



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

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**OVERVIEW OF REPLENISHMENT PROCESS OF GEF TRUST FUND:  
(PREPARED BY TRUSTEE)**

## INTRODUCTION

1. This paper provides an overview of the process through which the GEF Trust Fund is replenished every four years. It outlines key aspects of the replenishment process culminating in the adoption of the final replenishment resolution.

## BRIEF BACKGROUND

2. The GEF is designed primarily as grant-making facility (although it does have the capacity to provide concessional financing in forms other than grants) and it is underpinned by a Trust Fund, which is periodically replenished. The replenishment process for the GEF is modelled on the process followed by the International Development Association (IDA); however, unlike IDA, which is replenished every three years, the GEF funding cycle traditionally spans four-year replenishment periods.

3. The GEF Instrument designates the Trustee with the responsibility of mobilizing resources for the GEF Trust Fund. At the request of the GEF Council, the Trustee, in cooperation with the CEO and Chairperson of the GEF, initiates discussions on the replenishments of the GEF Trust Fund by convening meetings of the GEF participants to agree on the replenishment size and operational strategy for each replenishment period.

4. GEF replenishment negotiations provide an opportunity for Contributing Participants (“Donors”) to review GEF performance, evaluate progress, and decide on programming and strategic directions for the future. Donors assess future funding needs, and agree on a financing framework, which includes the size of the replenishment, as well as financial and payment arrangements under the new replenishment.

5. The dual challenge of each replenishment negotiation is to mobilize adequate funding to support the overall financing requirements for future programming, as agreed by the Donors, while ensuring that the replenishment is carried out within an acceptable burden-sharing framework.

6. Burden-sharing frameworks vary over time, and across institutions, as Donors reach funding agreements on the basis of a variety of factors. At the outset of the replenishment process, each Donor usually takes as a reference point its respective burden share in the previous replenishment<sup>1</sup>, which reflects past budgetary decisions and replenishment considerations. Final financing agreements nevertheless reflect the specific circumstances and priorities of the Donors.

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<sup>1</sup> When the GEF Trust Fund was first established, its Donors agreed to use the shares from the IDA10 Replenishment Resolution as the initial shares (“basic shares”). These basic shares continued to be used as a reference point for the GEF-2, GEF-3, GEF-4 and GEF-5 replenishment discussions, with some adjustments reflecting then-current circumstances.

## FINANCIAL COMPONENTS OF A GEF REPLENISHMENT

7. The size of a given replenishment reflects the estimated overall funding requirements for future programming agreed by the Donors, as well as the ability of Donors to fund the replenishment. The financial components of a replenishment may include:

- a. New donor funding: the amount pledged by donors for the new replenishment. It consists of all basic and supplemental contributions.
- b. Carryover: a projection of any un-programmed resources from the previous replenishment. Carryover may consist of several components, notably arrears, deferred contributions, and paid-in funds.
- c. Investment income: a projected<sup>2</sup> income to be earned over the new replenishment period estimated using projected liquidity balances for the four-year period.

8. While the operating currency of the GEF is the US dollar (USD), the SDR<sup>3</sup> is used in GEF replenishments as the base currency for burden sharing purposes and to provide a common denominator for expressing the overall size of the replenishment. Contributions are paid by Donors predominantly in national currencies.

## GEF REPLENISHMENT PROCESS

### Replenishment Negotiations and Donor Pledges:

9. The *Trustee* initiates the replenishment process, based on the request of the GEF Council, and traditionally takes the lead on: i) all financial matters, and ii) planning and logistics for each meeting. *The GEF Secretariat* takes the lead on programming and policy issues, in close coordination with the Trustee.

10. GEF replenishment negotiations usually span over three to four formal meetings. They provide an opportunity for Donors to review GEF performance, evaluate progress, and set programming and strategic directions. The discussions begin with a review of GEF performance by the Donors, guided by an evaluation report issued by the GEF Evaluation Office (Overall Performance Study). Once the policy and programmatic directions are set, in the subsequent meetings, Donors agree upon the financing framework and overall target size of the replenishment. At the final meeting, a pledging session is held where Donors agree on burden sharing and confirm their contributions to the new Replenishment.

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<sup>2</sup> The actual amount of investment income earned will depend on actual liquidity balances and market conditions.

<sup>3</sup> The SDR or Special Drawing Right is a currency basket consisting of fixed proportions of the EUR, JPY, GBP, and the USD.

11. The Trustee uses the pledge information provided by Donors to prepare a table of contributions. Donors then review the table, any needed adjustments are made by the Trustee, and the contribution table is attached to the replenishment resolution. Donor confirmations of payment arrangements also help the Trustee to forecast the resources available for Council or CEO funding decisions over the replenishment period.

**Adoption of the Replenishment Resolution:**

12. Upon the conclusion of the replenishment process, Donors agree on a document for transmittal to the GEF Council, entitled the *Summary of Negotiations*. This highlights the main agenda items that were considered during the replenishment meetings, and is accompanied by three core replenishment documents:

- (a) A *Programming Document* that summarizes proposed uses of resources within the likely funding scenarios to cover GEF operations and activities for the four years of the replenishment;
- (b) A *Draft Resolution* specifying the terms of replenishment of the GEF Trust Fund; this World Bank resolution stipulates the terms under which the Trustee will manage the resources made available under the replenishment.
- (c) A *report to the GEF Council* outlining policy recommendations for the replenishment period and recommending specific actions in strategic areas. The report draws upon the analysis and recommendations from the Overall Performance Study and other reports from the GEF Evaluation Office.

13. The GEF Council is then requested to take note of the *Summary of Negotiations*, endorse the above mentioned three documents, and call for the CEO/Chairperson of the GEF to transmit the Summary of Negotiations, the World Bank resolution, and the policy recommendations to the World Bank, requesting that the World Bank's Executive Directors adopt the Replenishment Resolution.

14. Finally, the World Bank's Executive Directors consider and adopt the *Resolution* that specifies arrangements for replenishing the GEF Trust Fund. This formally triggers the start of the financing period for the new replenishment. The *Resolution* authorizes the World Bank to act as the Trustee of the GEF Trust Fund. The Trustee then informs Donors of the adoption of the *Resolution*, and Donors work to formalize their pledges to the replenishment. When Donors have obtained the appropriate parliamentary authorization and/or budgetary approval to participate in the replenishment, they deposit an Instrument of Commitment (IOC) with the Trustee. At the moment when IOCs representing a minimum threshold value for the agreed replenishment amount are received, the new replenishment is deemed effective.