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Second Meeting for the Fifth Replenishment of the GEF Trust Fund  
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Washington, D.C.

## **FINANCIAL STATUS OF THE GEF TRUST FUND AS OF MAY 31, 2009 (PREPARED BY TRUSTEE)**

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## I. Introduction

1. This information note is provided to update Donors on the latest available month end financial information for the GEF Trust Fund (May 31, 2009). The tables in this note provide an update to those provided for the June 22-24, 2009 Council meeting.<sup>1</sup>

## II. Schedule of Funds Available as of May 31, 2009

2. **Table 1** (GEF Trust Fund – Schedule of Funds Available – May 31, 2009) shows that USD eq. 4 million is available as of May 31, 2009,<sup>2</sup> representing a net change of USD eq. 176 million since April 30, 2009.

3. **Funds held in Trust.** Compared with the balance on April 30, 2009, there is a net change of USD eq. 54 million as a result of encashments of promissory notes, investment income, cash transfers and the revaluation of the balance of promissory notes at month-end.

- Unencashed promissory notes represent 25% of Funds held in Trust.

4. **Restricted resources** are about 7% of Funds held in Trust.

- **Table 1a** (Restricted Resources) shows deferred contributions, which comprise the following: Austria USD eq. 6 million, France USD eq. 60 million, Germany USD eq. 19 million and Japan USD eq. 160 million;
- The foreign exchange reserve is approximately 1% of Funds held in Trust. This reserve serves to reduce the potential that the GEF Trust Fund may not have sufficient funds to disburse against commitments already made by the Trustee as a result of foreign exchange movements.

5. **Approved amounts pending disbursement**—net change of USD 116 million since April 30, 2009.

- Trustee commitments represent 54% of the total.
- Projects, fees, and the balance of programmatic approaches pending endorsement represent 38% of the total, of which 9% represents GEF-3 projects and the remaining 91% comprise GEF-4 projects and programmatic approaches.
- The amount pending Council decision reflects the June work program and FY10 budget proposals submitted to the June 22-24, 2009 Council meeting.

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<sup>1</sup> See GEF/C.35/Inf.5 “Trustee report” dated May 27, 2009.

<sup>2</sup> During the first half of June, the Trustee received payments from three donors (France, South Africa and the United Kingdom) bringing the amount available as of June 15, 2009 to USD eq. 105 million. The Trustee received confirmation that the United States paid USD 45 million on June 16, 2009 – the remaining arrears on their third installment to the GEF-4.

**Table 1: GEF Trust Fund – Schedule of Funds Available**  
Updated as of May 31, 2009 (in USD millions)

	<u>As of May 31, 2009</u>	<u>As of April 30, 2009</u>
	<u>USD eq. a/</u>	<u>USD eq. b/</u>
<b><u>1. Funds held in Trust</u></b>	<b>3,923</b>	<b>3,977</b>
a. Cash and investments	2,958	3,071
b. Unencashed Promissory notes	964	907
<b><u>2. Restricted Funds</u></b>	<b>290</b>	<b>286</b>
a. Deferred contributions in respect to the pro rata right	245	241
b. Reserve to cover foreign exchange rate fluctuations	45	45
<b><u>3. Funds held in Trust with no restrictions ( 3 = 1 - 2 )</u></b>	<b>3,632</b>	<b>3,692</b>
<b><u>4. Approved amounts pending disbursement</u></b>	<b>3,628</b>	<b>3,512</b>
a. Trustee Committed	1,971	2,066
b. Approved by Council but not yet CEO Endorsed	1,382	1,445
c. Requested amounts for financing pending Council Decision c/	276	-
<b><u>5. Funds available to support Council or CEO funding decisions ( 5 = 3 - 4 )</u></b>	<b>4</b>	<b>180</b>

a/ Valued on the basis of exchange rates of May 31, 2009

b/ Valued on the basis of exchange rates of April 30, 2009

c/ Represents either semiannual work program presented to Council or Intersessional work program.

**Table 1a: Restricted Resources**  
Status as of May 31, 2009 (in USDeq. millions)

	<u>USDeq.</u>	<u>Percentage</u>
Deferred Contribution		
Austria a/	6	2.0%
France b/	60	20.6%
Germany c/	19	6.6%
Japan b/	160	55.3%
Reserve to cover FX fluctuations	<u>45</u>	15.5%
<b>Total Restricted Resources</b>	<b>290</b>	

a/ Represents deferred contributions from the GEF-2.

b/ Represents deferred contributions from the GEF-2 and GEF-3.

c/ Represents deferred contributions from the GEF-3.

### III. GEF-4 Envelope – Projected Value Through June 30, 2010

6. **Table 2** (GEF-4 Specific Funding Decisions – May 31, 2009) shows the current projected USD value of the GEF-4 envelope as of May 31, 2009 based on the most recent

information provided by Donors (Scenario A). It also shows the projected USD value of the GEF-4 envelope under a “best case scenario” (Scenario B).

7. Under Scenario A, the projected USD value of the GEF-4 envelope is USD eq. 3.129 billion, based on the following assumptions between June 1, 2009 and June 30, 2010:

- GEF-4 arrears amounting to USD 103 million are paid;
- Investment income amounting to USD 46 million is earned between now and end of GEF-4;
- Italy and Pakistan deposit their Instruments of Commitment (IoC) with the Trustee and pay their contributions in full; and
- The arrears from GEF-1 through GEF-3 are not paid and therefore there is no release of deferred contributions.

8. Under these assumptions, the total projected envelope amount represents a shortfall of about USD 5 million when compared with the Target Replenishment Funding<sup>3</sup> as agreed value of the replenishment (USD 3.135 billion). This is not a true shortfall, due to the fact that the USD projected value under Scenario A excludes the following, which are included in the Target Replenishment Funding:

- Arrears from GEF-1 to GEF-3; and
- Deferred contributions from GEF-2 and GEF-3.

9. Further, it is important to note the following when comparing the current value of the envelope with the Target Replenishment Funding:

- The actual investment income earned to date already surpasses the original projection,<sup>4</sup> with one more year of income still to be earned (albeit at very low current market rates); and
- The current value of the envelope is reduced by the reserve for foreign exchange movements, which was not taken into account for the Target Replenishment Funding.

10. To illustrate the impact on the GEF-4 envelope, and to make a realistic comparison between the current projected envelope value and the Target Replenishment Level, the table includes scenario B, a “best case scenario”.

11. Scenario B shows that if all potential resources were made available before the end of the GEF-4 period, the projected GEF-4 envelope would amount to about USD eq. 3.6 billion, an increase of USD 423 million (about 13%) over the as Target Replenishment Level.

Scenario B is based on the following assumptions between June 1, 2009 and June 30, 2010:

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<sup>3</sup> Represents the target replenishment level as agreed, including new resources from Donors, projected investment income, and carryover of amounts from previous replenishments.

<sup>4</sup> The Trustee projects that an additional USD 46 million will be earned during the final year of the GEF-4, bringing the increase above the projection to USD 148 million.

- All arrears are paid during the GEF-4 period (USD eq. 280 million; Table 2a shows a detailed breakdown);
- The corresponding deferred contributions are released (USD eq. 245 million); and
- All outstanding IoCs are deposited with the Trustee and corresponding payments are received (USD eq. 134 million).

**Table 2: GEF-4 Specific Funding Decisions**  
 Status as of May 31, 2009  
 (in USDeq. millions)

			<b>Trustee Expectations</b>			<b>Best Case Scenario</b>
<b>1. Target Replenishment Funding a/</b>			<b>3,135</b>			<b>3,135</b>
<b>2. Projected Available Resources During Remaining GEF-4 Period</b>			<b>802</b>			<b>1,230</b>
<u>Estimated Funds available to support Council or CEO Financing Decisions</u>			<b>4</b>			<b>4</b>
	Potential Amount Available	of which Projected to be Available		Potential Amount Available	of which Projected to be Available	
<u>Receivables</u>			<b>624</b>			<b>800</b>
- Arrears	280	103 b/		280	280 b/	
- Due within 6 months c/	377	377		377	377	
- Due between 7 and 12 months d/	97	97		97	97	
- Due between 13 and 18 months d/	47	47		47	47	
<u>Release of Deferred Contributions</u>			<b>-</b>			<b>245</b>
- Deferred Contributions	245	-		245	245	
<u>IoCs not yet Deposited with the Trustee e/</u>	134	128	<b>128</b>	134	134	<b>134</b>
<u>Projected Investment Income</u>	46	46	<b>46</b>	46	46	<b>46</b>
<u>Total</u>	<b>1,226</b>	<b>798</b>		<b>1,226</b>	<b>1,226</b>	
<b>3. GEF-4 Specific Funding Decisions</b>			<b>2,327</b>			<b>2,327</b>
<u>Approvals by Council</u>			<b>1,917</b>			<b>1,917</b>
- Projects + Fees		1,191			1,191	
- Admin. Budget		43			43	
- Special Initiatives		2			2	
- Programmatic Initiatives		680			680	
<u>Approvals by CEO</u>			<b>146</b>			<b>146</b>
- Projects + Fees (MSPs, EEAs)		127			127	
- Project Preparation Activities + Fees		19			19	
<u>Net Changes to Initial Approvals</u>			<b>(11)</b>			<b>(11)</b>
- Reductions (cancellations) on GEF-4 projects, Administrative Budget and Special Initiatives f/		(11)			(11)	
<u>Pending decisions on Intersessionals and Council meetings</u>			<b>276</b>			<b>276</b>
- Projects, Fees, Admin Budget, Spcl Initiatives, Programmatic Initiatives		276			276	
<b>4. Projected GEF-4 "Envelope" as of May 31, 2009 ( 4 = 2 + 3 )</b>			<b>3,129</b>			<b>3,558</b>
<b>5. Excess or (Shortfall) as Measured Against the Target in Line 1 ( 5 = 4 - 1 )</b>			<b>(5)</b>			<b>423</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/ Represents the amounts that were due from United States on November 30, 2008, South Africa on April 30, 2009, and UK on May 1, 2009 which are expected to be paid in full.  
 c/ Represents the remaining amounts from third installment.  
 d/ Represents amounts from fourth installment.  
 e/ Represents IoCs not yet received by the Trustee from Italy (EUR 88 million), Nigeria (SRD 4 million), Pakistan (PKR 350 million). The amount projected to be available comprises of Italy (USD eq. 124 million) and Pakistan (USD eq. 4 million).  
 f/ To fit the GEF Secretariat's RAF model, pre-GEF-4 project net changes were excluded from the calculation. The total reductions to initial approvals (including GEF-4 and pre-GEF-4 projects) is USD 232 million.

<u>Contributing Participant</u>	<u>Amount Paid as a % of Total Contribution</u>	<u>Repl.</u>	<u>Currency</u>	<u>Arrears Amount</u>	<u>Arrears as a % of Total Contribution</u>	<u>USD eq.</u>
Argentina	50.0%	GF01	USD	2.5	50.0%	2.5
Egypt, Arab Republic of	86.7%	GF01	SDR	0.5	13.3%	0.8
Nigeria	25.0%	GF03	SDR	3.0	75.0%	4.6
South Africa	a/ 60.3%	GF04	ZAR	5.6	14.7%	0.7
United Kingdom	a/ 50.0%	GF04	GBP	35.0	25.0%	56.5
United States	b/ 60.7%	GF04	USD	45.9	14.4%	45.9
United States	93.5%	GF03	USD	28.1	6.5%	28.1
United States	67.3%	GF02	USD	140.7	32.7%	140.7
<b>Total</b>						<b>279.9</b>

a/ During the first half of June, the Trustee received payments of the GEF-4 arrears from South Africa and the United Kingdom.

b/ The Trustee received confirmation that the United States paid USD 45 million on June 16, 2009 – the remaining arrears on their third installment to the GEF-4.

#### IV. Investment Income

12. **Table 3** (GEF Trust Fund Investment Income) shows investment income earned. As of May 31, 2009, total investment income earned since the beginning of GEF-1 (July, 1, 1994) is USD 868 million.

- GEF-4 realized investment income to date is USD 470 million, representing an excess of USD 102 million over the amount projected at the close of the GEF-4 replenishment negotiations.
- During the last year of GEF-4, the Trustee projects that USD 46 million is expected to be earned on the GEF portfolio.



**Table 3: GEF Trust Fund Investment Income (FY basis) a/**  
 Status as of May 31, 2009 (in USD millions)

	Investment Income		Rate of Return
	Projected	Realized	
GEF-1	- b/	106	4.2% d/
GEF-2	- b/	166	5.7% d/
GEF-3	130	125	1.9% d/
GEF-4	368	470 c/	6.2% e/
<b>Total</b>	<b>498</b>	<b>868 a/</b>	

a/ Total Investment Income does not include investment income earned during the Pilot Phase (USD 31 million). Total Investment Income as of May 31, 2009, including Pilot Phase, amounts to USD 899 million.

b/ Projected investment income was not included as a financial component in the GEF-1 and GEF-2 replenishment agreements.

c/ This amount includes realized investment income as of May 31, 2009.

d/ Rate of return calculated using average annual trust fund balance for each replenishment period.

e/ Rate of return as of May 31, 2009.

## V. Cumulative Resources of the GEF-4 Since Inception

13. **Table 4** (Cumulative Resources and Funding Decisions – Inception to May 31, 2009) shows the total Cumulative Resources of the GEF Trust Fund and the cumulative funding decisions made since inception of the GEF. The Cumulative Resources, including resources not yet received, amount to USD eq. 10.7 billion. Cumulative Resources exceed the Target Programming Level by USD eq. 543 million. Cumulative Resources include resources not yet received which comprise IoCs not yet deposited with the Trustee and Installment Receivables.

14. **IoCs not yet deposited with Trustee** represent pledges from Italy, (USD eq. 124 million), Nigeria (USD eq. 6 million) and Pakistan (USD eq. 4 million). Until received in cash, these resources are subject to fluctuations in exchange rates.

15. **Installment Receivables.** The large majority, 78% of installment receivables, represents the GEF-4 installments that are due between June 1, 2009 and the end of the GEF-4 period, June 30, 2010. A further 21% of the installments due represent the arrears of the United States from the GEF-2 and the GEF-3 (USD 169 million).

**Table 4: Cumulative Resources and Funding Decisions**  
Inception to May 31, 2009 (in USD eq. millions)

<b>1. Target Programming Level a/</b>		<b>10,115</b>
<b>2. Cumulative Resources b/</b>		<b>10,658</b>
<u>Resources not yet received</u>		<u>935</u>
IoCs not yet Deposited with the Trustee	134	
Installment Receivables c/	800	
<u>Resources received d/</u>		<u>9,723</u>
Cash receipts from Installments and Encashments	7,860	
Unenchashed Promissory Notes	964	
Investment Income Earned on Undisbursed Balances of GEF Funds e/	899	
<b>3. Cumulative Funding Decisions</b>		<b>9,436</b>
Approvals by Council and CEO	9,847	
Cancellations	(686)	
Pending decisions on Intersessionals and Council meetings	276	
<b>4. Cumulative Resources Net of Funding Decisions (4 = 2 - 3)</b>		<b>1,222</b>
<b>5. Excess (shortfall) as Measured Against the Target in Line 1 ( 5 = 2 - 1 )</b>		<b>543</b>

a/ This amount represents the targeted new resources as agreed by Donors during replenishment discussions; it excludes the agreed carryover of arrears, deferred contributions, and paid-in funds not yet set aside.

b/ This amount represents the actual USD value of resources to the GEF Trust Fund since the Pilot Phase of the GEF.

c/ Represents IoCs deposited with the Trustee but not yet converted into cash or note.

d/ Includes restricted contributions that are not yet available to support GEF operations.

e/ Includes realized investment income from Pilot Phase to May 31, 2009.

## VI. Funding Decisions Since Inception

16. **Table 5** (Funding Decisions Against Total Cumulative Resources – Inception to May 31, 2009) shows initial funding decisions made by the Council and the CEO. Total funding decisions represent about 92% of cumulative GEF resources.

- This amount has been offset by cumulative cancellations totaling USD 686 million, or about 7% of approvals.
- The total net cumulative funding decisions (including pending decisions) amount to USD 9.4 billion, representing about 89% of cumulative GEF resources.

**Table 5: Funding Decisions Against Total Cumulative Resources**

Inception to May 31, 2009 (in USD millions)

	Funding Decisions	Percentage against Total Cumulative Resources
Project and Project Preparation a/	8,845	83.0%
Project Fees	541	5.1%
Administrative Budget	462	4.3%
<b>Total</b>	<b>9,847</b>	<b>92.4%</b>
<b>Total Cumulative Resources</b>	<b>10,658</b>	

a/ Includes Programmatic Initiatives.

## VII. Total Funding by Agency – Projects and Fees

17. **Table 6** (Total Amount of Funding Decisions by Agency – Projects and Fees – Inception to May 31, 2009) shows the total amount approved for projects and fees, by Implementing Agency since inception of the GEF Trust Fund, including the Pilot Phase.

- 85% of the funding decisions for projects and fees were approved for IBRD and UNDP.
- The share approved for UNEP amounts to about 9%; the remaining 6% was approved funding to the remaining seven Agencies.

**Table 6: Total Amount of Funding Decisions by Agency – Projects and Fees a/**  
Inception to May 31, 2009 (in USD millions)

	Trustee		
	Council/CEO	Commitments b/	Cash Transfers
ADB	122	65	39
AfDB	10	1	-
EBRD	39	1	1
FAO	68	31	15
IADB	90	37	16
IBRD	4,551	3,607	2,582
IFAD	88	70	52
UNDP	3,346	2,750	2,070
UNEP	828	669	531
UNIDO	158	92	56
<b>Total</b>	<b>9,299</b>	<b>7,324</b>	<b>5,361</b>

a/ Includes stand alone projects, projects attached to Programmatic Initiatives, fees and project preparation activities.

b/ Reflects initial Trustee commitments less cancellations and unused amounts from financially closed projects.

### VIII. Funding Decisions by Focal Area

18. **Table 7** (Project Funding Decisions by Focal Area – Inception to May 31, 2009) shows the breakdown of Council and CEO cumulative funding decisions by focal area, taking into account only the amounts approved for projects (i.e., excluding fees). Projects on biodiversity and climate change represent 65% of the cumulative funding approved to date.

### IX. Reconciliation

19. The Trustee and the GEF Secretariat have almost completed the reconciliation. Progress on the reconciliation slowed as the Trustee and GEF Secretariat teams focused on the Council and Replenishment Meetings. The following replenishment information has been reconciled: Pilot Phase, GEF-1, and GEF-4. To date, no material changes have been made to the Trustee's financial data. The Secretariat and the Trustee will take up the reconciliation after conclusion of the Replenishment meeting and expect to finalize GEF-2 and GEF-3 reconciliation by July 31, 2009.

**Table 7: Project Funding Decisions by Focal Area**

Inception to May 31, 2009 (in USD millions)

<u>Focal Area</u>	<u>Funding Decisions a/</u>	<u>Percentage</u>
Biodiversity	2,850	32.9%
Climate Change	2,778	32.1%
International Waters	1,058	12.2%
Land Degradation	353	4.1%
Multi-focal Areas	1,097	12.7%
Ozone Depletion	171	2.0%
Persistent Organic Pollutants	345	4.0%
<b>Total</b>	<b>8,652</b>	

a/ Includes Funding Decisions for Projects attached to Programmatic Initiatives.