatic Initiatives and Fees amounted USD 2,327 million or 69% of GEF-6 funding decisions.
12. Table 1 shows the current USD value of the GEF-6 resource envelope as of March 31, 2018. Considering resources projected to become available during the remainder of the GEF-6 period, the value of GEF-6 envelope is estimated to be USD 3.49 billion. The estimated GEF-6 shortfall is USD 449 million or 10.1% when measured against the target replenishment level. The shortfall is primarily due to unfavorable foreign exchange movements of the USD dollar (the holding and operating currency of the GEF Trust Fund) against national currencies in which donors' contributions are received in cash or promissory notes. There is an inherent FX risk in the GEF, as the GEF funding envelope is determined based on the Reference Exchange Rates that are set before the start of the

replenishment period, while the actual inflow of donor funds happens over an extended time period, including encashment of promissory notes.

Table 1: GEF 6 Specific Funding Decisions (in USD millions)

1. Target Replenishment Funding a/			4,433
2. Projected Available Resources during the GEF-6 Period			125
<u>Estimated Funds Available to Support Council or CEO Financing Decisions</u>			-91
	Potential Amount Available	of which Projected to be Available	
<u>Receivables</u>			216
- Arrears b/ i/	137	-	
- Installments past due c/	28	28	
- Installments due in FY18 b/ i/	327	188	
- Installments due in FY19 i/	6	-	
<u>Release of Restricted Contributions</u>			
Deferred Contributions d/ i/	141	-	0
<u>IoCs not yet Deposited with the Trustee i/</u>			0
GEF-6 e/	31	-	
Previous Replenishments f/	24	-	
<u>Projected Investment Income</u>	-	- g/	-
Total	694	216	
3. GEF-6 Specific Funding Decisions			3,371
<u>Approvals by Council</u>			3,089
- Projects and Fees		2,033	
- Admin. Budget		97	
- Special Initiatives		-	
- Programmatic Initiatives		959	
<u>Approvals by CEO</u>			294
- Projects and Fees (MSPs. EEAs)		234	
- Project Preparation Activities and Fees		60	
<u>Net Changes to Initial Approvals h/</u>			(12)
- Reductions (cancellations) on GEF-6		(12)	
Pending decisions on Intersessional and Council meetings			-
- Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives		-	
4. GEF-6 "Envelope" as of March 31, 2018 (4 = 2 + 3)			3,496
5. Funding expected to be carried forward from GEF-6 to GEF-7 i/			488
6. Changes in funding envelope (USDeq.) in GEF-6 period (6 = 5 + 4 - 1)			(449)
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, and 4th Installment from the US for GEF-6 in the amount of USD 139.6 million which may not become available for programming in GEF-6.			
c/ The Trustee and Norway are negotiating the payment arrangements for Norway's 2nd, 3rd and 4th installments.			
d/ In March 2018, Japan deferred its 4th installment of JPY 15 billion to GEF-6. This may not become available for programming in GEF-6.			
e/ Represents GEF-6 IoCs not received by the Trustee as of March 31, 2018.			
f/ GEF-5 IOCs not received from Greece, Nigeria, Pakistan and Portugal and GEF-4 IoC not received from Nigeria.			
g/ GEF-6 investment income until March 31, 2018 is USD 160 million, which is more than the projected amount of USD 134 million.			
h/ To fit the GEF Secretariat's STAR model, pre-GEF-6 project net changes were excluded from the calculation.			
i/ Includes contribution arrears, GEF-6 installments that may not become available for programming before June 30, 2018, deferred Contributions, IoCs not yet deposited with the Trustee and any funds unprogrammed at the end of GEF-6 period.			
Note: Totals may not add up due to rounding.			

13. The GEF Trust Fund also carries FX risk as 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 period of time up to ten years. Adverse movements in FX rates might impact the value of future encashments of those Promissory Notes, thereby resulting in a lower value of resources compared to that anticipated at the time of making the commitments. To manage this uncertainty and as a buffer against adverse FX movement, the Trustee holds a defined level of financial reserve currently estimated at approximately 15% of unencashed promissory notes used for commitment purpose at all times. The Trustee will adjust the reserve level (USD 150 million in GEF-6) as needed, on an annual basis throughout the replenishment period. 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.
14. To facilitate a more comprehensive FX risk management solution, at the request of the participants during the GEF-7 replenishment meetings, the Trustee explored and presented additional measures to manage the FX risk, including: a) the establishment of an FX hedging program within an overarching risk management framework and b) employing a second operating currency such as EUR. With approximately 96% of cumulative funding allocations expected to be disbursed in USD and little or no demand for EUR from GEF agencies, there would be only very limited gain from employing a second operating currency. The participants discussed the hedging option in detail, including a proposed FX risk management framework, hedging costs and collateral requirements. GEF-7 Participants had differing views on the hedging proposal presented and, on balance, expressed a preference to defer the decision to a later date. Hence the option of hedging is not being pursued any further at this stage.
15. The remaining amount of USD 488 million is expected to be carried forward from GEF-6 to GEF-7 which includes arrears from GEF-6 as well as from previous replenishments, IoCs not yet deposited with the Trustee, and deferred contributions not projected to be released for programming in GEF-6 period.

III. FUNDING AVAILABILITY

16. The funding availability for the Council or CEO decision as of March 31, 2018 stands at negative USD 91 million (refer to Table 2) due to a contributing participant exercising deferral rights. The funding availability to support Council and CEO decision as of June 30, 2018 is estimated by taking into account (i) the estimated inflows, such as the projected donor payments, and releases of deferred contribution funds; and (ii) the estimated funding decisions by the Council and CEO between April 1 and June 30, 2018. Accordingly, the estimated funds available at the end of the GEF-6 period are USDeq. 2.7 million.

Table 2: GEF Trust Fund – Schedule of Funds Available (in USD millions)

	<u>As of Mar, 31, 2018</u>
1. Funds Held In Trust	4,877
a. Cash and investments	3,419
b. Unencashed promissory notes	1,458
2. Restricted Funds	291
a. Deferred Contribution in respect to the pro rata right	141
b. Pre-paid Contributions	-
c. Reserve to cover foreign exchange rate fluctuations	150
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	4,586
4. Approved Amounts Pending Cash Transfers to Agencies	4,676
a. Trustee committed	3,173
b. Approved by Council but not yet CEO Endorsed	1,491
c. Requested amounts for financing pending decision	12
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	(91)
Projected until the end of the GEF-6 Period (June 30, 2018)	
6. Total Estimated Inflows	215.7
a. Projected Donor Resources	215.7
b. Projected Pro rata Release of Deferred Contributions	-
7. Estimated Funding Decisions	122.1
8. Estimated Funds Available on June 30, 2018 (8 = 5 + 6 - 7)	2.7

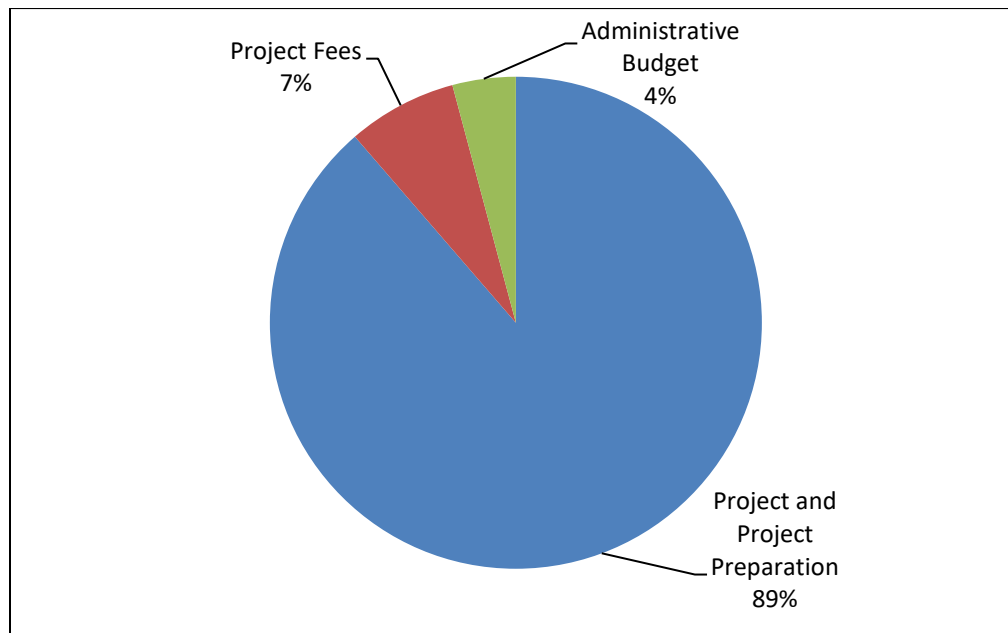
OVERVIEW OF GEF CUMULATIVE RESOURCES AND FUNDING DECISIONS

- Table 3 below shows total cumulative resources of the GEF Trust Fund and the cumulative funding decisions made since inception of the GEF. Of the total cumulative resources of USDeq. 17.8 billion, 96.9% or USDeq. 17.27 billion has been received from Contributing Participants. The remaining 3.1% or USDeq. 553 million represents resources not yet received. Of these, Installment Receivables under IoCs and QIoCs already deposited with the Trustee amounted to USDeq. 498 million; and IoCs not yet deposited with the Trustee totaled to USDeq. 55 million.
- Cumulative net funding decisions amounting to USDeq. 17.03 billion represent about 95.5% of the total cumulative GEF resources. As of March 31, 2018, Cumulative Resources net of Funding Decisions amounted to USDeq. 799 million.

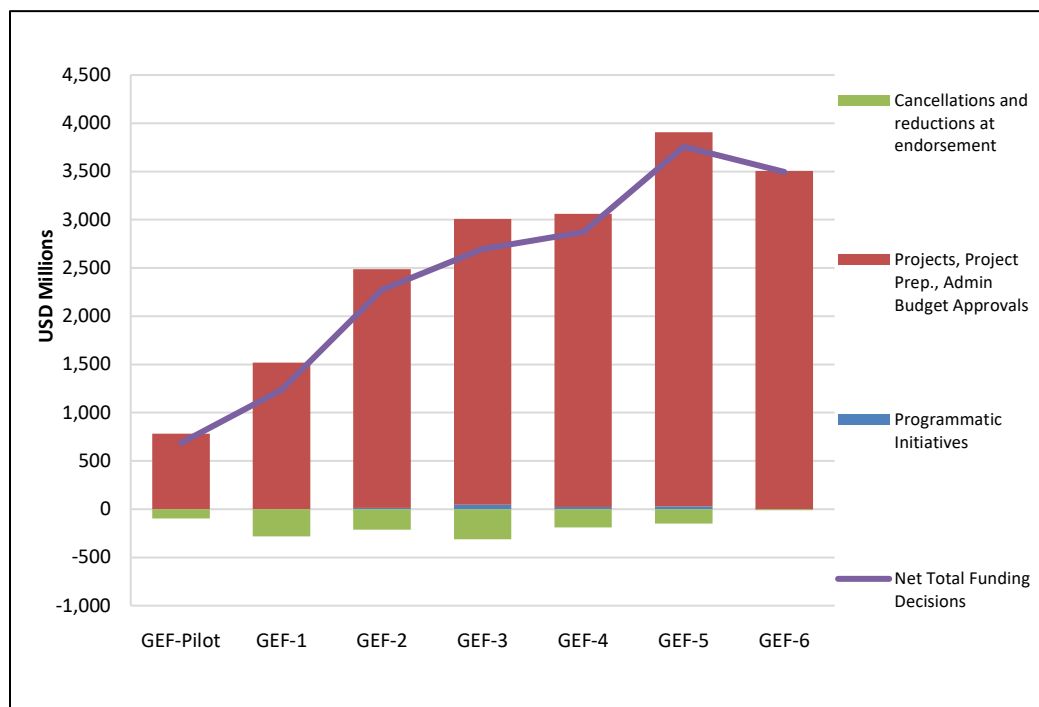
Table 3 Cumulative Resources and Funding Decisions (in USD millions)

	<u>March 31, 2018</u>
1. Cumulative Resources	17,831
<u>Resources not yet received</u>	<u>553</u>
GEF-6 IoCs not yet deposited with the Trustee	31
GEF-5 IoCs not yet deposited with the Trustee	18
GEF-4 IoCs not yet deposited with the Trustee	6
Installment Receivables from GEF-6	361
Installment Receivables from previous replenishments	137
<u>Resources received</u>	<u>17,278</u>
Cash receipts from installments and encashments	14,492
Unencashed promissory notes	1,458
Investment Income earned on undisbursed balances of GEF Trust Fund	1,328
2. Cumulative Funding Decisions	17,032
Approvals by Council and CEO	18,271
Cancellations	(1,251)
Pending decisions of Intersessional and Council Meetings	12
3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)	<u>799</u>

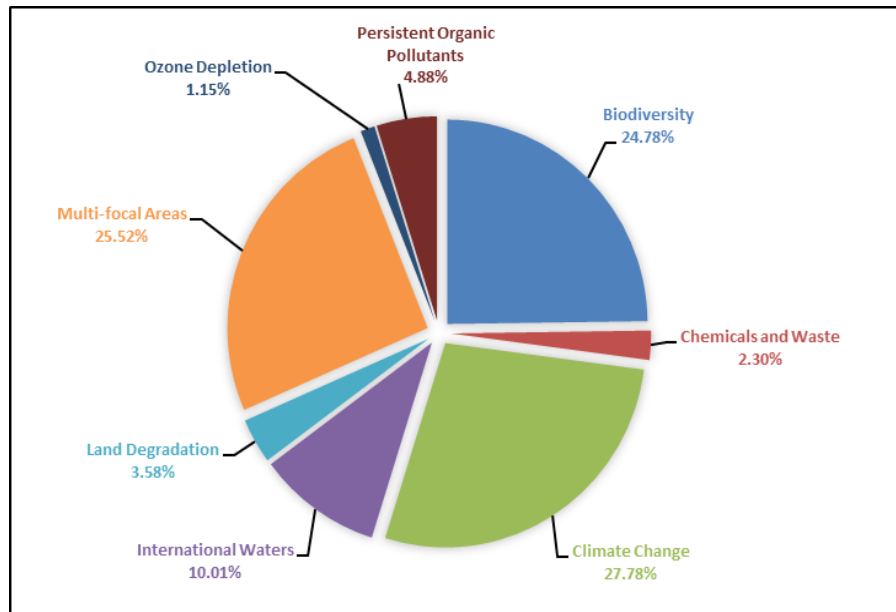
3. Funding approvals made by the Council and CEO since inception to March 31, 2018 totaled USD 18,271 million, of which 89% was approved for Projects and Project Preparation activities.



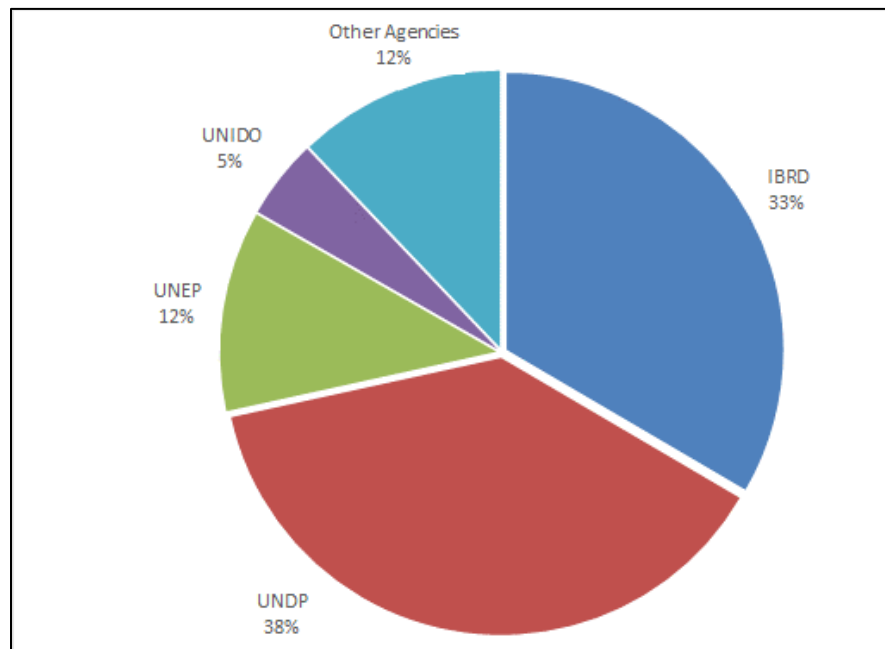
4. Funding decisions by Replenishment show the cumulative funding decisions of USD 17,032 million net of cancellations. Cumulative funding cancellations totaled USD 1,251 million.



5. Funding Decisions by Focal Area show cumulative funding for projects only, and exclude fees. Projects in the areas of biodiversity and climate change represent approximately 52.5% of the cumulative funding approved to date, followed by multi-focal areas with a share of 25.5%.



6. Funding decisions by Agency reflect 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.



7. 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 also had a moderate decline from 40% in the GEF Pilot to 38% in GEF-6. UNEP's share increased from 3% in the GEF Pilot to 14% in GEF-6. The combined share of other Agencies has increased from 1% in GEF-2 to 25% in GEF-6.

