
First Meeting for the Sixth Replenishment of the GEF Trust Fund
April 3-4, 2013
Paris, France

GEF TRUST FUND FINANCIAL REPORT

*Summary of Financial Information
As of December 31, 2012*

(Prepared by the Trustee)



Global Environment Facility Trust Fund

Financial Report

Prepared by the Trustee

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Introduction

The information contained in this report is prepared based on financial information as of December 31, 2012.

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 182 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, (v) ozone layer depletion, and (vi) persistent organic pollutants.

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 December 31, 2012 and some of the recent developments since the previous report; (ii) the details of financial activities of the GEF Trust Fund; and (iii) the status of implementation of the GEF-5 Replenishment. The report also provides two scenarios of financial projections of GEF resources through the GEF-5 replenishment period ending June 30, 2014.



GEF Trust Fund Financial Summary as of December 31, 2012

Pledges and Contributions

GEF Contributing Participants have pledged SDR 9,122 million (USDeq. 12,891 million)¹ to date, of which SDR 8,959 million (USDeq. 12,646 million)² has been confirmed by depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

GEF-5 pledges totaled SDR 2,311 million (USDeq. 3,542 million), of which SDR 2,225 million (USDeq. 3,410 million)³ has been confirmed by depositing IoCs or QIoCs with the Trustee.

As of December 31, 2012 GEF Contributing Participants paid USDeq. 2,167 million⁴ towards their GEF-5 contributions.

Investment Income

As of December 31, 2012, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,136 million. The investment income earned over the GEF-5 period amounted to USD 138 million (1.6% investment return). The prevailing low interest rate environment and risk of upward moves in yields means returns on fixed income assets are likely to remain very low in the near term.

Funding Approvals and Commitments

Cumulative net funding decisions (approvals by the GEF Council/CEO) to date amounted to USD 12,061 million of which the GEF-5 funding decisions amounted to USD 2,117 million. New funding decisions between October 1, 2012 and December 31, 2012 amounted to USD 190 million (including administrative budget).

As of December 31, 2012, committed amounts pending transfers to Agencies totaled USD 2,133 million representing a decrease of USD 180 million as compared to the status as of September 30, 2012.

Cash Transfers

Total cash transfers amounted to USD 256 million between October 1, 2012 and December 31, 2012. Of this amount, USD 243 million was transferred to Agencies for projects and project preparation grants.

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

Funds Held in Trust⁵ 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. Funds Held in Trust as of December 31, 2012 amounted to USDeq. 4,767 million, of which 24% represented unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 782 million⁶ as of December 31, 2012. This represents an increase of USD 533 million as compared to September 30, 2012.

¹ Does not include co-financing under the GEF Pilot Program.

² Includes partial payment by Italy to the GEF-5.

³ Ibid.

⁴ Valued using GEF-5 agreed exchange rates.

⁵ Funds Held in Trust represents balance of cash, investments and unencashed promissory notes as of the reporting date.

⁶ Funds available for Council decision would be adjusted accordingly to reflect new payments received from donors and by additional funding approvals between January 1, 2013 and the date of work program approval by the Council.



Deferred Contributions Update

The “pro-rata” provisions in the GEF-1 through GEF-5 replenishment resolutions specify that if the donors that provided Qualified IoCs and whose share in the replenishment is above the agreed threshold⁷ do not fulfill their obligation by unqualifying set proportions of their pledged contributions by specific dates, other donors have the right to instruct the Trustee to defer commitment of their contribution proportionate with the shortfall. As of December 31, 2012, donors had waived their right to defer commitments of their GEF-5 contribution and released all previously deferred contributions related to the United States’ arrears to the GEF-2.

The pro-rata letters pertaining to the third installment under GEF-5 replenishment have been sent out to donors in January 2013.

⁷ The agreed threshold was reduced from 20% in GEF-1 through GEF-4 to 5% in GEF-5.



1. GEF Trust Fund Summary – Inception through December 31, 2012

	Total (in SDR millions)
Donor Pledges and Contributions (in SDR millions)	
Received IoCs	8,958.5
GEF-4 IoCs not yet deposited	77.5
GEF-5 IoCs not yet deposited	85.7
Total Donor Pledges and Contributions (in SDR millions)	9,121.7

	Total (in USD millions)
Cumulative Resources (in USD millions)	
<u>Resources received</u>	
Cash Receipts	10,669.6
Unencashed promissory notes	1,160.9
Investment Income earned	1,136.0
Total Resources Received	12,966.5
<u>Resources not yet received</u>	
GEF-5 IoCs not yet deposited	124.8
GEF-4 IoCs not yet deposited	122.0
Installment Receivables	1,367.1
Total resources not yet received	1,613.9
Total Cumulative Resources (A) (in USD millions)	14,580.5

Cumulative Funding Decisions (in USD millions)	
Approvals by Council and CEO	12,942.9
Cancellations	(881.9)
Pending Decisions of Intercessional and Council Meetings	-
Total Funding Decisions Net of Cancellations (B) (in USD millions)	12,061.0
Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)	2,519.5

Funds Available (in USD millions)	
Funds Held in Trust with no restrictions	4,705.7
Approved Amounts Pending Cash Transfers to Agencies	3,924.2
Total Funds Available to Support Council or CEO Decisions (in USD millions)	781.6



2. Cumulative Resources and Funding Decisions

In USD millions

	December 31, 2012	September 30, 2012
1. Target Programming Level	13,657	13,657
2. Cumulative Resources	14,580	14,608
<u>Resources not yet received</u>	<u>1,614</u>	<u>2,070</u>
GEF-5 IoCs not yet deposited with the Trustee	125	173
GEF-4 IoCs not yet deposited with the Trustee	122	120
Installment Receivables	1,367	1,777
<u>Resources received</u>	<u>12,967</u>	<u>12,538</u>
Cash receipts from installments and encashments	10,670	10,434
Unencashed promissory notes	1,161	970
Investment Income earned on undisbursed balances of GEF Trust Fund	1,136	1,135
3. Cumulative Funding Decisions	12,061	11,883
Approvals by Council and CEO	12,943	12,753
Cancellations	(882)	(870)
Pending decisions on Intercessional and Council Meetings	-	-
4. Cumulative Resources Net of Funding Decisions (4 = 2 - 3)	2,519	2,725
5. Excess (shortfall) as Measured Against the Target in Line (5 = 2 - 1)	923	951

Snapshot of cumulative resources and funding decisions:

- The table above shows total Cumulative Resources of the GEF Trust Fund and the cumulative funding decisions made since inception of the GEF.
- The Target Programming Level 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.
- Of the total Cumulative Resources of USDeq. 14.6 billion, 10% (USDeq. 1.6 billion) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee totaled to USDeq. 247 million and Installment Receivables under IoCs and QIoCs already deposited with the Trustee amounted to USDeq. 1.4 billion.
- Total funding decisions represent about 83% of the total cumulative GEF resources.
- As of December 31, 2012, there were no pending amounts for Inter-sessional decisions or Council meetings.
- As of December 31, 2012, Cumulative Resources exceeded the Target Programming Level by USDeq. 923 million.



2a. Cumulative Resources

In USD millions

INSTRUMENTS OF COMMITMENT (IoCs) TO BE DEPOSITED

Contributing Participant	Replenishment	Currency of Obligation	Amount	USDeq.	Percentage
Italy	GEF-4	EUR	87.9	115.9	95.0%
Nigeria	GEF-4	SDR	4.0	6.1	5.0%
Total GEF-4 IoCs Not Yet Deposited				122.0	100.0%
Brazil	GEF-5	USD	12.3	12.3	9.8%
Greece	GEF-5	EUR	4.4	5.9	4.7%
Italy a/	GEF-5	EUR	68.1	89.8	71.9%
Nigeria	GEF-5	SDR	4.0	5.9	4.7%
Pakistan	GEF-5	PKR	499.6	5.1	4.1%
Portugal	GEF-5	EUR	4.4	5.9	4.7%
Total GEF-5 IoCs Not Yet Deposited				124.8	100.0%

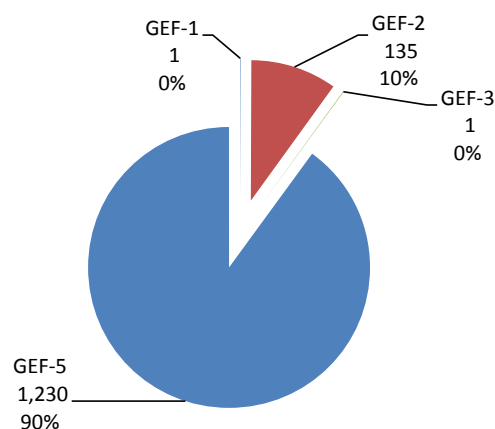
a/ Italy pledged a total of EUR 92 million to the GEF-5. A total of EUR 23.9 million has been received to date.

- Since the adoption of the GEF-5 Replenishment Resolution No. 2010-0004 on July 19, 2010, twenty-eight⁸ Contributing Participants have deposited their IoCs or QIoCs in the form and substance agreed under the GEF-5 Replenishment Resolution.
- Six Contributing Participants have not yet submitted their **GEF-5 IoCs** for a total amount of USDeq. 125 million. Until received in cash, these resources are subject to fluctuations in exchange rates. Italy has not yet formally submitted its GEF-5 IoC, however, it has paid 26% of its GEF-5 pledge.
- **GEF-4 IoCs not yet deposited** with the Trustee amount to USDeq. 122 million representing pledges from Italy (USDeq. 116 million) and Nigeria (USDeq. 6 million).

⁸ Includes Italy which made a partial payment to the GEF-5, but has not yet deposited its IoC.

INSTALLMENT RECEIVABLES BY REPLENISHMENT

As of December 31, 2012, Installment Receivables under IoCs and QIoCs deposited with the Trustee amounted USDeq. 1,367 million. Of these, 90% represents GEF-5 installments, based on the IoCs and QIoCs received by the Trustee as of December 31, 2012. The remaining 10% of installment receivables represent GEF-1 through GEF-3 arrears.



ARREARS

As of December 31, 2012, cumulative arrears amounted to USDeq. 394 million. Of this amount, USDeq. 137 million represents arrears under GEF-1, GEF-2 and GEF-3. GEF-5 arrears totaled USDeq. 257 million.

Contributing Participant	Repl.	Currency	Arrears Amount	USD eq.
Egypt	GEF-1	SDR	0.53	0.82
United States	GEF-2	USD	134.97	134.97
Nigeria	GEF-3	SDR	0.67	1.03
Spain	GEF-5	EUR	14.62	19.27
United States	GEF-5	USD	237.76	237.76
Total				393.84

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 December 31, 2012, restricted resources totaled USDeq. 62 million comprising:

- (i) GEF-5 contributions pre-paid and not yet released (USD 2 million); and
- (ii) a foreign exchange reserve⁹ (USD 60 million).

Contributions previously deferred for commitments had been fully released.

	USDeq.	Percentage
Deferred Contributions	0	0%
Pre-paid Contributions	2	2%
Total Restricted Contributions	2	2%
Foreign Exchange Reserve	60	98%
Total Restricted Resources	62	100%

⁹ A foreign exchange reserve of USD 60 million provides a buffer in the event that the GEF Trust Fund may not have sufficient funds to disburse against commitments already made by the Trustee as a result of currency exchange rate movements.

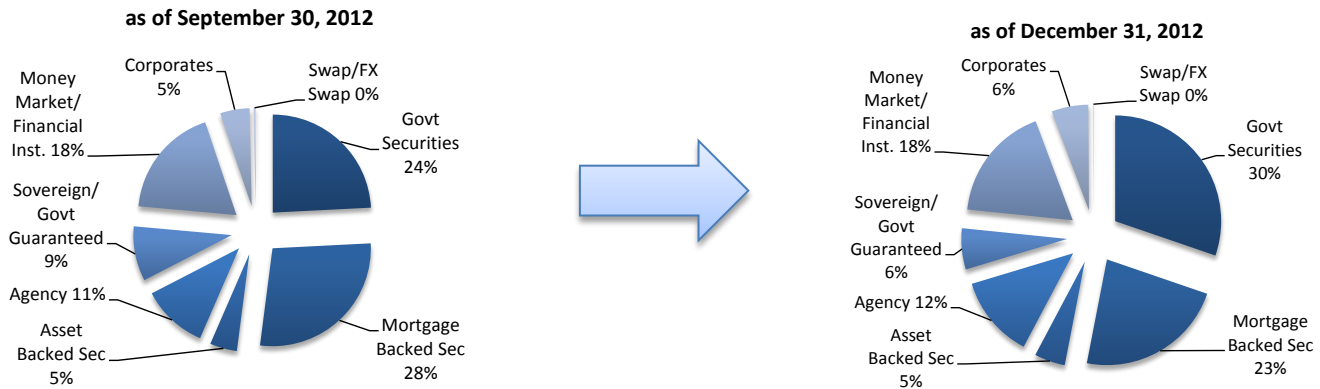


2b. Asset Mix and Investment Income

The undisbursed cash balance of the GEF Trust Fund is maintained in a commingled investment portfolio ("Pool") for all trust funds managed by IBRD and is allocated. The Pool is actively managed so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon.

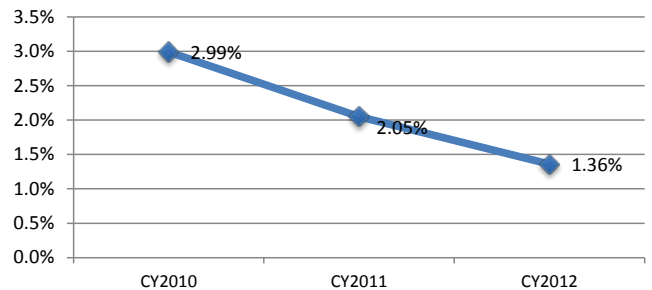
ASSET MIX

The portfolio allocation by asset class is dominated by government securities, mortgage backed securities (MBS) and money-market instruments. Allocations have been relatively stable over time; the largest shift was from MBS into agency bonds, continuing a trend over the past two years, enabling the Trust Fund to capture gains from enhanced returns on these securities and to maintain the risk profile noted above.



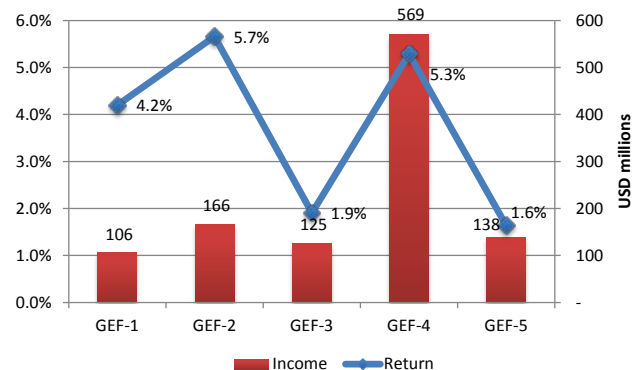
INVESTMENT RETURNS

The portfolio's performance continues to be modest as the level of fixed income yields continued to fall to historically low levels. The portfolio's performance gains were primarily driven by the MBS and the LIBOR swap portfolio.



INVESTMENT INCOME

The total amount of investment income earned since the beginning of GEF Pilot phase is USD 1,136 million. Since the beginning of the GEF-5 replenishment period, USD 138 million has been earned in the GEF Trust Fund (representing 1.6% average return). The prevailing low interest rate environment and risk of upward moves in yields means returns on fixed income assets are likely to remain very low in the near term.

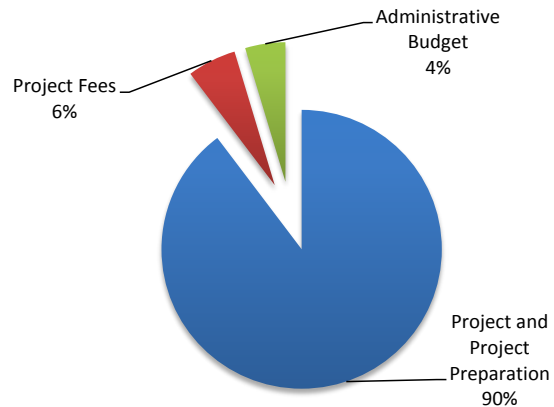




2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies

CUMULATIVE FUNDING DECISIONS

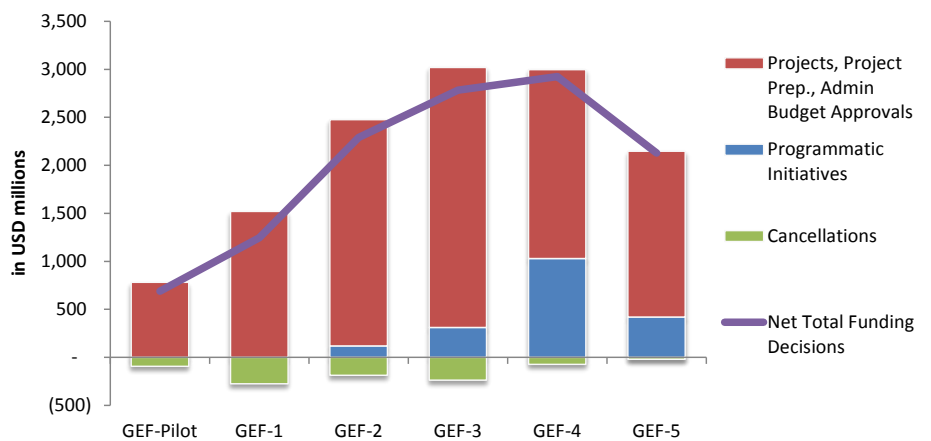
Since inception to December 31, 2012 funding approvals made by the Council and CEO totaled USD 12,943 million, of which 90% was approved for Projects and Project Preparation activities.



FUNDING DECISIONS BY REPLENISHMENT

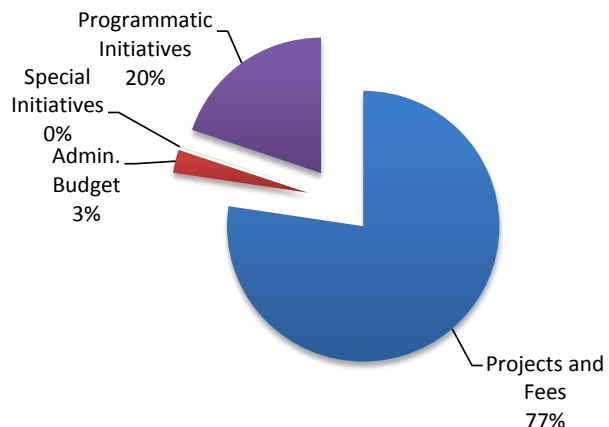
Funding decisions by Replenishment show the cumulative funding decisions including cancellations. Cumulative funding cancellations totaled USD 882 million.

GEF-5 funding decisions to date amount to USD 2.1 billion.



GEF-5 FUNDING DECISIONS

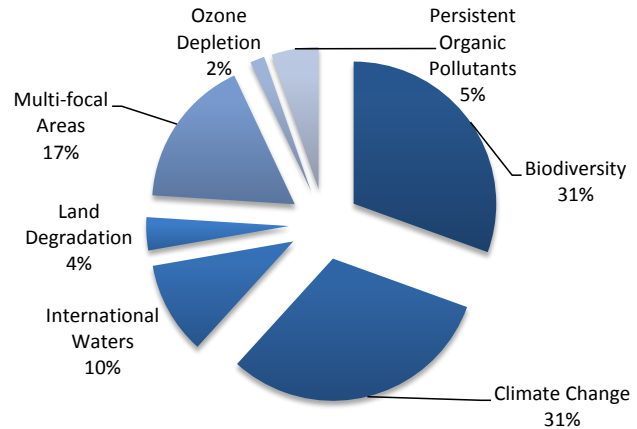
Of the total amount of USD 2.1 billion approved to date by the GEF Council and GEF CEO under the GEF-5, Programmatic Initiatives comprise 20% of GEF-5 funding decisions, while Projects not attached to Programmatic Initiatives and Fees comprise 77% of GEF-5 funding decisions





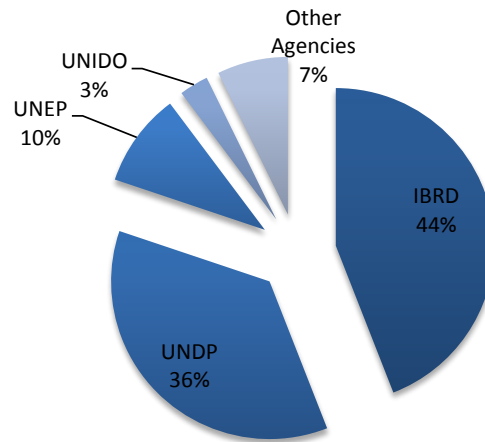
FUNDING DECISIONS BY FOCAL AREA

Funding Decisions by Focal Area show cumulative funding for projects only and excludes fees. Projects in the areas of biodiversity and climate change represent approximately 62% of the cumulative funding approved to date.

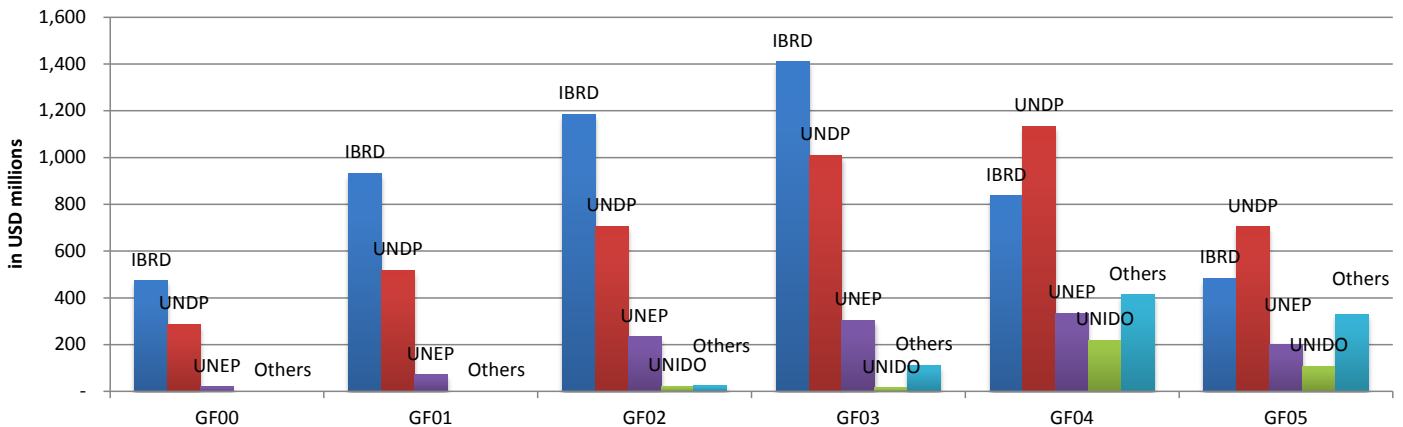


FUNDING DECISIONS BY AGENCY

The chart shows that 80% of the cumulative approvals for projects (including related fees) were for implementation by IBRD and UNDP. UNEP's share of the total is 10% while the seven other Agencies received 10% of the funding.



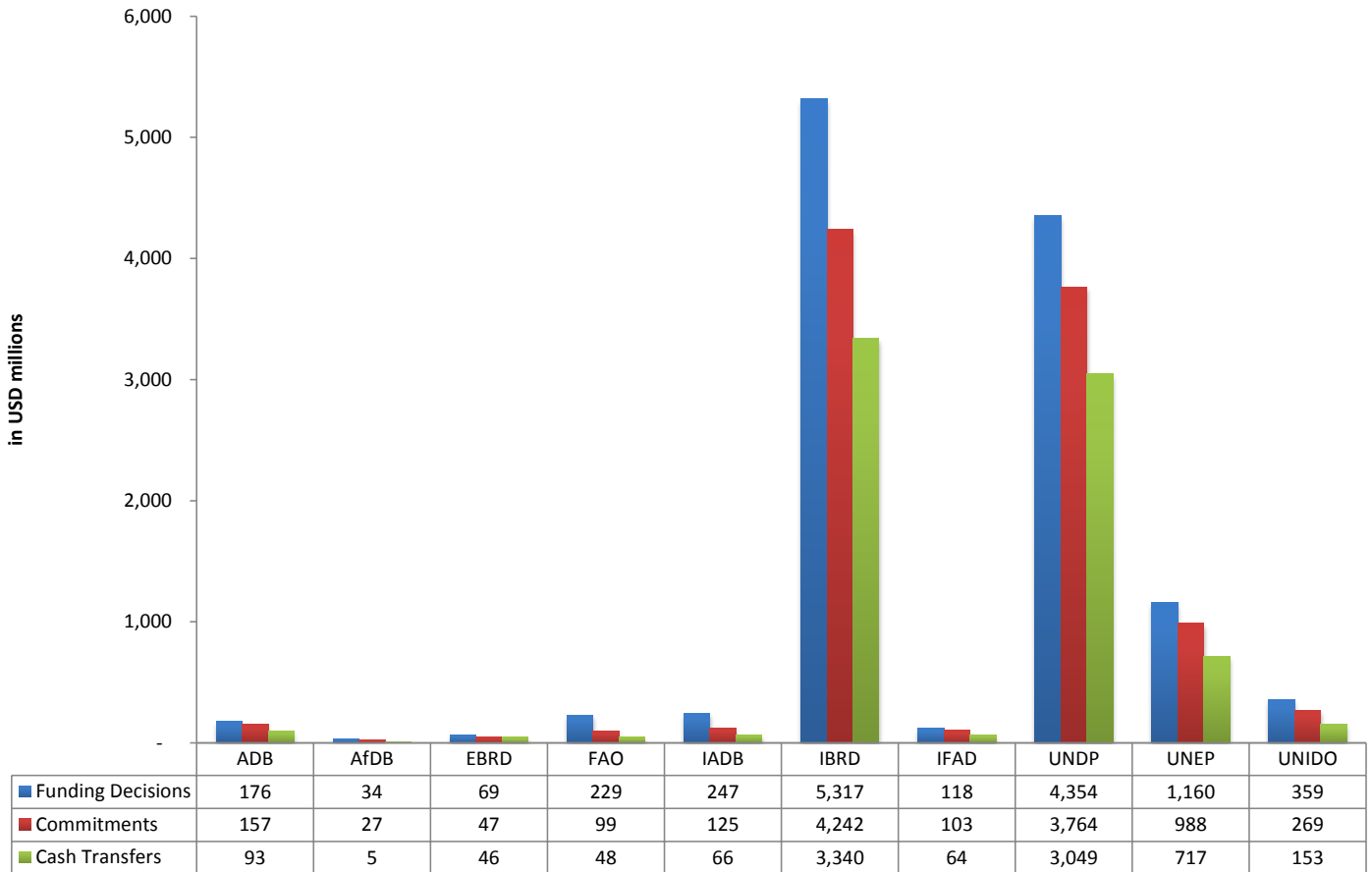
The shares of funding approvals to the Agencies change over the time. While IBRD's share fell from 61% in the GEF Pilot to 27% in the GEF-5, UNDP's share increased from 37% to 39% over the same period.





FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

Funding Decisions by Trustee Commitments and Cash Transfers show the cumulative commitments and cash transfers to the GEF Agencies since inception.





3. Funding Availability

In USD millions

	As of Dec. 31, 2012 (a)	As of Sept. 30, 2012 (b)	Change (a) - (b)
1. Funds Held In Trust	4,767	4,600	168
a. Cash and investments	3,606	3,630	(24)
b. Unencashed promissory notes	1,161	970	191
2. Restricted Funds	62	357	(295)
a. Deferred Contribution in respect to the pro rata right	-	294	(294)
b. Pre-paid Contributions	2	3	(1)
c. Reserve to cover foreign exchange rate fluctuations	60	60	-
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	4,706	4,243	463
4. Approved Amounts Pending Cash Transfers to Agencies	3,924	3,994	(70)
a. Trustee committed	2,133	2,314	(180)
b. Approved by Council but not yet CEO Endorsed	1,791	1,681	110
c. Requested amounts for financing pending decision	-	-	-
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	782	249	533

Highlights for the period October 1, 2012 through December 31, 2012:

- **Funding Availability** increased by USDeq. 533 million over the prior reporting period as a result of:
 - **Funds Held in Trust** increased by USDeq. 168 million resulting from:
 - Cash receipts of USD 267 million,
 - Changes in values of promissory note balances and deposits of new promissory notes,
 - Investment Income earned during the past period of USDeq. 1.3 million,
 - Cash transfers for projects, project preparation grants, Agency fees and Administrative budgets during the period of USD 256 million.
 - A decrease in deferred contributions due to France's, Germany's and Japan's release of their deferred contributions
 - New funding decisions made by the GEF Council and the CEO during the period.



4. GEF-5 Specific Funding Decisions

In USD millions

1. Target Replenishment Funding			4,340
2. Projected Available Resources during the GEF-5 Period			2,193
Estimated Funds Available to Support Council or CEO Financing Decisions		782	
	Potential Amount Available	of which Projected to be Available	
Receivables			1,230
Arrears	394	257	
Past-due	25	25	
Due in FY13	212	212	
Due in FY14	736	736	
Release of Restricted Contributions			2
Deferred Contributions	-	-	
Pre-paid Contributions	2	2	
IoCs no yet Deposited with the Trustee	247	125	125
Projected Investment Income	55	55	55
Total	1,670	1,412	
3. GEF-5 Specific Funding Decisions			2,117
Approvals by Council			2,064
Projects and Fees		1,584	
Admin. Budget		58	
Special Initiatives		1	
Programmatic Initiatives		420	
Approvals by CEO			53
Projects and Fees (MSPs, EEAs)		33	
Project Preparation Activities and Fees		20	
Net Changes to Initial Approvals			0
Pending decisions on Intersessional and Council meetings			
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives			-
4. GEF-5 "Envelope" as of December 31, 2012 (4 = 2 + 3)			4,311
5. Excess or (Shortfall) as Measured Against the Target in Line 1			(30)



Highlights for the period October 1, 2012 through December 31, 2012:

- **Projected Available Resources** through the end of the GEF-5 period amounted to USD 2,193 million (51% of the total GEF-5 envelope).
- **GEF-5 Funding Decisions** amounted to USD 2,117 million (49% of the total GEF-5 envelope).
- **The estimated shortfall of the GEF-5 Envelope Value** as measured against the Target Replenishment totals USD 30 million (decreased by USD 168 million as compared to September 30, 2012) due to the release of deferred contributions, the revaluation of contribution receivables and the fact that some arrears are not included in the amounts projected to become available.
- The value of projected resources to be available is based on the following assumptions:
 - All outstanding IoCs under GEF-4 are not received from donors;
 - Arrears from GEF-5 replenishment period are paid, while arrears from previous replenishments remain unpaid during the GEF-5 period;
 - All pre-paid GEF-5 contributions are made available for commitment;
 - All GEF-5 pledges are formalized and paid in full during the GEF-5 period;

Annex 1 presents possible Low and High scenarios of the GEF-5 Resource Envelope.

Annex 1. GEF-5 Resource Envelope Projections

				<i>Scenario A</i>				<i>Scenario B</i>
1. Target Replenishment Funding				4,340				4,340
2. Projected Available Resources during the GEF-5 Period				1,688				2,427
Estimated Funds Available to Support Council or CEO Financing Decisions			782				782	
	Potential Amount Available	of which Projected to be Available		Potential Amount Available	of which Projected to be Available			
Receivables			850				1,342	
Arrears	394	-		394	394			
Past-due	25	25		25	25			
Due in FY13	212	184		212	212			
Due in FY14	736	641		736	736			
Release of Restricted Contributions			2				2	
Deferred Contributions	-	-		-	-			
Pre-paid Contributions	2	2		2	2			
IoCs no yet Deposited with the Trustee	247	-	-	247	247		247	
Projected Investment Income	55	55	55	55	55		55	
Total	1,670	907		1,670	1,670			
3. GEF-5 Specific Funding Decisions				2,117				2,117
4. GEF-5 "Envelope" as of December 31, 2012 (4 = 2 + 3)				3,806				4,544
5. Excess or (Shortfall) as Measured Against the Target in Line 1				(535)				204

Scenario A

The value of projected resources to be available is based on the following assumptions:

- All outstanding GEF-4 and GEF-5 IoCs are not received from donors;
- Arrears from the GEF-5 replenishment period and from previous replenishments remain unpaid;
- Payment of the GEF-5 third and fourth installments due in FY13 and FY14 are adjusted based on GEF-5 payment performance.

Scenario B

The value of projected resources to be available is based on the following assumptions:

- All outstanding IoCs under GEF-4 and GEF-5 are received from donors and paid in full;
- Arrears from the GEF-5 replenishment period and from previous replenishments are paid during the GEF-5 period.