



Global Environment Facility

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LETTER FROM THE TRUSTEE CONCERNING ITS CORPORATE BUDGET

The World Bank
Washington, D.C. 20433
U.S.A.

Arif Zulfikar
Acting Vice President
Concessional Finance and Global Partnerships

March 24, 2004

Mr. Leonard Good
Chief Executive Officer and Chairman
Global Environment Facility (GEF)
1818 H Street NW
Washington, DC 20433
USA

Dear Mr. Good,

This letter puts forth the fiscal year 2005 budget request for the services provided by the International Bank for Reconstruction and Development (the World Bank) in its role as the Trustee of the GEF Trust Fund (the Trustee).

Paragraph 8 of Annex B to the Instrument for the Establishment of the Restructured Global Environment Facility” (the “Instrument”) states that “... the Trustee shall be reimbursed annually from the resources of the [GEF Trust] Fund for the reasonable expenses incurred by it for the administration of the [GEF Trust] Fund and for expenses incurred in administratively supporting the Secretariat [of the GEF]. The reimbursement shall be made on the basis of estimated cost, subject to end-of-year adjustment”. Pursuant to this paragraph, and in light of the World Bank’s revised cost recovery policy, adopted during fiscal year 2003 which requires the World Bank to recover the full costs of administration and supervision for trust funds whose size is \$30 million or more, we request a budget in the amount of US\$ 1,450,000 for fiscal year 2005.

The budget reflects the nature of the services to be provided by the Trustee during fiscal year 2005 (an illustrative list of the types of basic services expected to be provided by the Trustee is attached as Attachment I) and takes into account the anticipated scope of services for fiscal year 2005 (Attachment II provides an estimate of the volume of activities that we expect to undertake for the GEF Trust Fund during fiscal year 2005).


Mr. Lenonard Good

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March 24, 2004

If you have any question, please feel free to contact Ms. Kyung Hee Kim either by email (kkim2@worldbank.org) or by phone (202) 458-0929.

International Bank for Reconstruction and Development
as Trustee of the GEF Trust Fund

By 
Arif Zulficar
Acting Vice President
Concessional Finance and Global Partnerships

Date March 24, 2004

cc: Messrs./Mmes. King, Bliss-Guest (GEF); Kim, Schermerhorn, Crivelli,
Chen (CFP)

Attachment I

GEF Trust Fund

Basic Services provided by the Trustee in its Administration of the GEF Trust Fund

A. Management of the Donor Contributions

Once negotiations for a replenishment of the GEF Trust Fund are completed and a replenishment resolution is adopted, the Trustee carries out the implementation of the replenishment resolution, including:

- Facilitating final documentation and any logistical arrangements for Instruments of Commitment (IoCs) submission
- Recording IoCs in the business system and general ledger
- Monitoring effectiveness of the replenishment
- Addressing donor questions with respect to possible constraints on their contributions due to budget requirements, information, legal restrictions, etc..
- Tracking, calling and collecting installment payments
- Managing quarterly encashment calls and collecting encashment payments
- Managing day-to-day donor relations/enquiries
- Providing standard reporting to donors
- Implementing the terms and conditions of the replenishment (including, for example, pro rata exercises, and calculation of net present value of encashments)

B. Sound Financial and Investment Management of GEF Resources

Under the Instrument, pending transfers to the Agencies, the Trustee may invest the funds held in the GEF Trust Fund. In this connection, the Trustee ensures sound financial and investment management of GEF resources, including:

- Active management of GEF Trust Fund investment portfolio within the applicable risk limits
- Periodic review of risk profile, asset allocation of the portfolio and benchmarking
- Settlement and custody of investments
- Assessing and monitoring operational risks, liquidity risks and currency risks
- Compliance and reporting
- Currency conversion
- Allocating investment income monthly

C. Committing and Disbursing GEF Resources

The Trustee makes commitments and disbursements of GEF resources to the implementing and executing agencies of the GEF (the “Agencies”). The tasks involved in connection with making such commitments and disbursements include the following:

- Recording Council and CEO approvals/endorsements of all GEF financed activities
- Entering into Financial Procedures Agreements with the implementing and executing agencies of the GEF (“the agencies”).
- Issuing Trustee commitments to the Agencies upon reviewing of Council/CEO approvals and availability of funds
- Maintaining commitment authority
- Disbursing funds to the Agencies based upon agreed policies and procedures
- Recording cancellation and reflows of GEF funded activities, if any
- Managing day-to-day agency relations/inquiries

D. Infrastructure and Systems

The Trustee provides infrastructure necessary to fulfill Trustee role, including:

- Maintaining details and audit trail of all transactions
- Accounting for flow of funds at all stages
- Maintaining system of internal controls (operational & financial)

E. Accounting and Reporting

The Trustee maintains accounting records for the GEF Trust Fund and provides appropriate reports, including:

- Providing monthly funding status and payment status of donor contributions to the GEF Secretariat
- Providing semi-annual reports to the GEF Council on the financial status and management of the GEF Trust Fund
- Providing annual audited financial statements for the GEF Trust Fund
- Coordinating and collect annual audited financial statements of the Agencies
- Providing other ad hoc reporting as needed
- Collecting and reviewing various quarterly and annual financial reports from the Agencies

Attachment II

GEF Trust Fund

Below is the current estimate of the expected volume of transaction processing activities and key services the Bank as the Trustee expects to perform during fiscal year 2005 for the GEF Trust Fund:

- **Donor Contributions – Installment invoicing and processing of donor payments: \$ 588 million, in 120 - 200 transactions**
- **Donor Contributions – Validation, invoicing and processing encashments of notes: \$ 500 million, in 90-120 transactions**
- **Trustee Commitments to the Agencies: \$500 million, in 40-80 transactions**
- **Disbursements to the Agencies and the GEF Secretariat: \$550 million, in 30- 50 transactions**
- **Activities associated with managing and monitoring the funding status of the GEF Trust Fund: 20 – 40 transactions**
- **Collection and review of quarterly reports from the agencies: 80 reports**