

Third Meeting for the Sixth Replenishment of the GEF Trust Fund
December 10 - 12, 2013
Paris, France

GEF TRUST FUND FINANCIAL REPORT

*Summary of Financial Information
As of September 30, 2013*

(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 September 30, 2013.

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 September 30, 2013 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. This report also provides the status and project development details of the World Bank's Information Technology platform for Financial Intermediary Funds (FIFs) in which GEF participates.



GEF Trust Fund Financial Summary as of September 30, 2013

Pledges and Contributions

GEF Contributing Participants have pledged SDR 9,122 million (USDeq. 12,891 million)¹ to date, of which SDR 9,101 million (USDeq. 12,860 million) has been confirmed by Donors 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 2,295 million (USDeq. 3,517 million)² has been confirmed by Donors depositing IoCs or QIoCs with the Trustee.

As of September 30, 2013 GEF Contributing Participants paid USDeq. 2,597 million³ towards their GEF-5 contributions.

Investment Income

As of September 30, 2013, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,140 million. The investment income earned over the GEF-5 period amounted to USD 142 million (1.3% investment return). During the first nine months of calendar year 2013, the investment return on the GEF balances was 0.10%. Fixed income markets continued to exhibit volatility over the quarter due to shifting investor expectations about US Federal Reserve monetary policy (“tapering”); returns were very modest in July and August, but stronger in September.

Funding Approvals and Commitments

Cumulative net funding decisions (approvals by the GEF Council/CEO) to date amounted to USD 12,894 million, of which the GEF-5 funding decisions amounted to USD 2,961 million. Net funding decisions between July 1, 2013 and September 30, 2013 amounted to USD 52 million (including administrative budget).

As of September 30, 2013, committed amounts pending transfers to Agencies totaled USD 2,236 million, representing an increase of USD 157 million compared to the status as of June 30, 2013.

Cash Transfers

Total cash transfers amounted to USD 72 million between July 1, 2013 and September 30, 2013. Of this amount, USD 34 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 Trust⁴ 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 September 30, 2013 amounted to USDeq. 4,659 million, 20% of which represented unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 331 million as of September 30, 2013. This represents an increase of USD 42 million compared to June 30, 2013.

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

² Ibid.

³ Valued using GEF-5 agreed exchange rates.

⁴ Funds Held in Trust represents balance of cash, investments and unencashed promissory notes as of the reporting date.



1. GEF Trust Fund Summary – Inception through September 30, 2013

	Total (in SDR millions)
<u>Donor Pledges and Contributions (in SDR millions)</u>	
Received IoCs	9,101.3
GEF-4 IoCs not yet deposited	4.0
GEF-5 IoCs not yet deposited	16.4
Total Donor Pledges and Contributions (in SDR millions)	<u>9,121.7</u>

	Total (in USD millions)
<u>Cumulative Resources (in USD millions)</u>	
<u>Resources received</u>	
Cash Receipts	11,254.6
Unencashed promissory notes	948.9
Investment Income earned	1,139.9
Total Resources Received	<u>13,343.5</u>
<u>Resources not yet received</u>	
GEF-5 IoCs not yet deposited	22.4
GEF-4 IoCs not yet deposited	6.1
Installment Receivables	1,161.3
Total resources not yet received	<u>1,189.9</u>
Total Cumulative Resources (A) (in USD millions)	<u>14,533.4</u>

<u>Cumulative Funding Decisions (in USD millions)</u>	
Approvals by Council and CEO	13,794.8
Cancellations	(901.1)
Pending Decisions of Intersessional and Council Meetings	-
Total Funding Decisions Net of Cancellations (B) (in USD millions)	<u>12,893.8</u>
Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)	<u>1,639.7</u>

<u>Funds Available (in USD millions)</u>	
Funds Held in Trust with no restrictions	4,597.1
Approved Amounts Pending Cash Transfers to Agencies	4,266.3
Total Funds Available to Support Council or CEO Decisions (in USD millions)	330.8



2. Cumulative Resources and Funding Decisions

In USD millions

	September 30, 2013	June 30, 2013
1. Cumulative Resources	14,533	14,468
<u>Resources not yet received</u>	<u>1,190</u>	<u>1,216</u>
GEF-5 IoCs not yet deposited with the Trustee	22	35
GEF-4 IoCs not yet deposited with the Trustee	6	6
Installment Receivables	1,161	1,176
<u>Resources received</u>	<u>13,344</u>	<u>13,252</u>
Cash receipts from installments and encashments	11,255	11,135
Unencashed promissory notes	949	990
Investment Income earned on undisbursed balances of GEF Trust Fund	1,140	1,127
2. Cumulative Funding Decisions	12,894	12,842
Approvals by Council and CEO	13,795	13,740
Cancellations	(901)	(898)
Pending decisions of Intersessional and Council Meetings	-	-
3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)	1,640	1,626

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.
- Of the total Cumulative Resources of USDeq. 14.5 billion, 8% (USDeq. 1.2 billion) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee totaled to USDeq. 29 million and Installment Receivables under IoCs and QIoCs already deposited with the Trustee amounted to USDeq. 1.2 billion.
- Total funding decisions amounting to USDeq. 12.9 billion represent about 89% of the total cumulative GEF resources.
- As of September 30, 2013, Cumulative Resources net of Funding Decisions amounted to USDeq. 1.6 billion.



2a. Cumulative Resources

In USD millions

INSTRUMENTS OF COMMITMENT (IoCs) TO BE DEPOSITED

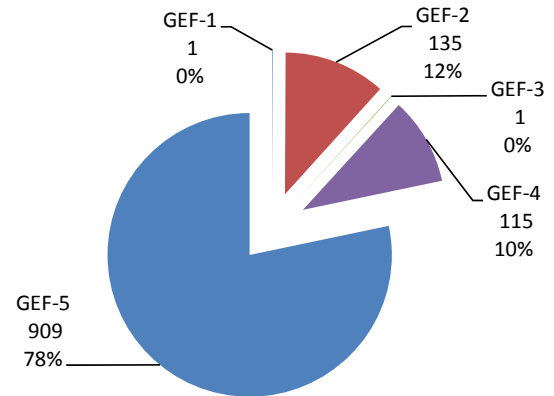
Contributing Participant	Replenishment	Currency of Obligation	Amount in COO	USDeq.	Percentage
Nigeria	GEF-4	SDR	4.0	6.1	100.0%
Total GEF-4 IoCs Not Yet Deposited				6.1	100.0%
Greece	GEF-5	EUR	4.4	6.0	26.7%
Nigeria	GEF-5	NGN	921.9	5.7	25.5%
Pakistan	GEF-5	PKR	499.6	4.7	21.0%
Portugal	GEF-5	EUR	4.4	6.0	26.7%
Total GEF-5 IoCs Not Yet Deposited				22.4	100.0%

- Since the adoption of the GEF-5 Replenishment Resolution No. 2010-0004 on July 19, 2010, and as of September 30, 2013, 29 Contributing Participants have deposited their IoCs or QIoCs in the form and substance agreed under the GEF-5 Replenishment Resolution.



INSTALLMENT RECEIVABLES BY REPLENISHMENT

As of September 30, 2013, Installment Receivables under IoCs and QIoCs deposited with the Trustee amounted to USDeq. 1,161 million. Of this, 78% represents GEF-5 installments, based on the IoCs and QIoCs received by the Trustee as of September 30, 2013. The remaining 22% represents GEF-1, GEF-2, GEF-3 and GEF-4 installment receivables.



ARREARS

As of September 30, 2013, cumulative arrears amounted to USDeq. 263 million. Of this amount, USDeq. 137 million represents arrears under GEF-1, GEF-2 and GEF-3. GEF-5 arrears totaled USDeq. 127 million.

Contributing Participant	Repl.	Currency	Arrears Amount	USD eq.
Egypt	GEF-1	SDR	0.5	0.8
United States	GEF-2	USD	135.0	135.0
Nigeria	GEF-3	SDR	0.7	1.0
Spain	GEF-5	EUR	10.1	13.6
United States	GEF-5	USD	112.9	112.9
Total				263.4

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 September 30, 2013, restricted resources totaled USDeq. 62 million comprising:

- (i) GEF-5 contributions pre-paid and not yet released (USD 1 million); and
- (ii) a foreign exchange reserve⁵ of USD 60 million.

	USDeq.	Percentage
Deferred Contributions	-	0%
Pre-paid Contributions	2	2%
Total Restricted Contributions	2	2%
Reserve to cover FX fluctuations	60	98%
Total Restricted Resources	62	100%

⁵ 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

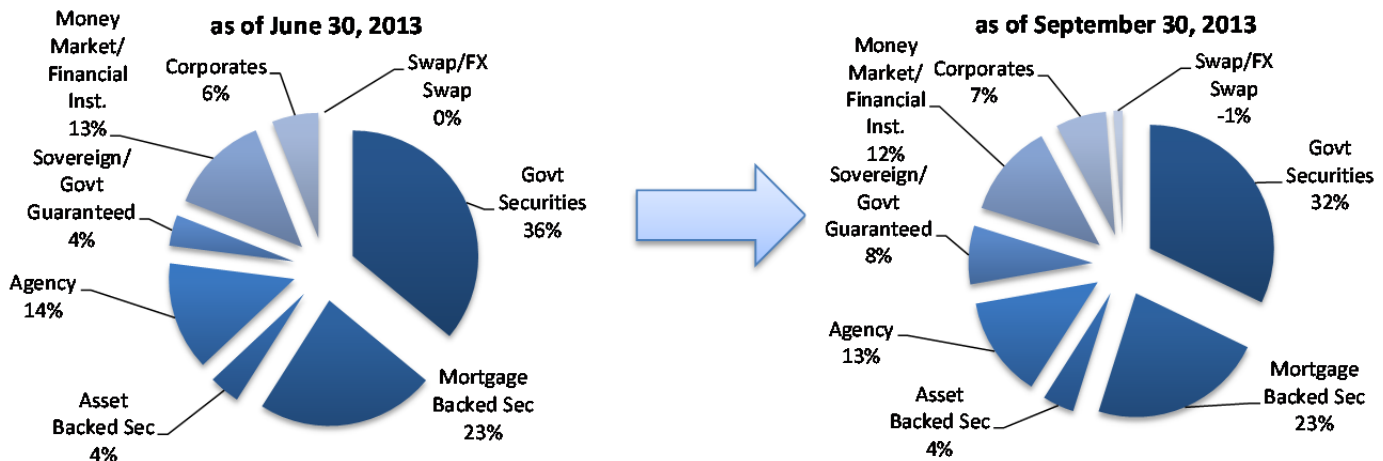
The undisbursed cash balance of the GEF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

ASSET MIX

GEF Trust Fund assets are invested across three of the World Bank Trust Fund’s investment model portfolios, (“Tranche 0” for short term working capital needs, “Tranche 1” with an investment horizon of one year, and “Tranche 2” with an investment horizon of three years). The latter two tranches aim to optimize investment returns subject to capital preservation with a high degree of confidence (based on statistical models) over the respective investment horizon. Although actual future returns will depend on market conditions, the Trust Fund Investment Pool portfolio is actively monitored and adjusted to preserve donor funds over the investment horizons. Over shorter periods however, market volatility may result in negative actual or ‘mark-to-market’⁶ returns.

Overall, the GEF Trust Fund cumulative returns have been driven by its investment in longer-term tranches, which may be exposed to higher volatility in returns over shorter periods, but are expected to have higher returns over longer periods.

By asset class, the largest allocations are to government securities, mortgage backed securities (MBS), and money-market instruments. Allocations have been relatively stable over time.

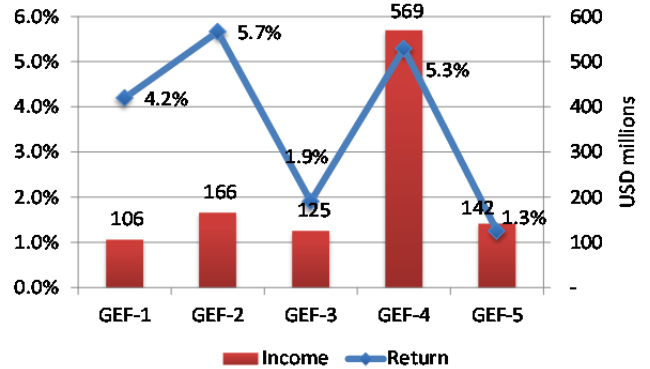


⁶ Mark-to-market returns or losses represent unrealized returns or losses reported via accounting entries rather than the actual sale of a security.



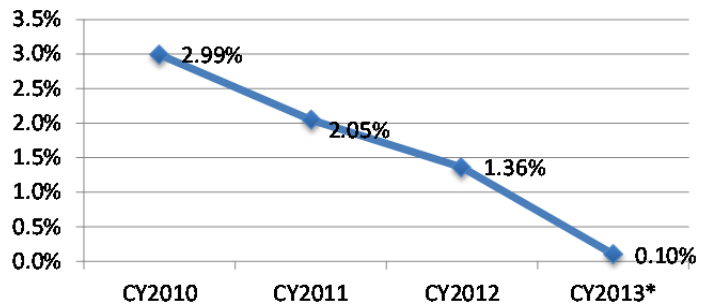
INVESTMENT INCOME

The total amount of investment income earned since the beginning of GEF Pilot phase is USD 1,140 million. Since the beginning of the GEF-5 replenishment period, USD 142 million has been earned in the GEF Trust Fund (representing 1.3% average return).



INVESTMENT RETURNS

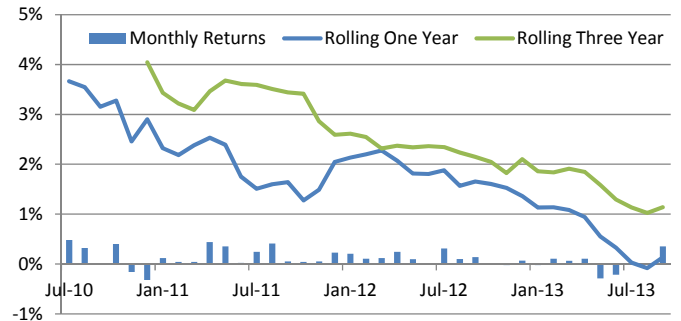
During the nine months of calendar year 2013, the investment return on the GEF balances was 0.10%. Movements in yields continued to exhibit volatility over the quarter due to shifting market expectations about US Federal Reserve policy (“tapering”); returns were very modest in July and August, but stronger in September. Returns are expected to be modest going forward as the risk of rising market yields remains elevated, with an adverse effect on total portfolio returns due to lower bond prices.



*Non-annualized rate of return

GEF TRUST FUND INVESTMENT PORTFOLIO: ONE AND THREE YEAR ROLLING RETURNS

GEF Trust Fund investment portfolio average one year and three year rolling returns were 1.78% and 2.50%, respectively. Rolling returns demonstrate the ability to achieve investment goals consistently and over time.



Past performance is not an indication of future returns. Data analyzed from 7/2010 to present.

ADJUSTMENTS FOR CHANGES IN MARKET CONDITIONS

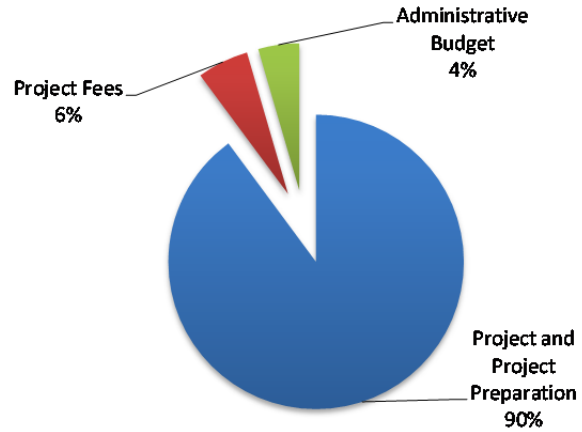
Current low interest rates are reflected in lower coupon returns on fixed income instruments. As the market price of these instruments falls when interest rates increase, there is also a smaller cushion against price losses when interest rates increase. Given the challenging environment for fixed income investments, the World Bank Treasury has taken steps since 2011 to reduce the interest rate sensitivity of the Trust Fund Investment Pool portfolio to limit the impact of potential future interest rate increases (known as “duration”). Additionally, efforts have been underway to enable investments in a broader universe of assets in order to achieve greater diversification of portfolio risks and increase returns. Diversification opportunities include new emerging market sovereign debt, covered bonds, and commercial paper.



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

CUMULATIVE FUNDING DECISIONS

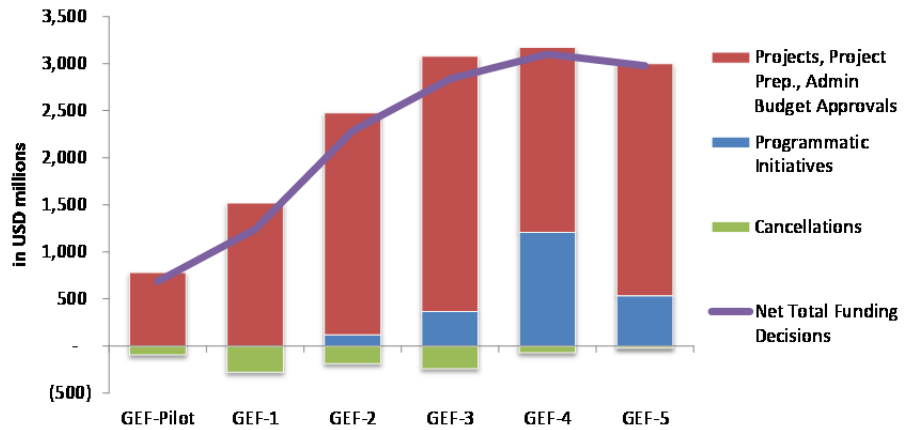
Since inception to September 30, 2013 funding approvals made by the Council and CEO totaled USD 13,795 million, of which 90% was approved for Projects and Project Preparation activities.



FUNDING DECISIONS BY REPLENISHMENT

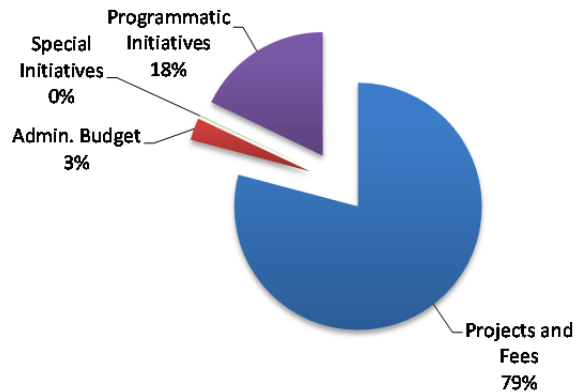
Funding decisions by Replenishment show the cumulative funding decisions including cancellations. Cumulative funding cancellations totaled USD 901 million.

GEF-5 funding decisions to date amount to approximately USD 3 billion.



GEF-5 FUNDING DECISIONS

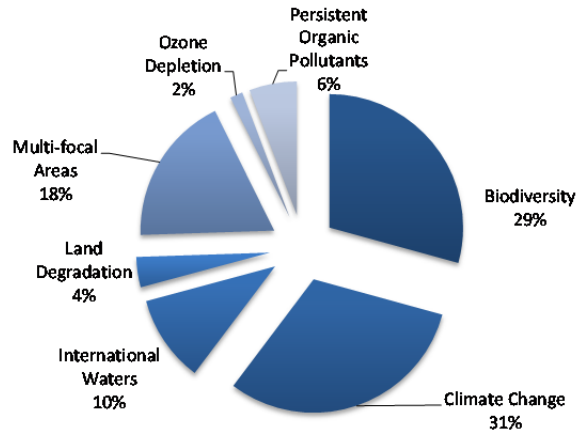
Of the total amount of USD 3 billion approved to date by the GEF Council and GEF CEO under the GEF-5, Programmatic Initiatives comprise 18% of GEF-5 funding decisions, while Projects not attached to Programmatic Initiatives and Fees comprise 79% of GEF-5 funding decisions.





FUNDING DECISIONS BY FOCAL AREA

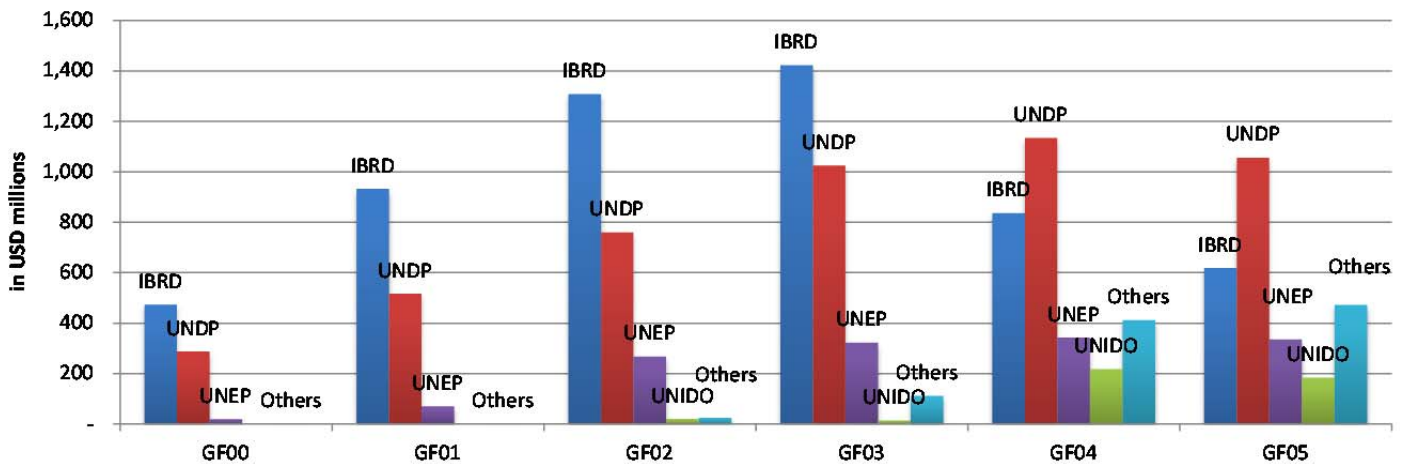
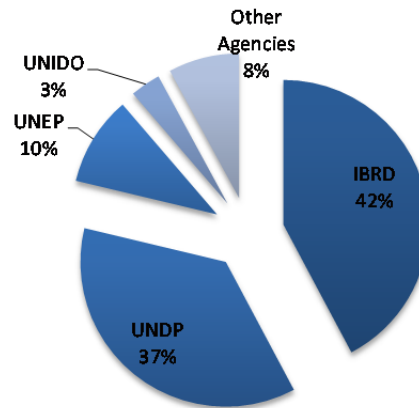
Funding Decisions by Focal Area show cumulative funding for projects only, and exclude fees. Projects in the areas of biodiversity and climate change represent approximately 60% of the cumulative funding approved to date.



FUNDING DECISIONS BY AGENCY

79% 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 implemented 11% of the funding.

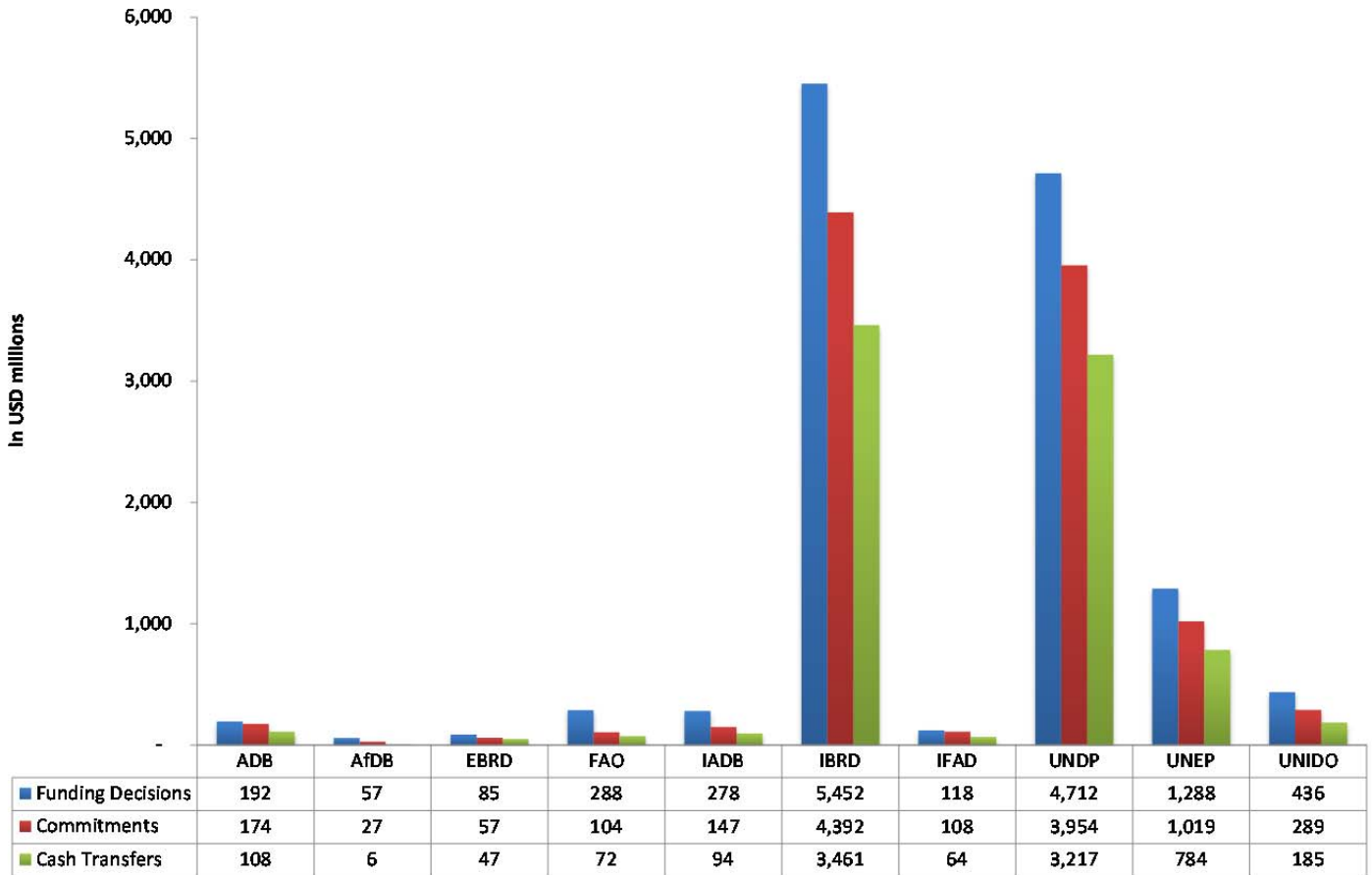
The Agencies' share of funding approvals changes over time. IBRD's share fell from 61% in the GEF Pilot to 23% in GEF-5. UNDP's share increased from 37% in the GEF Pilot to 40% in GEF-5. UNEP's share increased from 2% in the GEF Pilot to 13% in GEF-5. The combined share of other Agencies increased from 1% in GEF-2 to 18% in GEF-5.





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 Sept. 30, 2013 (a)	As of June 30, 2013 (b)	Change (a) - (b)
1. Funds Held In Trust	4,659	4,638	21
a. Cash and investments	3,710	3,647	62
b. Unencashed promissory notes	949	990	(41)
2. Restricted Funds	62	61	0
a. Deferred Contribution in respect to the pro rata right	-	-	-
b. Pre-paid Contributions	2	1	0
c. Reserve to cover foreign exchange rate fluctuations	60	60	-
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	4,597	4,576	21
4. Approved Amounts Pending Cash Transfers to Agencies	4,266	4,287	(21)
a. Trustee committed	2,236	2,079	157
b. Approved by Council but not yet CEO Endorsed	2,031	2,208	(177)
c. Requested amounts for financing pending decision	-	-	-
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	331	289	42

Highlights for the period July 1, 2013 through September 30, 2013:

- **Funding Availability** increased by USDeq. 42 million over the prior reporting period as a result of:
 - An increase in **Funds Held in Trust** of USDeq. 21 million, resulting from:
 - Cash installment receipts of USD 31 million,
 - Cash transfers for projects, project preparation grants, Agency fees and administrative budgets during the period of USD 72 million, and
 - Encashment of promissory notes, changes in values of promissory note balances and deposits of new promissory notes
 - 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			1,397
Estimated Funds Available to Support Council or CEO Financing Decisions			331
	Potential Amount Available	of which Projected to be Available	
Receivables			1,025
Arrears	263	127	
Past-due	7	7	
Due in FY14	891	891	
Release of Restricted Contributions			2
Deferred Contributions	-	-	
Pre-paid Contributions	2	2	
IoCs not yet Deposited with the Trustee	29	22	22
Projected Investment Income	17	17	17
Total	1,209	1,066	
3. GEF-5 Specific Funding Decisions			2,961
Approvals by Council			2,810
Projects and Fees		2,192	
Admin. Budget		86	
Special Initiatives		3	
Programmatic Initiatives		529	
Approvals by CEO			150
Projects and Fees (MSPs, EEAs)		108	
Project Preparation Activities and Fees		42	
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 September 30, 2013 (4 = 2 + 3)			4,357
5. Excess or (Shortfall) as Measured Against the Target in Line 1			17



Highlights as of September 30, 2013:

- **Projected Available Resources** through the end of the GEF-5 period amounted to USD 1,397 million (32% of the total GEF-5 envelope).
- 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.
- **GEF-5 Funding Decisions** amounted to USD 2,961 million (68% of the total GEF-5 envelope, including amounts pending decision).
- The **Target Replenishment Funding** amount represents the targeted new resources as agreed by Donors during replenishment discussions; it includes the carryover of arrears, deferred contributions, and paid-in funds not yet set aside.
- **The estimated excess of the GEF-5 Envelope Value** as measured against the Target Replenishment totals USD 17 million due to the revaluation of contribution receivables and the exclusion of some arrears and IoCs not yet deposited with the Trustee from the amounts projected to become available by the end of the GEF-5 replenishment 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				1,205					1,540
Estimated Funds Available to Support Council or CEO Financing Decisions			331					331	
	Potential Amount Available	of which Projected to be Available		Potential Amount Available	of which Projected to be Available				
Receivables			855				1,161		
Arrears	263	-		263	263				
Past-due	7	7		7	7				
Due in FY14	891	848		891	891				
Release of Restricted Contributions			2				2		
Deferred Contributions	-	-		-	-				
Pre-paid Contributions	2	2		2	2				
IoCs no yet Deposited with the Trustee	29	-	-	29	29		29		
Projected Investment Income	17	17	17	17	17		17		
Total	1,209	874		1,209	1,209				
3. GEF-5 Specific Funding Decisions				2,961					2,961
4. GEF-5 "Envelope" as of September 30, 2013 (4 = 2 + 3)				4,166					4,500
5. Excess or (Shortfall) as Measured Against the Target in Line 1				(175)					160



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;
- Payments of the GEF-5 fourth installment due in 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.